



The Economic Footprint of Home Building in England and Wales

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Last year the house building industry in England and Wales built around 240,000 new homes. Its economic footprint was significant.

Investment



£10.5bn

invested in land and buildings for homes



£16.6bn

spent on suppliers (90% stays in the UK)

Jobs and Growth



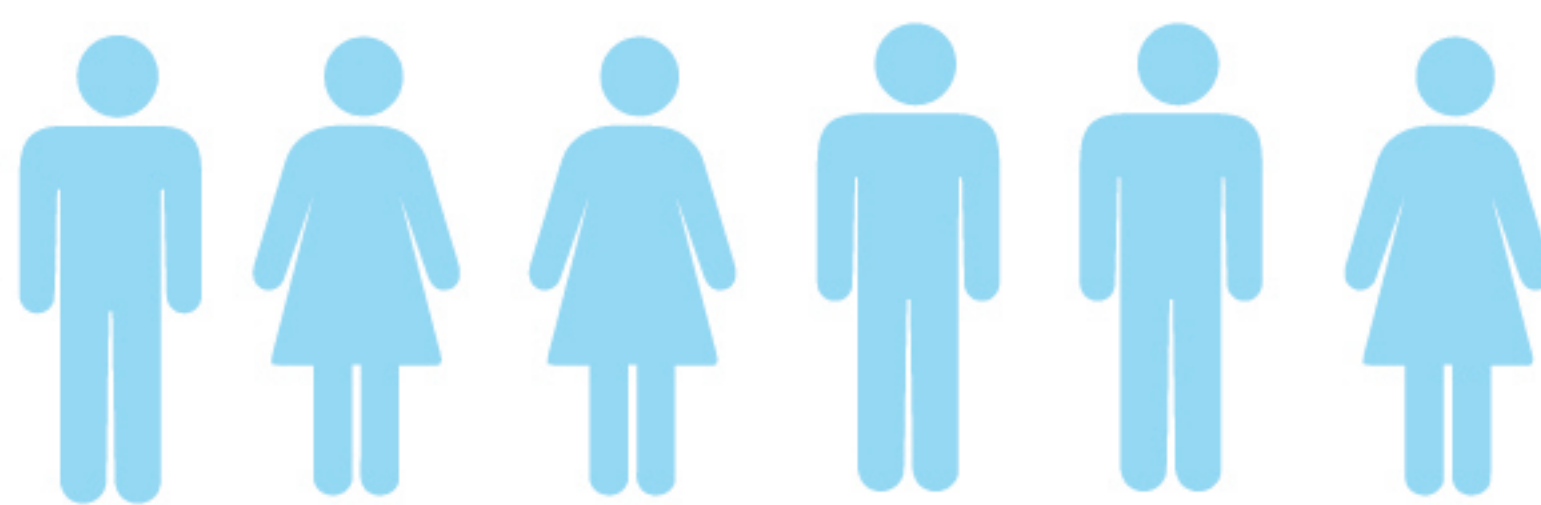
£53.3bn

of Economic Output

supported generated by house building each year

Nearly 834,000 Jobs

271,000 directly employed in the industry (33% of the construction industry)



6,000 Apprentices, 900 graduates and 3,300 other trainees

supported each year, excluding those in contractors and suppliers

Resources for Public Services



£6.4bn

of tax paid

Stamp Duty Land Tax, Corporation Tax, NI, PAYE, and Residents' Council Tax



£10.8bn of new "Affordable Housing"

20% of all new homes built in England and Wales are "affordable"



£1.5bn

for infrastructure

including £677m on new and improved education facilities

Stronger Local Communities and Environment



£216m invested in open space, youth, community, sport & leisure facilities.

£6.8bn spent in local shops and services by residents of new homes

A further £1.7bn is spent to make these houses "feel like home"



240,000 additional homes were delivered in England and Wales. Achieving this has meant that there has been:

£2.7bn

more net capital expenditure

£39.9bn

Gross Value Added

Up to 3.4

extra jobs (per new dwelling built)

£483m

Additional dwellings contribution of Council Tax receipts

£7bn

extra investment in local infrastructure

1.0 Introduction

- 1.1 The importance of the house building industry is firmly anchored within the national policy spotlight, given the clear focus on driving forward the supply of housing, tackling affordability and reversing declining rates of home ownership.
- 1.2 Yet the industry's ability to drive economic growth and support prosperous economies – as well as providing much needed housing to support sustainable communities – is also significant, with the economic contribution that house building makes to the economy having long been recognised by Government, policy makers and practitioners.
- 1.3 In 2015 and 2018, the Home Builders Federation ('HBF') commissioned Lichfields to assess the economic footprint of the house building industry in England and Wales, and quantify its economic contribution to the national economy. The 2015 study was the first of its kind to calculate the house building industry's national economic footprint in a truly holistic way and its analysis has been an important point of reference for the industry, as well as policy makers and other stakeholders.
- 1.4 This new report has been prepared by Lichfields to update the analysis undertaken in 2018, and draws on the latest information, statistics and trends in house building. It provides an up-to-date view of the economic footprint of the house building industry in both monetary and non-monetary terms. It also presents a series of case studies highlighting current trends house builders have witnessed in the industry. In line with the 2018 study, the data and analysis presented covers England and Wales only, to reflect the geographical focus of the HBF's work¹.
- 1.5 The study looks at a wide and comprehensive range of economic, social and environmental benefits that day-to-day house building activity generates. It uses several primary and secondary data sources to measure the industry's economic footprint and draws on a survey of some of the largest house builders in England and Wales, as well as the latest economic appraisal techniques and benchmarks.
- 1.6 The remainder of the report is structured as follows:
- **Section 2** summarises the methodology and approach used in the assessment of economic footprint of the house building industry in England and Wales;
 - **Section 3** details the national economic footprint of the house building industry across a series of key themes and metrics;
 - **Section 4** summarises some of the more qualitative, wider benefits associated with house building activity;
 - **Section 5** considers current industry trends, and presents a series of case studies;
 - Overall conclusions are presented in **Section 6**.

¹ Homes for Scotland (an independent organisation) represents the industry in Scotland.

2.0 Methodology and Approach

- 2.1 This report provides an updated analysis of the contribution of house building to the economy of England and Wales. It quantifies the economic contribution of house building in terms of both direct impacts (through house builders themselves and their contractors) as well as indirect and induced impacts (generated by other sectors and firms that rely on house building and its supply chains expenditure). It also summarises some of the wider impacts generated by house building that are typically more difficult to quantify.
- 2.2 Due to the scale and complexity of the house building industry, there is no single source of data that provides comprehensive information about its day-to-day economic activity and operations. In light of this challenge and in order to ensure that the outputs from the analysis are as accurate and robust as possible (whilst remaining proportionate), this update replicates the methodology applied in both the 2015 and 2018 studies by using a combination of approaches to measure the economic contribution of the house building industry, and broadly follows a three-stage approach as summarised below:
- 1 **“Top-down” Assessment** - estimating the economic contribution of the house building industry in England and Wales through a “top down” assessment using published Government accounts data and surveys;
 - 2 **“Bottom-up” Assessment** - collecting primary data from a sample of house builders, aggregating and extrapolating this up to cover the industry in its entirety. A sample of HBF house builder members were selected from each size tier to undertake a detailed “deep dive” analysis of each company’s output, financial and monitoring data as far as information is available and reported in a consistent format; and
 - 3 **Case Studies** - review of current trends in the industry exploring potential areas which influence the house building industry and the construction sector more generally in England and Wales over the short to medium term.
- 2.3 The analysis presented in this study is based on publicly available data published by the Office for National Statistics (‘ONS’) and other Government departments. In England, data about the gross number of additional dwellings is used, comprising new house building completions, gains/losses through conversions (i.e. conversions of a house to flats), change of use via permitted development rights (‘PDR’), and other changes to the dwelling stock. It should be noted that this figure does not net off any demolitions, as this activity is still considered to generate employment. In Wales, the figure for new dwellings is used, primarily due to data availability. This dataset is issued by the Welsh Government and is used to assess levels of housing supply across Wales.
- 2.4 The outputs from each step have been brought together and synthesised to estimate the industry’s existing economic footprint across the following broad categories:
- **Capital investment and expenditure benefits** - this relates to the value of capital investment and expenditure generated by the industry on new land for housing development;

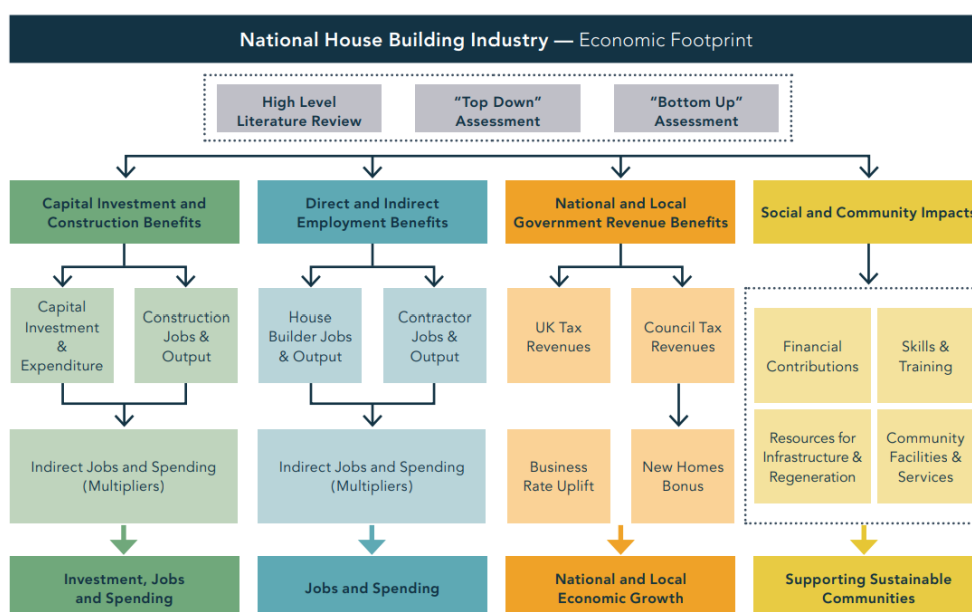
- **Construction benefits** - this relates to the impacts of the capital investment on construction employment and associated income generation and economic output during the construction of housing;
- **Direct employment benefits** - the number of people employed directly by house builders and their contractors, as well as the levels of economic output generated by these jobs;
- **Indirect and induced employment benefits** - further jobs supported in the wider economy in house building supply chains and by spending amongst direct and supply chain employees on goods and services;
- **Resident expenditure benefits** - level of expenditure generated by residents of new housing development;
- **Contribution to public finances** - contribution through tax revenues generated by house builders and their supply chain;
- **Local authority revenue benefits** - the benefits that house building development brings in terms of local authority financial receipts from New Homes Bonus ('NHB') and Council Tax;
- **Local community benefits** - financial contributions made by house building to fund new facilities, services and infrastructure for local communities; and
- **Wider and catalytic benefits** - this relates to other benefits that tend to be non-monetary such as the re-use of brownfield land and open space preserved.

Analytical Framework

2.5

The framework which the analysis within this updated is based on is set out in the figure below.

Figure 2.1 Analytical framework used in generating the economic footprint for the house building industry.



Source: Lichfields

- 2.6 A glossary for the various terms and definitions is set out at the end of this report.
- 2.7 As with many assessments of this nature, there are a number of limitations associated with the methodology and therefore outputs are intended to provide a broad “point-in-time” indication of the house building industry’s estimated economic contribution rather than a definitive assessment. The analysis presented in this study incorporates the latest data and other evidence available at the time of preparation.
- 2.8 The sample survey of house builder firms covers largely private sector enterprises. The results from the survey have been extrapolated to represent the industry as a whole – including the share of the industry accounted for by housing associations and/or registered providers and local authorities, both of which have an important role to play in delivering new homes each year. However, it is recognised that operational models and day-to-day activity is likely to vary across different sub-sectors of the industry. A detailed summary of results broken down by impact at England and Wales spatial levels is provided in Appendix 1.
- 2.9 The data derived from the “deep dive” sample survey of house builder firms, as well as other data derived from third party sources, is assumed to be accurate, and has not been independently validated by Lichfields.

3.0

The Economic Footprint

- 3.1 Analysis carried out on behalf of the HBF in 2015 and 2018 sought to quantify the economic contribution that house building makes to the UK economy and found this to be significant and wide-ranging. It makes a direct contribution to gross domestic product ('GDP') through the economic output or gross value added ('GVA') that it produces, whilst also supporting a significant employment base and contributing to public finances through the tax revenues that it generates.
- 3.2 More broadly, house building activity also has an important role to play in stimulating further demand and economic activity through its extensive supply chains and networks, which in turn generates additional output, employment, spending and tax contributions.
- 3.3 This section updates previous analysis by drawing together the latest data sources with results from the house builder survey undertaken as part of this exercise. Impacts are generally presented for England and Wales, although where this is not available this is clarified, and data is instead presented for the United Kingdom and/or Great Britain.

Capital Investment and Expenditure

- 3.4 The value of capital investment and expenditure generated by the house building industry on acquiring new land for housing development is significant, as house builders constantly invest in new land and sites in order to expand their development pipeline.
- 3.5 Based on our sample survey, it is possible to estimate that across England and Wales, annual capital investment and expenditure on new land for housing development amounts to nearly £10.5 billion (£10.1 billion in England and just under £400 million in Wales). Theoretically this land has the potential to yield a significant supply of new homes, although not all of it benefits from being allocated in Local Plans (or Local Development Plans in Wales) and/or having planning consent. House builders invested in land with equivalent capacity for 430,000 homes in the latest financial year, including 416,000 homes in England and 14,000 homes in Wales.
- 3.6 In addition, it is estimated that the construction industry generated over £2.7 billion of net capital expenditure² in 2023 on acquiring physical assets such as property, industrial buildings to support day-to-day commercial operations. This figure relates to the UK as a whole.

Economic Output

- 3.7 House building plays an important role in generating economic output. As shown in Table 3.1 below, new house building generated £53.3 billion of economic output to Great Britain's economy in 2023, the majority of which (87%) was contributed through private sector housing. This includes house builders themselves as well as their contractors and suppliers but excludes induced economic output. This figure is considerably higher than that

² ONS (2024), Capital Expenditure Estimates . Please note that construction designation used as a proxy incorporating standard industrial classification ('SIC') codes 41, 42 and 43. (Source: [link](#))

reported in 2018 (of £38 billion per annum), albeit construction industry output is heavily affected by seasonal factors and can fluctuate significantly over time.

Table 3.1 Value of construction output (2023)

Type	Output (£ billions)	Total
New housing		
Public housing	£6.9	13%
Private housing	£46.4	87%
Total new housing	£53.3	100%

Source: ONS (2024), Output in the Construction Industry in Great Britain - June 2024³

- 3.8 It is also possible to estimate how much GVA (a measure of economic output) the house building industry directly generates using data from the latest Annual Business Survey. Across the UK as a whole, the house building industry⁴ was reported to generate £39.3 billion of GVA in 2022⁵, although it is noted that this figure excludes some important supply chain and induced impacts.

Employment

- 3.9 The scale of house building activity across England and Wales means that its role in creating and supporting employment is considerable. This includes people directly employed by house building firms and their contractors, as well as employees supported in the wider supply chain (i.e. within firms that supply house builders with goods and services) and in the wider economy through the spending power of house builder, contractor and supply chain firm employees.

Direct Employment

- 3.10 Official Government data collated as part of the Business Register and Employment Survey ('BRES') provides an estimate of the number of people directly employed in the construction of domestic buildings⁶, which in England and Wales equated to 271,000 total jobs in 2022. Most of these jobs (259,000 or 96%) are based in England, with the remaining 13,000 (4%) based in Wales⁷.
- 3.11 This includes employees directly employed by house builder firms and organisations as well as firms contracted to deliver new homes on behalf of the country's house builders, but excludes workers involved in providing goods, services and materials. Direct employment of trade labour by home builders is relatively low. A survey undertaken by the Construction Industry Training Board ('CITB') and BMG Research in 2022⁸ indicated that just under 50% of on-site workers interviewed were employed directly. Based on the survey, the remainder of the workforce were either self-employed (42%), worked for an employment agency and/or were working on some other basis. The proportion of those working for agencies has increased from 6% in 2015 to 9% in 2022.

³ ONS (2024), Output in the Construction Industry in Great Britain (Source: [link](#))

⁴ As defined by SIC sub-sector code 41:2 Construction of residential and non-residential buildings

⁵ ONS (2024), Annual Business Survey, 2022 (Source: [link](#))

⁶ Defined as SIC sub-sector code 41:202 Construction of domestic buildings

⁷ Business Register and Employment Survey (2022), downloaded from Nomis June 2024 (Source: [link](#))

⁸ CITB (2023), Workforce Mobility and Skills in the UK Construction Sector 2022 (Source: [link](#))

- 3.12 Our sample survey suggests that the proportion of on-site personnel who are “in-house” averages at around 21% and varies between house builders but does not correlate with the size of the house builder. The highest proportion of on-site personnel (i.e. at 52%) was recorded by a top tier⁹ house builder, whilst the lowest proportion (i.e. at 8%) was also recorded by a top tier house builder.
- 3.13 Based on our sample survey it is possible to estimate that across England and Wales, firms and organisations in the house building industry directly employ just over 107,200 people; 103,800 people of whom are in England and just over 3,400 people in Wales.
- 3.14 The 2023 HBF Workforce Census¹⁰ found that the reliance of house building on foreign workers has stayed consistent from 2017 but the role of non-European Union (‘EU’) and/or European Economic Area (‘EEA’) overseas workers has grown, while the proportion of EU workers has reduced. The role of overseas workers in the house building industry is higher for certain trades, such as general labourers (28%), plasterers (25%) and painter/ decorator roles (25%).
- 3.15 The HBF Census also found that the house building industry’s reliance on foreign workers is heavier than for the wider construction industry, and that reliance on foreign labour is the heaviest in London and the South East, where housing demand is most acute. For example, over 60% of workers in London are foreign, compared with an average of 19.6% in the UK, reflecting a tighter labour market in London.
- 3.16 Our sample survey of house builder firms also provides an estimate of the number of apprentices, graduates and trainees that are directly supported by the industry (i.e. in-house through house builder firms and organisations themselves). Across the industry in England and Wales, this is equivalent to around 6,000 apprentices, 900 graduates and 3,300 other trainees last year. The actual figure is likely to be higher as many more will be employed by contractors and suppliers.

Indirect and Induced Employment

- 3.17 In addition to direct and on-site employment, it is widely recognised that the house building industry has a large supply chain. Annual expenditure on suppliers (i.e. providing goods, services and materials) across the house building industry in England and Wales is estimated to add up to £16.6 billion per annum, based on our sample survey of house builder firms. Much of this supplier spending is retained within the UK and benefits a number of micro businesses, as well as small and medium-sized enterprises¹¹ (‘SMEs’). A study from the Department for Business, Innovation and Skills (now dissolved and reformed as three separate departments in February 2023), estimates that for every £1 spent in construction at least 90% is retained within the UK¹³.

⁹ For the purposes of this study, assumed to comprise the delivery of over 1,000 new dwellings each year.

¹⁰ HBF (2023), Workforce Census 2023 (Source: [link](#))

¹¹ Local Government Association (2021), Building post-pandemic prosperity (Source: [link](#))

¹³ Department for Business, Innovation and Skills (2013), UK Construction: An economic analysis of the sector (Source: [link](#))

- 3.18 The extent of the sector's supply chain employment has been explored through a number of previous studies. Drawing on the most recently published UK-based multipliers¹⁴ and other recent ONS data¹⁵ a supply chain (i.e. Type 1) multiplier ranging between 1.6 and 1.53 respectively has been used. This means that for every 1 direct job in construction, between 0.53 and 0.6 additional jobs are supported more widely across the supply chain.
- 3.19 When taking account of induced employment effects – i.e. employment supported by the wage spending of direct and supply chain workers in construction – a range of higher “combined” employment multiplier figures have been identified. Drawing on the same sources outlined above, it is estimated that construction has an induced (i.e. Type 2) multiplier ranging between 0.55 and 0.8, meaning that each direct and/or supply chain job supports between 0.55 and 0.8 additional jobs more widely.
- Employment Summary**
- 3.20 In combination, the house building industry is therefore estimated to support up 834,000 jobs across a range of organisations, operations and occupations in England and Wales. As summarised in Table 3.2 below, from the maximum potential total employment supported (834,000 jobs), around 33% (or 271,000 employees) are directly employed by house building firms and organisations and/or their subcontractors. The remaining 563,000 jobs are split between indirect employees (i.e. those working within the house building supply chain) and other employees working across the wider economy, for example providing goods and services to house builder, subcontractor and supplier employees.
- 3.21 This scale of employment supported by the house building industry is estimated to support up to 3.4 jobs per dwelling built¹⁶. This figure will vary year-on-year depending upon the exact nature of new homes built (such as an increasing proportion of new supply coming from permitted development change of use which is inevitably less labour intensive than new build housing, per unit delivered) and will also reflect increasing productivity within the sector.

Table 3.2 Summary of direct, indirect and wider induced employment supported by the house building industry

	Total
Direct employment supported (i.e. by house builders and their subcontractors)	271,000
Indirect employment supported (i.e. in the house building supply chain)	162,000 – 414,630
Induced employment supported (i.e. in the wider economy)	54,200 – 149,050
Total employment supported (i.e. direct + indirect + induced)	487,000 – 834,000

Source: Lichfields analysis

¹⁴ Scottish Government (2023), Supply Use and Input-Output Tables: 1998-2020 (Source: [link](#))¹⁵ ONS (2024), UK input-output analytical tables: product by product and BRES data based on the methodology adopted by the Scottish Government (Source: [link](#))¹⁶ Based on 239,870 gross additional homes during 2022/23 in England (Source: [link](#)), 5,800 net additional homes completed in Wales during 2022/23 (Source: [link](#))

Public Finances

- 3.22 The house building industry makes a significant contribution to public finances through tax revenues generated by house builders and their supply chains.
- 3.23 Stamp Duty Land Tax ('SDLT') is charged on all purchases of houses, flats and other land and property in the UK over a certain price. In 2022/23, SDLT generated £15.3 billion of revenue for the Exchequer in England¹⁷ and £380 million in Wales¹⁸. House builders alone are estimated through our survey sample to generate over £542 million of Stamp Duty Land Tax per year through sales of new build homes; this includes £525 million in England and £17 million in Wales.
- 3.24 Corporation tax is levied on profit generated by house builders and provides a direct revenue stream for the public purse. Based on our sample survey, it is estimated that house builders incurred over £1.5 billion of corporation tax last year across England and Wales. A total of £2.1 billion of corporation tax was paid in the most recent year.
- 3.25 House builder firms also make a significant contribution to His Majesty's Revenue and Customs ('HMRC') revenues through employee related National Insurance ('NI') and Pay As You Earn ('PAYE') contributions. These contributions are estimated to add up to £3.3 billion in England and Wales last year (£3.2 billion in England and over £100 million in Wales). Please note that this figure excludes tax paid by employees themselves, and by contractors in the supply chain.
- 3.26 The industry also contributes to the Exchequer through a range of other taxes such as landfill tax, business rates and non-recoverable Value Added Tax ('VAT').

Local Authority Fiscal Benefits

- 3.27 The house building industry delivers economic benefits for local authorities through financial receipts generated in the form of NHB payments (i.e. in England only) and ongoing Council Tax. This additional revenue represents an increasingly important source of income for local authorities as budgets continue to be squeezed. In the financial year 2023/24, NHB allocations to local authorities across England amounted to £290 million, falling from the £556 million announced for 2022/23¹⁹.
- 3.28 Ongoing Council Tax generates £36.5 billion²⁰ each year for local authorities across England. Within Wales, it is estimated that £1.9 billion of Council Tax was collected in 2022/23²¹. It is estimated that house building activity²² across England and Wales in 2022/23 alone contributed £483 million of Council Tax receipts²³. As the stock of homes increases, these figures will compound year on year. In this regard, one should note the role of additional housing not just in accommodating population growth, but also in enabling

¹⁷ His Majesty's Revenue and Customs ('HMRC') (2023), Annual Stamp Tax 2022-2023 (Source: [link](#))

¹⁸ Welsh Government (2023), Land Transaction Tax statistics April 2022-March 2023, (Source: [link](#)). It is noted that this is not the most recent dataset but has been used to keep aligned with figures available for England.

¹⁹ Department for Levelling Up, Housing and Communities (DLUHC) (2022), New Homes Bonus Allocation (Source: [link](#))

²⁰ DLUHC (2023), Collection rates for council tax and non-domestic rates in England 2022 (Source: [link](#))

²¹ Welsh Government, Council Tax Collection Rates in Wales 2022/23 (Source: [link](#)). It is noted that this is not the most recent data set but has been used to keep aligned with figures available for England.

²² Based on 239,870 gross additional homes during 2022/23 in England (Source: [link](#)), 5,800 net additional homes completed in Wales during 2022/23 (Source: [link](#))

²³ Based on average Council Tax per dwelling of £1,966 in 2022/23 in England (used as a proxy) (Source: [link](#))

households to form (including many “concealed” households). According to the ONS²⁴, multi-family households accounted for 1.4% of all households in 2021, representing an increase of 0.2 percentage points relative to 2011.

Local Community Benefits

- 3.29 In addition to delivering much needed housing and supporting employment across a range of sectors of the economy, house building also provides a wide range of other economic benefits for local communities through financial and other contributions made through the planning system. Some of these are detailed below.

Section 106 and Community Infrastructure Levy contributions

- 3.30 Section 106 (‘S106’) of the Town and Country Planning Act 1990 (amended) provides a tool for securing investment in essential infrastructure arising from development and this contribution can be used by local authorities to fund new services and infrastructure in the local area.
- 3.31 Based on the sample survey it is possible to estimate that across England, over £1.5 billion of S106 contributions are made each year towards funding these facilities and services, with a further £48 million of contributions made in Wales.
- 3.32 The majority of this funding relates to financial contributions made to the local authority, with the remaining associated with works undertaken directly by house builders to construct and/or implement the facilities themselves. S106 contributions most commonly relate to education provision (i.e. school places), although significant financial contributions are also made towards funding public open space, sport and leisure facilities and improvements to public transport and highways (Table 3.3).
- 3.33 Latest data from Ministry of Housing, Communities and Local Government (‘MHCLG’) estimates that in 2018/19 the value of developer contributions generated through house building in England was £7.0 billion. This includes Community Infrastructure Levy (‘CIL’) contributions as well as a range of other types of contributions including open space, education, transport and travel. This represents a 16% increase in nominal terms since 2016/17²⁵.

²⁴ ONS (2021), Census 2021: Families in England and Wales (Source: [link](#))

²⁵ Ministry of Housing, Communities and Local Government (2020), The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018-19 (Source: [Link](#))

Table 3.3 Estimated Section 106 contributions by type

Type of Facility	Annual S106 Contributions (£ millions)
Education facilities	£677.4
Public open space	£106.0
Sport and leisure facilities	£63.5
Healthcare facilities	£52.8
Youth and community facilities	£46.4
Highways and road infrastructure	£230.7
Public transport and active travel	£103.8
Other contributions (incl. affordable housing, regeneration, public art, etc..)	£228.8
Total	£1,509.4

Source: Lichfields analysis.

3.34 The CIL was introduced by Government in 2012 to allow local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The income can be used to fund a wide range of infrastructure that is needed as a result of development, including road improvements, flood defences, schools, green spaces and leisure centres. The CIL is levied separately to S106 contributions.

3.35 Based on the sample survey of house builders, it is estimated that the industry generates just over £530 million of CIL contributions each year in England and £17.5 million in Wales, making a significant contribution towards supporting local community infrastructure. This figure has increased considerably from £188 million across England and Wales in 2018, now that many more local authorities have adopted CIL Charging Schedules.

Affordable Housing

3.36 Affordable housing (defined as social rented, affordable rented and intermediate housing) represents an important component of overall housing supply and completions have picked up across England and Wales over the years following the recession.

3.37 These affordable homes are delivered through a combination of private sector house builders, registered providers of social housing and local authorities. Based on our sample survey of house builder firms, it is possible to estimate the value of affordable housing sales at £10.8 billion per year across England and Wales, representing a total discount to market value (in effect, a subsidy) of around £2.2 billion. Government estimates for 2022/23 suggest that in England a total of around 63,600 affordable homes were delivered, 47% of which were funded through S106 agreements, compared with 44% in 2021/22²⁶. In 2022/23, around 3,400 additional affordable homes were delivered across Wales, 30% of these were delivered through planning obligations²⁷.

²⁶ DLUHC (2023), Affordable housing supply in England 2022 to 2023 (Source: [link](#))

²⁷ Welsh Government (2023), Affordable housing provision: April 2022 to March 2023 (Source: [link](#))

Resident Expenditure

- 3.38 New housing development also offers an opportunity to increase local expenditure as residents spend their money on goods and services in the local area. It is estimated that residents of the additional homes²⁸ built across England and Wales generated £6.8 billion²⁹ of gross total household expenditure over the course of 2022/23³⁰. Research suggests that on average in the UK households spend in the region of £7,000 as one-off purchases on furnishing and/or decorating a property to make their new house “feel like home”³¹. Drawing on this benchmark it is estimated that residents of new homes generated a further £1.7 billion in additional expenditure, which supports a range of retail and leisure jobs in local service sectors, helping to maintain the vitality of local economies across the country.

²⁸ Based on 239,870 gross additional homes during 2022/23 in England (Source: [link](#)), 5,800 net additional homes completed in Wales during 2022/23 (Source: [link](#))

²⁹ Based on data from the ONS Family Spending Survey which showed that households across the UK spent an average of £528.80 a week in FY2021/22 (Source: [link](#))

³⁰ Not all of this will be “net additional” expenditure.

³¹ Research carried out by OnePoll (2014), on behalf of Barrat Homes (Source: [link](#))

4.0

Wider Economic Benefits

4.1

The house building industry also has an important role to play in generating more qualitative, wider benefits that are often harder to quantify or assign a monetary value to. Its relationship with the wider economy can be characterised in three main ways:

- 1 Through the impact of activity in the housing (and wider construction) sector;
- 2 Through the way in which housing wealth affects consumption behaviour; and
- 3 Supporting the economic competitiveness of places.

4.2

These metrics are increasingly recognised as a valuable way of capturing and measuring the industry's contribution in wider socio-economic and environmental terms and are explored in more detail in the 2015 and 2018 report. A high-level summary of the wider benefits is presented below.

	Housing as a Driver for Economic Growth Improving the long-term competitiveness of the UK economy, including through its significant network of supply chains and contracting relationships, where domestic spin-off benefits from house building activity are far greater than for many other economic sectors.
	Supporting local supply chains Increased use of local supply chains and the inclusion of SMEs in house building has not only improved the sustainability of construction but has delivered local economic benefits in areas where new homes are being built (rather than being leaked elsewhere). More rigorous implementation of the Public Services (Social Value) Act 2012 has meant that house builders are now mandated to use local suppliers and/or SMEs to ensure local communities benefit from house building activities.
	Creating Employment and Economic Value House building is a major source of national employment, with construction supporting more jobs compared with investment in many other sectors of the economy.
	Sector Skills and Employability The house building industry offers a range of opportunities across different trades and skill sets from bricklaying and carpentry through to engineering and groundwork. Apprenticeship opportunities are particularly prevalent, and have been recently increasing, alongside traineeships with more importance being placed on social value creation during construction.
	Enhancing Place Competitiveness and Local Economic Development A well-functioning housing market is considered important for an area to remain competitive and attractive to business and economic activity, which in turn will drive economic growth. Housing affordability issues have the potential to harm the ability of key locations that provide unique productivity opportunities to the UK (such as Cambridge) to remain competitive.



Quality of Place

Open spaces provided within housing developments generate opportunities for residents to undertake recreational activities, contributing to improved physical health, fitness, mental health and wellbeing. A high-quality environment also provides opportunities for social interaction between people of different communities, fostering social inclusion and community development.



Re-use of Brownfield Land

Brownfield land (i.e. land that has been previously developed) suitable for housing has a vital role to play in meeting the country's need for new homes while protecting the countryside. This is particularly important in those areas of the country that face the challenge of a constrained supply of land for development.

5.0 Emerging Industry Trends

- 5.1 Our most recent survey of house builders identified a number of trends which have the potential to disrupt the industry and have wider implications on the economy. House builders have identified areas where further consideration is required, to enable them to be better equipped for anticipated changes to their industry. A series of case studies have been developed for key trends identified which are explored in more detail below.

Contribution of Green Housing

- 5.2 The environmental impact of house building will play an important role in the UK's transition towards a Net Zero economy, with opportunities for large house builders to significantly reduce their environmental impact and integrate carbon-reducing interventions into new housing developments, including:
- Planting new trees and shrubs or retaining existing ones;
 - Increasing the proportion of construction waste which is recycled and diverted from landfill;
 - Increasing the number of developments which incorporate the use of sustainable urban drainage systems ('SuDS');
 - Incorporating rooftop photo-voltaic ('PV') cells;
 - Creating new greens pace and public open space and/or access to private gardens;
 - Meeting or exceeding Biodiversity Net Gain ('BNG') requirements; and
 - Meeting nutrient neutrality requirements.
- 5.3 The Government's BNG mandate came into effect in February 2024, and requires a minimum of 10% BNG on new developments in England³². In order to meet central Government mandates and ensure their developments are aligned with wider sustainability policy, house builders must take a more proactive approach towards environmental targets and incorporate carbon-reducing measures. The house building industry has the potential to make a crucial contribution to sustainability and environmental goals across the wider UK economy.
- 5.4 Many of the UK's largest house builders have pledged their commitment to Net Zero by setting out "science based" approach³³, with one of the UK's largest house builders³⁴ committing to achieve:
- 10% of own electricity to be renewable by 2025;
 - New homes' design to be Net Zero carbon from 2030;
 - Reduce construction waste intensity by 20% on 2015 levels by 2025; and
 - Maintain diversion from landfill rate at 95% for construction waste.

³² Home Builders Federation (2024), Understanding BNG requirements (Source: [link](#))

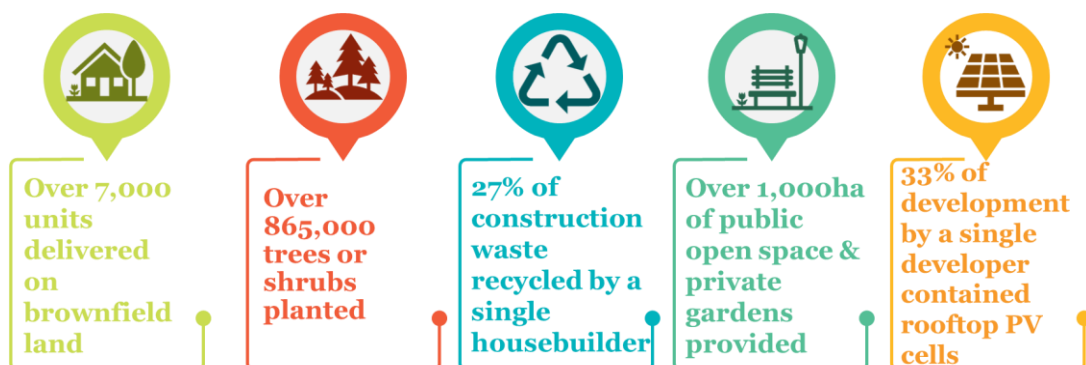
³³ Building (2021), Homing in on net zero (Source: [link](#))

³⁴ Barrat Homes Sustainability Framework (Source: [link](#))

- 5.5 House builders have further cemented their ambitions to reduce the carbon footprint of housing through the Future Homes Hub which seeks to deliver:
- High-quality homes that are zero carbon ready and sustainable;
 - Places and developments that are consistently low carbon, nature-rich, resilient, healthy, well designed and beautiful by 2025; and
 - Production and construction methods that are net zero and sustainable by 2050 with substantial progress by 2025 and 2030.
- 5.6 The Future Homes Hub has developed a delivery plan, already committed to by a several house builders³⁵ which sets out key commitments including:
- Achieving carbon emissions in line with building regulations (e.g. Part L of Building Regulations which requires a 31% emission reduction);
 - Develop a roadmap to achieving greater water efficiency;
 - Ambitions to meet or exceed the World Green Building Council Net Zero pathway; and
 - All relevant planning applications will consistently design low carbon nature, sustainable lifestyles, resilient, health and beauty into developments.
- 5.7 Government has started to ensure that house builders of all sizes are able to contribute to green housing. Homes England have entered a Greener Homes Alliance with Octopus Real Estate to provide support to small and medium-sized house builders, and enable them to deliver higher quality and energy efficient homes. The Alliance will provide smaller house builders with loans of up to £20 million to deliver homes that will achieve a minimum energy performance certificate ('EPC') rating of B. Before development is started house builders will also receive free expert advice from sustainability consultants to ensure that their developments are reaching the national sustainability objective.
- 5.8 As part of the bespoke survey undertaken for this study, a number of UK house builders have provided insights into their approach to green house building. Some of the areas which they have contributed when constructing homes include tree planting, waste management, renewable energy, greenspaces, BNG and other environmental metrics over the past year. This has provided a more detailed overview of the current contributions of house builders, which are outlined in Figure 5.1 below.

³⁵ Inside Housing (2021), Major house builders agree to sector-wide net zero plan (Source: [link](#))

Figure 5.1 House builder contributions towards green housing



House Building and Contribution to Local Infrastructure

5.9 As part of our research, we asked house builders to disclose their S106 and CIL contributions over the past year, including a breakdown of contributions towards various type of community infrastructure such as:

- Public open space and other green infrastructure;
- Youth/community facilities;
- Sports/leisure facilities;
- Healthcare facilities;
- School places;
- Public transport and active travel;
- Highways and road infrastructure;
- Land remediation;
- Other contributions including public art, ecological and biodiversity contributions.

5.10 As outlined in Section 4, based on our sample survey of house builder firms it is estimated that over £1.2 billion in S106 contributions are made each year in England, with a further £41.5 million of contributions made in Wales. It is estimated that the industry also generates around £469 million of CIL each year across England and Wales, making a significant contribution towards supporting local community infrastructure.

5.11 The majority of new homes constructed will bring new residents to a local area generating additional demand for local infrastructure and community services. The type of impact will vary depending on the scale and tenure of the new homes being developed and the capacity of existing infrastructure and services. Housing developers make significant contributions to infrastructure delivery, some of which are outlined in detail below.

Figure 5.2 Infrastructure contributions



Source: Construction Insure³⁶

- 5.12 House builders face a variety of issues when implementing associated infrastructure alongside new housing developments, with infrastructure often taking longer to deliver than housing itself. The impacts of drought and flooding puts additional pressure on water infrastructure, while rising electricity demands challenge the pursuit of a Net Zero economy.
- 5.13 Large projects involving multiple developers which require significant infrastructure investment are often impacted by a lack coordination with strategic infrastructure, leading to delays in delivery and reconfiguration of sites to accommodate required infrastructure³⁷. These developments could also benefit from the presence of a co-ordinating body to help bring parties together and prepare the required utilities for housing development sites. Infrastructure providers are also often reluctant to carry the risk of investment until they are certain the infrastructure will be used, and they can be confident that their costs will be recouped.
- 5.14 The capacity of house builders to deliver supporting infrastructure can be constrained due to the costs associated with the level of investment required. In recent years, central Government has attempted to intervene to support and unlock further housing growth through funding allocations such as the Housing Infrastructure Fund ('HIF'), which sought to fund the delivery of key infrastructure (e.g. digital, utilities, transport etc.) to help unlock strategic housing sites. Due to wider macro-economic factors this has not been as successful largely in associated with the recent increase in construction costs seen nationally.

³⁶ Construction Insure, A house is not just a home (Source: [Link](#))

³⁷ National Infrastructure Commission (2020), Infrastructure to Support Housing (Source: [link](#))

- 5.15 The Victoria Arch scheme in Woking successfully received HIF funding, which allowed developers to deliver significant improvements to Woking town centre's road network to unlock 13 additional sites for housing delivery within the town centre. However, latest news published by Woking Council outline that recommendations have been made to close the Victoria Arch scheme stating that the project can no longer proceed due to viability issues, and a projected cost increase of over £50 million, which cannot be supported through the HIF or the local authority.
- 5.16 The rhetoric historically has linked the construction of new housing to a requirement for infrastructure investment. Investment into relevant 'enabling' infrastructure (as outlined in Figure 5.2 above) has often been a barrier to delivering homes at scale. For instance, the Houlton development in Rugby³⁸ is a sustainable urban extension located on former agricultural land and a radio transmission facility, delivering over 6,000 homes, up to 100,000 sq.m of employment floorspace and wider community infrastructure (including schools, a health centre and local leisure and retail facilities). For the development to be fully delivered, the scheme required an upfront loan from Homes England to accelerate the delivery of a new link road, which unlocked the site for housing delivery. Without a loan to invest in the relevant infrastructure the scheme would have likely been delayed in its delivery.
- 5.17 A recent publication by Social Housing³⁹ has emphasised the need for housing to be regarded a critical part of UK infrastructure, alongside transport, water supply and power grids due the significant contribution it makes to the economy as explored within the study. The publication further states that having this perspective could accelerate house building in the UK, it will enable house building to also be considered within long term strategic planning and attract investors (who already invest infrastructure that does not typically include housing) to boost supply.

Workforce Skills Challenges

- 5.18 As part of this research major house builders have also been asked to consider their contribution towards workforce development, upskilling and shaping local training provision. House builders were asked to provide data on types and quantities of training opportunities provided during the course of the year across live projects, including the number of apprentices, graduates and trainees employed directly over.
- 5.19 Based on a review of house builders surveyed, it is estimated that the industry provides opportunities for over 5,100 apprentices, 800 graduates and 2,800 other trainees each year. It is noted that the indirect effects of construction spending will create further training opportunities via supplier spending and the operations of specialist subcontractors.
- 5.20 Nevertheless, the construction industry is experiencing a severe skills shortage and is struggling to attract new talent resulting from additional demand for construction workers due to a number of large-scale infrastructure projects being delivered across the country (e.g. Sizewell C nuclear power station, Tata Electric Vehicle Battery Factory and Thameside West⁴⁰). In effect, it is presumed that the labour market pool for these infrastructure projects would be similar to the pool of workers house builders would typically draw on.

³⁸ Homes England (2023), Strategic Plan 2023-2028 (Source: [link](#))

³⁹ Social Housing (2024), Why housing should be the heart and soul of infrastructure (Source: [link](#))

⁴⁰ BarbourABI (2024), Top 100 Construction Projects in the UK (Source: [link](#))

Increasing demand across the sector would put further pressure on the labour market and would have implications for the rate at which homes could be built.

- 5.21 Research indicates that there are shortages across various professions including electricians, roof specialists, bricklayers, plasterers and carpenters. A recent poll⁴¹ found that 37% of students said they would not consider a career in the construction industry. Young people have stated that the biggest barriers are not knowing about the variety of roles within the sector and the skills needed to pursue careers in construction⁴². On this basis, it is imperative for the industry to work towards attracting a wider pool of young people to fill these skills gaps and provide training opportunities (incl. apprenticeships) and different entry points into the industry.
- 5.22 Vocational courses for bricklayers, carpenters, roofers, scaffolders, electricians, painters and decorators must also be promoted to young people alongside traditional higher educational routes such as university. In 2018, 44% of small-to-medium house builders dubbed the construction skills shortage a major barrier to building more homes, highlighting the importance of these skills in the development of a robust house building sector.
- 5.23 Since 2018, the skills shortage has increased due to an ever-increasing pipeline of major infrastructure projects leading to more construction activity (including the increased demand for housing). Coupled with wider labour market challenges, including an ageing workforce and the impact of Brexit on the availability of construction labourers, this has highlighted the significant gap within the construction workforce. According to the CITB an additional 251,500 extra construction workers are required by 2028 to meet the expected workload, stating major sectors for demand include private housing and infrastructure⁴³.
- 5.24 The CITB is investing £3 million over the next two years to support the Home Building Sector Skills Plan⁴⁴, with a focus on strategic skills activities that directly benefit employers. The Sector Skills Plan will include development of on-site multi-skilled hubs which will offer training in critical areas such as brickwork, carpentry, roofing and groundworks. Hiring and retaining new talent, particularly apprentices, can be challenging for employers. The CITB will work with micro, small and medium-sized businesses across England to overcome these barriers and help find local training provision, access Government and CITB funding, and provide mentoring for those who are supporting trainees. The Plan will also seek to implement competence frameworks to ensure workers hold the right competencies and ensure that existing frameworks meet the needs of the sector and reflect the correct level of competence needed to carry out the role, both now and in the future.

⁴¹ WSP (2022), Students not drawn to careers in sectors crucial to UK's net zero ambitions (Source: [link](#))

⁴² Construction Industry News (2023), More than half of young people would never consider careers in construction – how can we change their minds? (Source: [link](#))

⁴³ CITB (2024), CSN Industry Outlook 2024-2028 (Source: [link](#))

⁴⁴ CITB, Homebuilding Sector Skills Plan (Source: [link](#))

6.0 Summary and Conclusions

- 6.1 This report provides an up-to-date assessment of the house building industry's economic footprint across England and Wales by updating and replicating previous analysis undertaken in 2015 and 2018 with the latest information, statistics and trends in house building and delivery. In later half of the 2010s, the sector saw some recovery from the aftershock of the financial crisis and recession and the rate of house building was increasing each year. Since then, wider economic shocks, including the Covid-19 pandemic and wider political uncertainty have impacted on the industry, with inflation and higher construction costs impacting both delivery and supply chains.
- 6.2 Reduced delivery and an increasing number of local authorities failing to meet housing targets, has placed more pressure on the market and house building continues to be at the forefront of policy.
- 6.3 The analysis demonstrates the significant contribution that house building makes to the economy and its ability to drive economic growth and maintain prosperous economies, as well as providing much needed housing to support sustainable communities. The report identifies some headline conclusions on the economic value of the circa 240,000 net additional homes completed across England and Wales in 2022/23;
- 1 Annual capital investment and expenditure on new land for housing development amounts to over £10 billion;
 - 2 £2.7 billion of net capital expenditure per year on acquiring or upgrading physical assets such as property, industrial buildings or equipment;
 - 3 Official figures show that house building generates in the region of £53.3 billion of economic output to the Great Britain economy last year, including £39.3 billion GVA;
 - 4 The number of people directly employed in the house building industry is estimated at 271,000. Most of these jobs (259,000, or 96%) are based in England, with the remaining 13,000 (4%) based in Wales.
 - 5 Annual expenditure on suppliers (i.e. providing goods, services and materials) of £16.6 billion, of which 90% is likely to be retained within the UK;
 - 6 Taking into account the supply chain and induced effects, up to 834,000 jobs are estimated to be supported across a range of organisations, operations and occupations. This is equivalent to 3.4 jobs per dwelling built;
 - 7 The industry provides opportunities to over 6,000 apprentices, 900 graduates and 3,300 other trainees each year, with many more in contractors and suppliers;
 - 8 Significant fiscal benefits, notably £15.6 billion of Stamp Duty Land Tax, £2.1 billion of Corporation tax paid (the amount incurred is £1.5 billion), and National Insurance and PAYE contributions of £3.3 billion per year.
 - 9 Residents of the new dwellings built will have contributed just under £542 million of Council Tax receipts;

- 10 Affordable housing accounted for 25% of all new dwellings completed in England last year and 30% in Wales. House building firms built about £10.8 billion of affordable homes last year, with a discount to market value (in effect, a subsidy) of around £2.1 billion;
- 11 In 2022/23, approximately 64,000 affordable homes were delivered and 47% of all affordable homes were funded through S106 agreements. A total of around 3,400 additional affordable housing units were delivered across Wales, 30% of these were delivered through planning obligations.
- 12 It is estimated that the industry generates £7.0 billion of developer contributions this included CIL contributions and a range of other types of contributions including open space, education, transport and travel; and
- 13 £1.5billion of S106 contributions are made each year towards funding facilities and services, notably education facilities (£677.4 million), public open space (£106.0 million), public transport and active travel (£103.8 million) and healthcare facilities (£52.8 million), with a further £230.7m contributing towards important areas such as transportation and highways.

Appendix 1 Overview of Economic Impact

Indicator	England	Wales	Total
Total capital investment/expenditure on new land for development (£ million)	£10,139	£336	£10,476
Total number of plots/dwellings associated with capital investment/expenditure (000s)	416	13,806	429,764
What percentage of on-site personnel employed are in house? (%)	30	1	31
Direct employees: Total headcount (000s)	103.8	3.4	107.2
Total number of apprentices employed: Directly (000s)	5.7	0.2	5.9
Total number of graduates employed: Directly (000s)	0.91	0.03	0.94
Total number of trainees employed: Directly (000s)	3.2	0.1	3.3
Total expenditure on suppliers (£ million)	£16,110	£534.7	£16,645
Total Stamp Duty Land Tax paid (£ million)	£525	£17	£542
Total Corporation Tax incurred (£ million)	£1,411	£47	£1,458
Total Corporation Tax paid (£ million)	£2,031	£67	£2,098
Total National Insurance and PAYE contributions (£ million)	£3,171	£105.2	£3,277
S106 Public open space & other forms of green infrastructure (£ million)	£103	£3	£106
S106 Youth/community facilities (£ million)	£45	£1	£46
S106 Sports/leisure facilities (£ million)	£62	£2	£64
S106 Healthcare facilities (£ million)	£51	£2	£53
S106 School places - contribution towards pupil places (£ million)	£656	£22	£678
S106 Public transport and active travel (£ million)	£100	£3	£103
S106 Highways and road infrastructure (£ million)	£223	£7	£230
S106 Other (£ million)	£221	£7	£229
Total S106	£1,460	£49	£1,509
Total Community Infrastructure Levy (CIL) contributions paid (£ million)	£530	£18	£548
Value of affordable housing sales: UK (£ million)	£10,447	£347	£10,793
Total discount to market value associated with affordable units: UK (£ million)	£2,125	£71	£2,195

*Please note totals may not add up due to rounding.

Glossary

Affordable Housing

Affordable housing is defined as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Brownfield Land

Brownfield land is an area of land or premises that has been previously used, but has subsequently become vacant, derelict or contaminated. Brownfield sites typically require preparatory regenerative work before any new development can go ahead.

Business Rates

Businesses and other non-domestic occupiers of property pay non-domestic rates (known as business rates) to contribute towards the cost of local authority services.

Capital Investment and Expenditure

Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This includes both capital expenditure (i.e. on-going asset management, upgrade, maintenance and refurbishment work) and capital investment (i.e. in a new building or extension).

Community Infrastructure Levy ('CIL')

The Community Infrastructure Levy is a levy that local authorities in England and Wales can choose to charge on new developments in their area. The charges are set by the local council, based on the size and type of the new development. The money raised from the CIL can be used to support development by funding

infrastructure that the council, local community and neighbourhoods want, such as new or safer road schemes, park improvements or a new health centre.

Concealed Households

Concealed households are family units or single adults living within “host” households.

Corporation Tax

Corporation tax is a corporate tax levied in the United Kingdom on the profits made by companies.

Gross Domestic Product (‘GDP’)

Gross Domestic Product is one of the primary indicators used to gauge the health of a country’s economy. It represents the total value of all goods and services produced by a country over a specific time period.

Gross Value Added (‘GVA’)

Gross Value Added is the amount of wealth created by a company, calculated as net sales less the cost of bought-in goods and services. This information can be aggregated up to provide average GVA per employee by sector.

Indirect and Induced

Impacts supported by additional spending effects in an area as contractors/suppliers and workers directly benefiting from an intervention purchase goods and services from local providers.

Multiplier Effects

Further economic activity (jobs, expenditure or income) associated with additional local income, local supplier purchases and longer term effects.

New Homes Bonus

The New Homes Bonus is a grant paid by central Government to local councils for increasing the number of homes and their use. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-

term empty homes brought back into use. A premium is payable on affordable units.

Pay As You Earn ('PAYE')

Pay As You Earn is the system by which an employer deducts income tax from an employee's wages before paying them to the employee and sends the deduction to the Government.

Registered Providers

Registered providers (often known as social landlords) are the bodies that own and manage social housing. They tend to be non-commercial organisations such as local authorities or housing associations.

Section 106 Planning Obligation

Planning obligations are legal contracts made under Section 106 of the 1990 Town and Country Planning Act. They are used to prescribe the nature of development to comply with policy, compensate for loss or damage created by a development, and mitigate a development's impact.

Stamp Duty Land Tax ('SDLT')

Stamp Duty Land Tax is charged on all purchases of houses, flats and other land and property in the UK over a certain price.

Town and Country Planning Act 1990

The Town and Country Planning Act 1990 is an act of the United Kingdom Parliament regulating the development of land in England and Wales. It is a central part of English land law in that it concerns town and country planning in the United Kingdom.

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