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Rising Building Costs Lead to Drop in Home Renovation Plans and Property Flips

July 21, 2025

– Categories: Finance



The surging cost of building materials and labour has led to a sharp fall in home improvement applications and a significant dip in property flipping, marking a notable shift in homeowner behaviour across England and Wales.

According to real estate firm Savills, planning consents for home improvements and extensions have dropped to their lowest level in a decade. In the 12 months to March 2025, just 151,177 planning permissions for householder developments were granted in England, down 8 per cent year-on-year and 27 per cent below the previous ten-year average, based on figures from the Ministry of Housing, Communities and Local Government (MHCLG).

This decline contrasts with a 24 per cent rise in house sales over the same period, as reported by HM Revenue and Customs (HMRC). Historically, planning approvals have closely followed housing transactions, typically with one application per five sales. However, that ratio fell to one approval for every 6.8 sales last year, indicating a growing reluctance among homeowners to renovate.

Lucian Cook, head of residential research at Savills, said the link between moving and renovating has weakened significantly. “Buyers are now showing a strong preference for ready-to-move-in properties,” he noted. “With economic uncertainty, many are steering clear of the cost and complexity of home improvement projects.”

The change is most apparent in areas with previously high renovation activity, such as London and the South East. Although still the most active regions for home improvements, planning consents there have also fallen. The South East saw a 9.3 per cent year-on-year decline, with 32,416 approvals. In the North East and North West, the drops were even steeper, down 10.7 and 10.6 percent, respectively.

The downturn is even more stark compared to pre-pandemic levels. In the five years since March 2020, planning consents in the North East have dropped by 29 percent. The East and West Midlands both recorded a 25.5 per cent fall, while the South West saw a 23.3 per cent decline.

Cook pointed out that although high-value regions like London offer more return on extensions, the viability of such projects has been undermined by changing market conditions and steeper build costs.

Construction Cost Squeeze

The Office for National Statistics (ONS) reports that construction material prices have jumped 37 per cent since January 2020. Products such as insulation and pre-cast concrete have risen more than 60 percent, while items like plastic fittings, cement, and steel frames have all increased by over 50 percent.

Labour costs are also rising. Hudson Contract, a leading construction payroll provider, revealed that all 12 core trades saw weekly pay increases last year. Electricians’ pay rose by 14.4 per cent, while scaffolders saw an average rise of 9.3 per cent.

Steven Mulholland, chief executive of the Construction Plant-hire Association (CPA), warned that soaring input costs are putting family-run builders under strain. “This is a structural issue, not a temporary spike,” he said. “We need a serious strategy to bring construction inflation under control and safeguard small and medium-sized businesses in the sector.”

The trend has also affected property investors. New data from Hamptons shows that home flipping, where properties are bought and resold within 12 months, has dropped to its lowest level since 2013. In the first quarter of 2025, only 2.3 per cent of all sales were flips, down from 3.6 per cent a year earlier.

Stamp Duty Land Tax (SDLT) is taking a bigger bite out of profits. The tax now consumes around 30 per cent of gross profit from a flipped property, up from just 10 per cent a decade ago. Hamptons’ head of research, Aneisha Beveridge, said, “Stamp duty costs are often exceeding the cost of renovations themselves, making the numbers harder to justify.”

With property prices softening in some areas and material costs still climbing, renovation and resale are no longer the money-makers they once were. Without a credible plan to support building firms and rein in construction inflation, the home improvement sector could remain under pressure for the foreseeable future.