

## Optimising your home improvements.

### Looking ahead: Forecasting UK construction costs by Ian Prichard of The Walker Prichard Partnership

At the start of 2025, there is a sense of cautious optimism in the UK's high-end residential construction sector, with signs the sector has found innovative solutions to inflation, material price fluctuations, and labour shortages. Opportunities now exist for homeowners to leverage emerging trends in sustainability, efficiency, and technology to enhance project value.

#### 5 positive drivers for 2025

##### 1. Material price stabilisation and supply chain recovery

After a period of extreme volatility in material prices caused by the pandemic and global supply chain disruptions, there are indications that the construction industry has adapted by diversifying supply sources and improving inventory management.



As a result, while materials such as timber, steel, and cement may remain at higher-than-pre-pandemic levels, the rate of price increase is expected to moderate to around 3-4% in 2025. This will give homebuilders a more predictable cost environment, in turn helping with budgeting and financial planning.

##### 2. Technological innovation and efficiency gains

The construction sector has embraced technological advancements and these are already helping to reduce inefficiencies and control costs. Innovations such as BIM (a software tool that enables collaborative working between all the disciplines involved in design, construction, maintenance and use of buildings) are dramatically streamlining processes and reducing the amount of time and labour required to complete projects.

##### 3. Increased investment in green and sustainable homes

For homeowners, the installation of renewable energy systems such as solar panels, ground and air source heat pumps, better insulation, and energy-efficient windows are all opportunities not only to improve the long-term value of your property but also to reduce future energy bills.

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This is, of course, far easier to implement within a new build project, compared to working within the constraints of a Listed building. Yet advances in construction technologies mean it's becoming perfectly feasible to use sustainable methods and materials, even for heritage properties.

And, the typical increase in construction costs of around 3-5% for the integration of sustainable features can be fully balanced by government grants and tax relief, and reduced operational costs. For medium- to long-term propositions, the cost-effectiveness of sustainable technologies become even more cost-effective.

#### **4. Skilled labour resilience and investment in training**

While labour shortages have been a challenge for the construction industry post-pandemic, there have been significant efforts to address this issue. The sector has seen increased investment in training and apprenticeships, especially in high-demand areas like bricklaying, plumbing, and electrical work. And there's evidence that government/industry initiatives aimed at attracting younger workers into the sector and up-skilling the existing workforce are starting to pay off.

All of this means that in 2025, the labour market should become more balanced, with more skilled workers available to meet the growing demand for private residential projects, allied to moderate, 3-4% labour-cost increases.

#### **5. Improved market conditions and consumer confidence**

With both UK-based and foreign investment continuing to enter the UK's high-end residential property market, the sector should continue overall to flourish in 2025.

Any lowering of interest rates will encourage investment in home-building and improvement. And, as the demand for new homes and renovations increases, economies of scale and competition among contractors will help keep costs in check.

Shifting work and lifestyle preferences mean increased demand for residential properties in suburban and rural areas, and this should contribute to a more balanced general cost increase of around 4-5% in 2025.



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# MIDDLETON

A D V I C E



## ii. Home extensions and renovations:

A forecast rise of 3-5% reflects moderate increases in materials and labour, balanced by the growing availability of skilled workers and technological advances.

With strategic planning and careful management of resources, 2025 offers a promising environment for investing in new homes, extensions, and renovations, while working closely with a Construction Cost Consultant will provide invaluable, early, cost information to inform your decision-making.



## Construction costs forecast for 2025

Given these positive trends, it's forecast that overall construction costs for high-end private residential projects in the UK will rise by 4-6% in 2025.

This can be further split as follows:

### i. New-build homes:

The forecasted increase of 4-6% will primarily stem from material and labour cost adjustments. However, homeowners can offset some of these costs by investing in energy-efficient and sustainable technologies, which will enhance the long-term value of their property.

**Thanks. Ian Pritchard, Director, The Walker Pritchard Partnership.**  
**For more information, head to their website [here](#).**