



Building Fee Increases and Home Prices

NAHB research shows that, on average, regulations imposed by government at all level account for 24.3 percent of the final price of a new single family home built for sale¹. Every time a local or regional government raises construction costs by, for example, increasing the price of construction permits or impact fees, the cost of building a house rises. In fact, the final price of the home to the buyers will usually go up by more than the increase in the government fee. This is because each time construction costs increase other costs such as commissions and financing charges automatically rise as well. As a result, most cost increases are passed on to the buyers with additional charges. The size of these charges depends both on the type of fee/cost increase and when it is imposed in the development/construction process. NAHB estimates that the add-on charges range from 0 percent if a fee is imposed directly on buyers to 40 percent if cost is incurred when applying for site development approval (see Table 1). So that for every \$1 increase in fees incurred, for example, when acquiring a building permit, the final price of a new home to its final customer rises by \$1.22. Alternatively, every \$818 increase in fees results in a \$1,000 increase in house prices.

Table 1: Additional Charges on Building Fees

Additional Charges Passed on to Home Buyer Based on When a Regulatory Cost is Incurred	
0.0%	cost imposed directly on buyer at closing
19.2%	cost incurred during construction
21.7%	cost incurred at the start of construction
22.3%	cost incurred when building permit acquired
37.7%	cost incurred during development
40.2%	cost incurred when applying for site development approval

¹ See P. Emrath "[Government Regulation in the Price of a New Home](#)", Housing Economics Online, May 2016