

The current state of the self-build housing market

Self-build provides housing that is in tune with people's specific housing requirements and can also stimulate the competitive environment for housing developers. This study by James Barlow, Robert Jackson and Jim Meikle examined the current state of the sector. The number of self-build homes has risen substantially over the past 20 years. Since there has been no overall growth in total private sector housebuilding, self-build has captured market share from the speculative housebuilders. The study found:

- f** The number of 'self-build' homes completed each year has risen from around 2,000 in 1978 to an estimated 15,000 in 1999, with a particular increase in the early to mid-1990s.
- f** Self-build tends to be more prevalent in less urban areas and in areas where the market for speculative housebuilding is relatively small.
- f** The growth in self-build since 1991 has only partly been driven by changes in the wider land and housing market. Other factors include: relatively well-off households seeking more individual homes; financing becoming more straightforward; and more publicity for the concept.
- f** There has been a shift in self-builders from those who cannot afford mainstream housing or are not eligible for social housing, to those who want an individual property or a particular location. The average age and income of self-builders have also been rising.
- f** There is no reliable data on self-build construction costs. However, the most recent market research reports that the average self-build home cost almost £150,000 in 1999, including land. The average UK price for a self-build plot in early 2000 was £44,183, but this covers large regional differences.
- f** Self-builders often incorporate innovative techniques or design. However, more innovative features are often constrained by planning requirements, concerns over resale values and limited experience of innovation within the construction industry.
- f** The researchers conclude that the sector is likely to stabilise at around 18,000 homes per year but could grow to provide around 10 per cent of new homes completed each year (around 20,000 homes). However, further expansion will only come with increased awareness and easier production. This will require changes to land provision, planning and finance, and a modernisation of the industry.

Defining 'self-build'

'Self-build' can vary from people physically building much of a dwelling themselves to cases where they hand over responsibility for the entire construction process to other parties. (Self-build may also be undertaken collectively, usually with groups of people pooling their expertise and resources; this study did not deal with this kind of self-build.) The procurement route partly varies according to the level of assistance the self-builder requires.

The self-build market

There is no official data on self-build and estimates of its market size currently range from 10,000 to 25,000 houses per year. The self-build market grew consistently until 1988. Following a brief decline, completions rose sharply in the early- to mid-1990s, before stabilising at its current output. The study estimates that about 15,000 homes were self-built in 1999, representing 8.3 per cent of total new houses.

Self-build tends to be more prevalent in the less urban parts of the UK and in areas where the market for speculative housebuilding is relatively small. Northern Ireland stands out as an area where self-build is especially important, representing around a quarter of new homes built each year.

Land-price inflation in the late 1980s and late 1990s constrained expansion in self-build. However, the growth in the self-build market has only partly been driven by changes in the wider land and housing market. Other factors were involved in the growth since 1991:

- Relatively well-off households seeking more individuality from their homes entered the self-build market.
- Financing self-build projects became more straightforward after the mid-1990s as some mortgage lenders saw there was a viable business.
- The general public was introduced to the idea of self-build by the mainstream media, a burgeoning specialist press and regular exhibitions.

Who are the self-builders and why do they self-build?

A detailed survey of self-builders was beyond the scope of this research, but it appears that the social structure of self-builders has changed substantially. There has been a shift from people self-building because they cannot afford mainstream housing, or are not eligible for social housing, to those who are not satisfied with the existing supply of houses and

want an individual property or a particular location. The typical self-builder is drawn from managerial or professional socio-economic groups, and has a relatively high income and/or high levels of housing equity. The average age of self-builders has been rising, possibly because retired people make up a larger proportion. More self-builders are already owner-occupiers and, compared with the national average, the value of the home they owned prior to self-building has grown substantially.

Self-builders are not necessarily driven by traditional reasons for moving. Many have a degree of discretion about their housing choices. Self-build is widely seen as a way of obtaining a larger or 'better' house than would be the case in the mainstream property market.

The self-build home

Market research suggests that almost all self-build homes are detached, and most have four bedrooms. There has, however, been a move towards smaller homes (in floor area) in recent years, perhaps as a result of land-price increases.

Most self-build homes are built in brick and block, but the share using timber frame systems – around a quarter – is around double the national average. There are significant regional variations, with timber frame far more prevalent in Scotland and brick and block dominating in Northern Ireland.

There is no reliable data on self-build construction costs. The most recent market research reports that the average self-build home cost almost £150,000 in 1999, including land.

Self-builders often incorporate some element of technical or design innovation into their homes. However, more innovative features are often constrained by planning requirements, or by self-builders' or valuers' concerns over resale values. Another problem is the limited experience of innovation within all segments of the housebuilding industry. While alternative construction methods are rarely used, there is considerable discussion in the self-build media about new methods.

The main areas for innovation are:

- Products which increase the perceived functionality of the home, such as central vacuum systems, under-floor heating and mechanical ventilation.
- Internal, rather than external, design innovation, such as moves towards increasing the amount of internal space by using the loft for living space and including basements.

The barriers to self-build

The received wisdom is that problems associated with finance, land and planning have prevented further expansion in the UK's self-build industry.

Land

Finding and buying the right plot is generally regarded as the most important barrier faced by self-builders. The main problem is not the availability of land but managing its acquisition and acquiring planning consent.

Self-builders find land in a wide range of ways. Some is found through land or estate agents, although these can also block the flow of land to the self-build market because they informally tender the site to housing developers. Recent years have seen the emergence of specialist land finding agencies and plot developers. The latter purchase sites, prepare a development brief with local planners and service and sell plots to self-builders. Some local authorities also provide serviced sites, although this is not generally pursued as a matter of policy. Replacing existing low-quality bungalows and houses or development in large back gardens is increasing in some areas.

The average UK price for a self-build plot in early 2000 was £44,183, but there are large regional differences. Prices in South East England were more than double the national average; the next most expensive region, South West England, was 39 per cent higher than the average. The cheapest region, Scotland outside the Glasgow-Edinburgh belt, was slightly more than half the national average.

Planning

Planning affects self-build because policies influence the location of new homes, especially in the countryside, and because of the impact of local planning practice. The main problem is obtaining planning consent. Many of those involved in self-build feel that planners go for safe design and are stricter with self-builders than with other developers. In addition, there is concern over the inflexibility of many local planning policies. These can make the redevelopment of existing housing difficult because policies interpret the way space is recorded strictly. Notions of 'overdevelopment' can affect the inclusion of habitable loft space or basements.

Self-build has an impact on the resources of local planning authorities. Planners feel it is administratively easier to allocate and deal with large sites. Many in the self-build industry believe this fuels prejudice against self-build.

Finance

Risks for mortgage lenders are low because customers tend to be highly motivated and have higher than average incomes, self-build proposals are subject to close scrutiny to ensure they are financially viable, and the loan-to-value ratio is usually low. However, only a few lenders have set up specialist self-build divisions and, even when lenders are committed at a strategic level, policies may not always be pursued with such commitment at branch level.

One major problem for self-builders was timing the release of funds in relation to the project development process. Lenders have addressed this by introducing greater flexibility in stage payments and paying them as a percentage of costs rather than projected final value.

There are, however, still a number of financing problems for self-builders. Most lenders cap the mortgage at 75 per cent of the estimated property value once completed and pay in arrears to reduce the risk. And the majority of self-build projects involve a household selling an existing property, usually prior to the land purchase. The lack of appropriate short-term finance means that self-builders often need to live in temporary accommodation.

How far can the self-build market grow?

Projecting past trends forwards suggests that the self-build market could stabilise at around 18,000 homes per annum by 2010. The sector could grow to around 20,000 completions assuming an annual new homes market of around 200,000. However, further expansion will only come with increased ease and awareness. This will require changes to land provision, planning and finance, and a modernisation of the industry.

Conclusion

The researchers suggest that the following measures could help expand the sector:

- **Greater flexibility in planning practice.** The procedure for obtaining planning consent needs to be simplified and speeded-up to improve the timing of planning in relation to the overall self-build process.
- **More flexible strategic planning policy.** Some relaxation of 'infill' policies in greenbelt areas could aid self-build. As farming and employment patterns change, policies on development in rural areas are likely to need review (taking into account

the environmental sustainability of more diffuse housing development). Local planning authorities could also be directed to achieve a balance between single and multi-plot sites in their local plans.

- **Local authorities acting as 'enablers' for self-build.** Potential mechanisms include identifying and listing potential self-build plots and their owners, and powers to acquire land and sell land with covenants on self-build and planning briefs. The use of planning gain powers to secure self-build land in conjunction with larger development sites is not feasible, partly because of problems in defining who is a self-builder.
- **Using new prefabrication techniques.** This could bring down self-build construction costs. There may be some scope for short-term change by existing players in the self-build industry, but more radical solutions will require major innovation.
- **Developing stronger 'intermediaries' in the self-build process.** These could be drawn from existing players such as the timber frame package companies, materials suppliers or emerging internet-based companies which match customers to plots and suppliers of other inputs, and facilitate the purchase of materials or land by groups of self-builders.

In addition, the researchers suggest that the self-build industry could evolve:

- Access to emerging building technologies, especially large panel timber frame systems, may become easier. Mainstream housebuilders may seek additional outlets for their recent investment in timber frame factories.
- Mainstream housebuilders may offer a land intermediary service to self-builders or set aside land on major sites for self-build. This could provide a faster turnover of capital, depending on the value of land.
- Some housebuilders are now taking specialist local builders 'under their wing' to provide finance, advice and guidance for small-scale development. This could develop into a form of 'halfway-house' self-build.

- Mainstream housebuilders are likely increasingly to move into 'mass customisation', building highly customised homes using fast and flexible production techniques.

About the study

The project was carried out by James Barlow (SPRU, University of Sussex) and Robert Jackson and Jim Meikle (Davis Langdon Consultancy) between October 1999 and October 2000. The research involved analysis of data on self-build completions provided by HM Customs and Excise and data on plot prices provided by Plotsearch, a survey of local authority building control departments, background interviews with representatives of the self-build industry and interviews with a small sample of self-builders.

How to get further information

The full report, *Homes to DIY for: The UK's self-build housing market in the twenty-first century* by James Barlow, Robert Jackson and Jim Meikle, is published for the Foundation by YPS (ISBN 1 84263 039 3, price £12.95).

