

CONSTRUCTION COSTS & HOUSE PRICES INDICES

This note looks at the latest movements in building costs and house prices since the beginning of 2015. It is based on indices published by the Government (“National Statistics”) and includes the latest data up to the end of June 2021.

House construction costs

The Office for National Statistics (ONS) produces the official Government figures on the construction industry. The ONS Construction Output Price Indices measure inflation in the construction industry. Below are indices for the series “*New Work – Housing (private and public)*” (2015 = 100).

Date	Index compared to 2015	Increase since 2015
March 2021	117.8	+18%

Source: Office for National Statistics. *Construction Output Price Indices for Great Britain.*

School building costs

ONS Construction Output Price Indices measure inflation within the construction industry by using output prices which weight together labour, material and plant and machinery costs multiplied by a mark-up for profit margin.

Below are indices for the series “*New Work – All construction*” (2015 = 100).

Date	Index compared to 2015	Increase since 2015
March 2021	115.7	+16%

Below are indices for the series “*New Work – Public Sector construction (other than housing)*” (2015 = 100).

Date	Index compared to 2015	Increase since 2015
March 2021	114.4	+14%

Source: Office for National Statistics. *Construction Output Price Indices for Great Britain.*

House prices

The ONS *UK House Price Index* is compiled using data from the Land Registry (January 2015 = 100). For the UK and Guildford it has the following indices for April 2021:

	Type of building	Index compared to January 2015	Increase since January 2015
United Kingdom	All properties	131.5	+32%
Guildford	All properties	124.6	+25%

Source: Office for National Statistics *UK House Price Index – Land Registry data.*

The data also separates new build and existing properties. This series has the following indices up to February 2021:

	Type of building	Index compared to January 2015	Increase since January 2015
United Kingdom	New build	136.6	+37%
	Existing buildings	131.7	+32%
Guildford	New build	128.8	+29%
	Existing buildings	126.5	+27%

Source: Office for National Statistics *UK House Price Index – Land Registry data*.

Main points to note:

- Official figures from the Government throw considerable doubt on the claim by Berkeley Homes that, since 2014, school building costs have increased to such an extent that the development is now financially unviable.
- Since 2015, indices for the building costs for schools and houses have increased by less than the price indices for house sales.
 - The cost of building houses has increased by about 18% since 2015.
 - The cost of building schools is also likely to have increased by about 15-20% since 2015.
 - New house prices for Guildford, and therefore revenue, have increased by about 29% since 2015.
- Based on construction cost and house price indices, profits from this development should have increased since the planning application was submitted towards the end of 2014.
- From the above analysis it seems extremely unlikely that the original proposal from Berkeley Homes is now financially unviable and that 110 more houses are needed.
- There needs to be much greater transparency, and close public scrutiny, of the original costs of the proposal from Berkeley Homes, the latest financial assessment of the project from Berkeley Homes and a detailed understanding of how and why the figures have changed since 2014.