



Build-it-yourself?

Understanding the changing landscape
of the UK self-build market

Alison Wallace, Janet Ford and Deborah Quilgars

Centre for Housing Policy
Spring 2013

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Foreword

Richard Bacon MP

Founder, All Party Parliamentary Group on Self-Build and Independent Housebuilding

Designing, building and owning your own home is a dream shared by many people across the UK. However, this country's Self-Build sector is one of the smallest in Europe, accounting for less than one-tenth of our housing supply. To my mind, there is no good reason why this should be so. We can and should do more to realise the potential of Self-Build in the UK.

This report from the University of York's Centre for Housing Policy brings us a step closer to bridging the gap between aspiration and reality. Dr Alison Wallace and her team have brought together the views and experiences of self-builders along with developers, lenders, local authorities and central government. The report rightly concludes that for the Government's aspirations to be realised, the Self-Build market has to be reconfigured as a mainstream activity, forming part of a well-functioning market, and that we need to revise fundamentally the wrong-headed idea that Self-Build is somehow an 'elite club' only open to the most affluent.

Self-Build can refer to community projects including co-housing, eco-developments and developer led custom-build projects. Such cooperative models already have a proven track record in countries such as Germany, the Netherlands and Denmark, often providing affordable properties that reflect the desires of future owners and tenants.

Changing attitudes to Self-Build also applies to lenders. As the report shows, access to finance was more frequently an issue than acquiring land or gaining planning permission. Understandably, lenders are wary but there is ample opportunity for growth in the sector. By commissioning this report, Lloyds Banking Group shows that it understands the considerable potential of the Self-Build market and I am delighted that Lloyds is demonstrating its continued commitment to the sector.

Of course, Government has an important role to play. Ministers are well aware of the potential of the sector, which is already worth approximately £3.6 billion per year. Boosting construction, providing jobs and creating more revenue are just some of the advantages government can expect from an expansion in the Self-Build market. This can be done in a way which protects our cherished countryside.

This report is particularly timely as I seek to raise awareness of Self-Build issues in Westminster. As a first step, I have founded the All Party Parliamentary Group on Self-Build and Independent Housebuilding, which is receiving wide cross party support.

This report lays the foundations for the growth of the UK Self-Build market. Through its critical examination of the sector it will help policymakers, lenders and developers to identify problems, find solutions and ultimately make Self-Build a more attractive option for homeowners, lenders, tenants and builders across the country.

A handwritten signature in black ink that reads "Richard Bacon." The signature is written in a cursive style and is underlined with a single horizontal stroke.

Build-it-yourself?

Understanding the changing landscape of the UK self-build market

Executive summary

Background

The volume of self-build housing in the UK is smaller than in many European countries and the Government wish to stimulate the sector to double output from 100,000 to 200,000 over the next decade. Currently, self-build is concentrated amongst older affluent households.

Existing studies identify multiple motivations for self-build including: increased consumer choice and satisfaction in terms of design aspirations and personalised accommodation; a commitment to environmentally sustainable housing; community participation and place making; the provision of more affordable housing (often for local people); and as an additional source of housing supply. Key constraints on self-build have historically included difficulties in accessing land and finance, variable support from the planning process and 'red tape'. A range of initiatives are being developed jointly by industry and the Government to address these issues.

The current impetus to increase self-build led to the qualitative research reported here which considers the strengths and weaknesses of the existing self-build market for individuals and groups, looks at key initiatives to expand the market and the responses to them amongst key players. The report identifies further steps that might be taken to encourage additional self-build.

Key findings

- The potential for an increase in self-build initiatives is already visible, but it is too early to appraise what the likely outcomes might be and to what extent existing momentum will be maintained.
- Individual self-build is a long and often circuitous process, taking two years on average to complete. Individuals varied in the amount of involvement in design, management and construction of their properties, and the degree of involvement of professionals. Self-build may add to the housing stock but some cases considered were 'demolition and replacement' properties.
- Access to land and planning permission were less difficult than previously reported, with most respondents finding planning straightforward, even if onerous and potentially costly conditions were occasionally imposed.
- Self-builders needing mortgage finance still faced considerable constraints. There were few lenders in the market, significant deposits were required, decision-making was slow and the narrow range of products failed to recognise the different risks associated with different forms of self-build. Development finance was tightly constrained, particularly for group projects.
- Most group self-build housing was led by a community group, but a social landlord or developer may also instigate and manage the process. The models of group self-builds comprised co-housing, eco-villages, sweat equity models, Community Land Trusts and social rented models. Groups often formed organically – although strong individuals were instrumental. The present complicated and lengthy procurement methods are likely to mean that these models will remain small scale and a 'niche' market unless their development is specifically supported in the future.

- New models of group or multi-plot individual self-build schemes are emerging led by developers or local authorities. They represent a diverse range of pilot initiatives at this stage, but are likely to grow in the short term, as a response to the Government's initiatives in this field. These new models aim to address concerns about accessing land, planning and development finance, and either offer support to self-build on dedicated sites, or provide a customised package of land and house types from which individuals can exercise greater choice than is available through the speculative mass market. The changing market encompasses new entrants and new models of self-build delivery with differing ideas about what the sector can become. It is unclear what patterns of self- or custom-build options will emerge as successful and sustainable, and it is likely that some models will not reflect all the claims made for the sector.
- Some potential key players do not wish to engage with self-build, seeing it as inefficient and burdensome, or not their priority (for example those who prioritised social housing provision or land development); or they were committed to traditional methods of housing supply. Several key lenders are uninterested in entering the market as it is too bespoke and does not deliver the volume required to warrant renewing investment in the market. They see no business case, or moral imperative to enter (or re-enter) the market.

Key conclusions and recommendations

- A key imperative, if volume growth is to occur, is the development of models that facilitate the entry of younger, less affluent households. Views varied as to which agencies could deliver volume in the market. Several local authorities were reportedly making provision for self-build through land allocations, but none as yet meet the scale of schemes in the Netherlands or Germany, and instead are testing the market.
- It was widely held that any step change in the delivery of self-build homes would require the sector to be reconfigured and perceived as a mainstream option. This would necessitate significant structural and cultural change. There was recognition that this process had started and housing market professionals welcomed the Government-Industry initiatives. However, they were assessed as insufficient both in terms of financial support and their time limited nature. Longer-term ongoing support was seen as necessary if the sector was to deliver its potential.
- Local authorities may be instrumental in delivering a change in volume, but partnership working and/or consortia could also overcome obstacles that currently limit scale. Many agencies are breaking new ground, but doing so individually and with little sharing of experience. Many noted that there was a role for the Government in terms of both evaluating emerging schemes and models and promoting horizontal sharing of good practice.
- The constraints associated with the availability of, and access to, mortgage and development finance continue to be significant, with many mortgage providers remaining cautious or not engaged. Significant growth in the self-build sector is likely to be held back until these issues are resolved. There are opportunities for lenders to establish partnerships with other key players in support of the self-build sector.
- There remains a need to improve guidance and support to self-builders, by addressing the continuing constraints that limit knowledge of, and access to, self-build. Currently there is no certainty that the potential growth envisaged in the Government's housing strategy will be attained, although there is clearly some untapped (though poorly measured) demand.

Key recommendations include:

- *Lenders* should provide additional guidance to potential self-builders about the criteria for funding. They should appraise the risks that pertain to the different procurement models and consider whether products can be tailored to reflect the different risk profiles. They should work across the industry to smooth lending processes to the sector and consider working in consort

with other lenders, developers, housing associations or local authorities to effect the delivery of large-scale self-build sites. They should also consider the development of more accessible products for individual customers.

- *Government* should maintain their enabling role by co-ordinating reform of existing processes to facilitate scale models. They should signal their on-going support for the sector beyond 2015 (the end date for key initiatives), recognising that it takes time to achieve a step change in a previously limited sector of the housing market. Government should commission an evaluation of emerging models of procurement to facilitate better understanding of their strengths and weaknesses and longer-term viability. There are also opportunities for the Government to initiate more opportunities for sharing evidence of good practice, particularly in relation to local government.
- *Local authorities* should consider the extent to which they can use planning agreements to embed self-build sites within speculative developments and, where appropriate, consider the benefits of supporting the sector to provide 'more affordable' housing for local people. The opportunities to expand this model from its more traditional rural location to urban areas should be explored. They should seek to address those aspects of the planning process that particularly constrain self-builders. There may also be opportunities for local authorities to make land available and to designate a proportion as self-build plots.
- *Developers and registered providers* should recognise the social and economic benefits of working with prospective residents/purchasers to enable them to procure and/or customise their homes. There are also opportunities to work collaboratively as enablers to provide packaged solutions of professional services to help self-builders overcome the 'silo' approach that currently characterises and slows the self-build process.

1 Introduction and research objectives

In November 2011, the Government published its Housing Strategy for England. One key objective outlined in the Strategy was to double the amount of self-build housing (renamed custom-build in the Strategy) over a decade, an increase from 100,000 to 200,000 homes. The aspiration is to change self-build from a marginal to a mainstream housing option. Currently, most self-build activity is one-off build by individuals although there are a small number of completed and on-going group projects.

The Housing Strategy provided for the development of an Action Plan to address known barriers to self-build, and supported the on-going industry initiatives designed to realise the proposed step change in custom-build activity. The key barriers routinely identified include: access to land and to finance; slow and conservative planning policies; and disparate and often inadequate information.

Currently, the sense of Government and industry pronouncements is that many potential participants in the sector are deterred from entry by the perceived risks or lack of information, or they lack confidence or do not recognise the opportunities that the sector offers in terms of housing supply and consumer choice. Grant Shapps, when housing minister, noted in his Foreword to the Government-Industry Action Plan (2011) that:

‘For too long self-build has only been an option for the rich and privileged... Others... have to be incredibly single minded to build their dream home... many more take one look at what is entailed and give up before they even start’.

The Government-Industry Action Plan is the responsibility of an industry panel and has already resulted in some important outcomes; for example, provision of a lenders’ guide to lending issues (aimed at encouraging more lenders to enter the market) and a one stop web-based information portal for potential self-builders.¹ In addition, the Government made £30 million available in the form of a Revolving Loan Fund (RLF) to provide early stage development funding for group projects (and on demonstrating its utility to encourage the private sector to establish similar schemes). The Homes and Community Agency (HCA) initially brought forward five sites for sale for self-build projects (in full or in part), and more are likely to follow. The first loans under the RLF have been made and the sale of some sites is imminent. Simultaneously, the new National Planning Policy Framework has required local authorities to produce local and neighbourhood plans in consultation with local residents, including estimating the demand for self-build housing.

Eighteen months on from the official policy declaration, the subsequent publication of the Action Plan and an update, it is an opportune time to look at the potentially changing landscape for self-build; in particular, to explore the progress being made, any continuing (or new) constraints, and the newer forms of delivery mechanisms that offer opportunities for groups of people to self-build alongside the more traditional individual activity. Alongside considering whether the task of individual self-building is being eased, the emergence of new group schemes and new development partnerships may have implications for funding structures and processes, and for the ways in which key players (such as planners, developers, funders) relate to each other and assess the risks involved in the sector. Further, understanding the attitudes, motivations and behaviour of those seeking to self-build (either individually or as part of a group) can contribute to identifying any further steps that might be important in supporting and facilitating self-build.

A typology of self-build

As already noted, the 2011 Housing Strategy changed the terminology from self-build to custom-build. The intention was to signal that many more people than currently might have the opportunity to ‘customise’ their own home. Such ‘customisation’ can occur via a number of different routes and

¹ <http://www.selfbuildportal.org.uk/>

the industry sponsored web Information Portal² identifies seven routes. These are:

- *Self-build-one-off* – Individuals undertake most or all of the design and construction themselves.
- *Contractor built-one-off* – Individuals manage the design process and select a contractor to undertake most or all of the work.
- *Developer built one-off* – An individual finds a developer with a site and a design acceptable to them, which is then built out by the developer.
- *Kit homes* – Individuals engage a kit manufacturer and work with them on the design and construction plan. The specialist manufacturer supplies and erects the house with the self-builder responsible for providing the slab. Either the kit manufacturer or the buyer 'finishes' the property.
- *Independent community collaboration* – Self-builders work with others to acquire a site to split up into plots, then organise the design and construction of their own home.
- *Developer/contractor led group project* – A developer/contractor organises a group and builds the homes; often, to save costs, the self-builders finish them off.
- *Supported community self-build group* – A social landlord or independent self-build organisation helps individuals learn the skills to build a group of homes together.

This categorisation indicates the variety of approaches to achieving buildings that deliver personal choice and control in respect of design, use of space, sustainability and cost. They are characterised by different degrees and different kinds of consumer input (See Chapters 3 and 4). The implications of the different approaches in terms of the risks they pose, the requirements of, and constraints on, issues such as access, design and funding and the skills required of consumers are the focus of this research and are explored from the perspective of a range of participants.

The rationale for self-build

There is an interesting question about why self-build is on the agenda so proactively at this point in time and whether those outwith the market might consider entering. This is one of the issues considered in this report but the Government and industry have made clear their rationale. The Housing Strategy notes that:

'The custom-build sector is important for our national economy. It is worth approximately £3.6bn a year, safeguarding and creating new jobs, strengthening the construction supply chain and making a real contribution to local economies....Custom-build housing also brings many other benefits, providing affordable, bespoke-designed market housing, promoting design quality, environmental sustainability, driving innovation in building techniques and entrepreneurialism'.

Self-build is also argued to support and reflect the localism agenda. It increases consumer choice and control over the space residents inhabit and, within the localism framework, local authorities are encouraged to respond to their community's needs and preferences, including unmet demand for self-build.

In the context of the current policy aspiration and initiatives, Lloyds Banking Group commissioned the Centre for Housing Policy at the University of York to undertake research, which would inform discussions of the potential to increase self-building and identify further actions that might support this objective.

² <http://www.selfbuildportal.org.uk/>

Research objectives and methodology

The research had four objectives:

- To provide an overview and independent assessment of the self-build market;
- To identify and understand key players' assessment of, and responses to, new policies and initiatives designed to encourage a step change in self-builds;
- To identify the knowledge base and experiences of both individual and group self-builders, amongst those with experience of self-build and potential entrants; and
- To identify further steps that might encourage additional take-up.

The research was undertaken using a range of methods and approaches (further details of the research methodology are available in the Appendix). A key consideration was to provide 'in-depth' knowledge wherever possible and so a largely qualitative research approach was adopted. A total of 57 in-depth interviews were undertaken.

Interviews were undertaken with:

27 key players – local authorities, planners, lenders, intermediaries, developers, registered housing providers, house builders, Government departments and agencies

4 representatives of group build schemes

22 individual self builders

4 first time buyers

Where appropriate, key players in and outwith the market were interviewed. All interview participants were based in England.

Identifying self-builders whose projects had stalled or failed was difficult but made possible by Buildstore³ who offered to approach individuals on their database via a short survey. Their database includes a wide range of people at all stages of self-build including early interest that might not persist. The survey provided a small amount of quantitative data on a few core issues. A total of 580 responses were received. The headline findings, along with a discussion of the care needed in interpreting the data, are available in a separate on-line report (Wallace et al., 2013).⁴

Structure of the report

Chapter 2 assesses current knowledge on the self-build sector. Chapter 3 presents the research findings on individual self-builders, exploring their motivations for building, how they managed key processes and the constraints they experienced. Chapter 4 identifies the range, objectives, organisation and experiences of group projects and looks at both more traditional and newer forms of group self-build. Chapter 5 draws primarily on the interviews with key players in the housing and construction arenas to explore their perspective on current opportunities for self-build, their motivations and their appetite for engagement with the sector.

Chapter 6 stands back from the detail of the empirical research and identifies a number of more macro themes and emerging issues that are suggested by the research as a whole. In particular it identifies some necessary 'next steps' if the sector is to be able to deliver on the Government's objective of doubling the size of the sector within a decade.

Around Europe there are several ways of describing the sector; 'self-build' housing, 'self-provided'

³ <http://www.buildstore.co.uk/> Buildstore are a leading supplier of services to the UK self-build industry.

⁴ Available at <https://www.york.ac.uk/chp/publications/2013>

housing or 'self-promoted' housing, and the UK Government recently adopted the term 'custom-build' housing. The report uses the term 'self-build' to cover all forms of self-provision (e.g. individual, collective, undertaking the full build or only a part) for ease of reference, unless specifically discussing the spectrum of approaches and definitions.

Continuing developments

Even as the report was being written, the sector was moving forward as new announcements were made and new schemes explored. For example, on 15 April 2013 there was an announcement from the Department of Communities and Local Government of a consultation on the Community Infrastructure Levy, including consideration of whether self builders should be exempt. A further example is the announcement that Community Right to Build Funds have been extended to allow access to self builders. These are welcome initiatives that add to the discussion in the report but do not change the thrust of the analysis or the key findings and recommendations made on the basis of the study.

2 Current evidence on the self-build sector

Chapter summary

- Determining the size of the UK self-build market is a challenge, but estimates suggest that around 12,000 self-build homes are currently delivered per year, 7.6 per cent of new supply.
- The contemporary self-build market largely meets the needs of older more affluent households with some capital behind them.
- There are multiple motivations for self-build housing that comprise improving consumer choice in the UK housebuilding sector, securing environmentally sustainable housing, building strong communities and cost effectively achieving a home that meets the needs and aspirations of individual households.
- Land acquisition, development and mortgage finance and planning processes are identified as constraints on the self-build sector.
- Our understanding of the processes, constraints and achievements of the self-build sector is poor, as research in the UK into self-build housing has been neglected for some time.
- Evidence from studies in countries with a higher incidence of self-build indicates that the activity is supported by strong planning authorities, advice and support (including financial support in some cases) and community participation.

This chapter provides a brief overview of the knowledge base in respect of self-build housing in the UK. It is based largely upon searches of bibliographic databases and Google Scholar for empirical evidence published in English.

Size of the self-build sector

Establishing the size of the UK self-build market is a challenge and is subject to uncertainty. Various estimates suggest that the self-build sector provides between 12-20,000 homes a year across the UK, and perhaps between 5-9,000 homes in England (Calcutt, 2007; Ball, 2010; Griffiths, 2011). Her Majesty's Revenue and Customs (HMRC) data provide the best estimates of the scale of activity, as many self-builders are able to reclaim the VAT on their build costs. However, as not all can, these figures under-estimate the number of self-builds. The latest estimates of self-build activity derived from HMRC data by the Department of Communities and Local Government (DCLG), suggest that self-builders provided 11,890 homes in the UK in the 12 months to 30 June 2012. This represented 7.6 per cent of new supply, and 31 per cent of all detached homes (HRMR, 2012). The National Self Build Association (NaSBA) estimates that between a quarter and a third of self-builds are organised by the individual, but actually built by a main contractor, and that between half and two-thirds of self-builds are organised and built largely by the individual, but they also hire and manage their own sub-contractors. Kit home suppliers deliver around a tenth of self-builds and only a small proportion are involved in a community self-build scheme.

NaSBA (2008) suggested that the output of self-build rises in a recession, based on data from the 1990s, possibly because there is less competition from small developers for land and land values are more affordable. However, since 2009 self-build outputs, as determined by HMRC data, have declined as the financial crisis has hit new starts hard, although this decline has been in line with that of the house-building industry average (HRMR, 2012).

Many developed countries have a history of self-build housing predating the Second World War, which contemporary academic assessments have largely overlooked (Harris, 1999). Nonetheless, Europe still displays significantly more self-built homes than the UK. For example, in 2008 the proportion of self-built new dwellings in Hungary was 52 per cent, in France 38 per cent, in Sweden 30 per cent, the Netherlands 10 per cent and Spain 11 per cent (Dol and Haffner, 2010). The transition countries of Eastern Europe also display high rates of self-build housing with over 50 per cent of new supply (Dol et al., 2012). The varying self-build rate between devolved regions in the UK may be due to the financial support and permissive planning previously afforded to self-build in Scotland and Northern Ireland (Morgan and Satshangi, 2011; Barlow et al., 2001), particularly in rural areas.

It is unclear why often quite similar countries have such large differences in the incidence of self-build housing. Historic developments within housing and planning systems, the propensity of the government to provide housing, and the emergence of large volume housebuilders and/or local commitments to the ethos of homeownership may all be important factors (Dol et al., 2012).

Demand for self-build

The policy ambition of increasing self-build homes from 100,000 to 200,000 over the next decade is premised on market research that suggests that there is significant unmet demand for self-build in the UK. The Building Societies Association report (2011) suggests that between 50-70 per cent of people would like to build their own home. It cites as further illustration of the prospective demand the 400,000 people that consult Rightmove and the 100,000 people that use plot-finding websites, on the assumption that these people are interested in sourcing land. Broer and Titheridge (2010) also offer some limited qualitative evidence of demand for self-build community projects from people who visited a promotional meeting about a local project. However, to what extent this *aspiration* to self-build, evident in the survey data and attendance at promotional meetings, represents *effective demand* in the market is uncertain.

The survey data reveal that effective demand for current self-build is from older, 'empty nest', existing homeowners on higher incomes (Building Societies Association, 2011). The average build costs, including land, were £255,543, but 22 per cent of self-builders planned to spend between £300,000 and £500,000 on their build. In 2010, the average house price for a detached home, which almost all self-build properties currently are, was £233,288, and the average house price across all types of homes was £168,033. These data indicate that the current self-build sector is serving demand at the higher end of the housing market. This is especially the case if it is correct (as sometimes claimed) that build costs are lower than the cost of a similar house on the open market, although an alternative explanation could be that self-builders are disproportionately producing homes in high cost areas. Duncan and Rowe (1993) suggested that higher earners had greater access to self-build, but that the sector also had a significant role for less affluent households. However, Barlow et al., (2001) also confirmed that by the late 1990s the self-build sector served higher income professional households, but no longer met the needs of lower to mid-income households, as it had done from the 1930s to the 1970s.

The contemporary self-build market largely meets the needs of older, more affluent households with some capital behind them.

However, analysis of the types of households served by a community self-build project in Bristol suggests that a wide range of budgets and property sizes were being met (Broer and Titheridge, 2010), indicating some potential for the entry threshold to self-build to be lower.

Motivations for self-build

The research literature suggests that there are multiple motivations for self-build. These include:

- *Macro-level drivers* designed to support the construction industry supply chains, improve the quality and volume of new housing supply, increase the sustainability of new homes and strengthen community cohesion; and
- *Micro-level drivers* that reflect individual self-builders' concerns and preferences.

The current policy interest in self-build is set against the urgent requirement for a step change in the volume of new housing supply in the UK. The current concentration of housebuilding into ever smaller numbers of firms is considered problematic, as it does not deliver the necessary new supply in sufficient numbers, and typically produces poor housing design and poor customer satisfaction (Parvin et al., 2011; Griffiths, 2011; Cerulli and Field, 2011; OFT, 2008). UK housebuilders have shown resistance to reflecting consumer choices via customisation of homes and a reluctance to innovate (Barlow, 1999). However, other countries have been able to accommodate a significant level of customisation and self-promoted non-speculative housing supply, for example, France (Barlow, 1992). A greater diversity in the sources of new housing supply is called for and self-build is proposed as part of this restructuring of the UK construction sector. Parvin et al. (2011) argue that the process through which homes are procured is as important as the outputs. It is through the owner generating their own home for its use-value rather than for its asset-value (which is of interest to speculative builders), that design and satisfaction are said to improve.

Self-build also has a role to play in 'place-making' or community building, as people participate in the planning of their immediate neighbourhood and many self-builders value this aspect of the group-builds (Parvin et al., 2011; Cerulli and Field, 2011; Broer and Titherridge, 2010; Hill, 2009). The potential exists for self-build to empower local communities and make the planning process more effective in meeting people's needs (Falk and Carley, 2012; Boonstra and Boelens, 2011; Burgess et al., 2010). Moreover, citizen activism and engagement with the planning and development processes were critical in the success of the self-build communities in Vauban, an urban extension to the city of Freiburg in southern Germany (Bagaeen, 2006; Scheurer and Newman, 2009) and Almere, in the Netherlands (see Qu and Hasselaar, 2011). Furthermore, relationships are built when people engage with the self-build process, which results in 'conflict tested' communities, with the implication that bonds forged between neighbours are stronger than in other types of housing developments (Scheurer and Newman, 2009).

A further strand of work notes the contribution the self-build sector makes to the targets for the production of sustainable homes (Scheurer and Newman, 2009; Sullivan and Ward, 2012). Studies focus on values associated with the people who have joined self-build communities and the mechanisms and technologies adopted in the developments as exemplars of alternative forms of sustainable living (Broer and Titherridge, 2010; Cerulli and Field, 2011). Furthermore, the success of a sustainable urban neighbourhood with high concentrations of self-build apartment blocks for young families in Vauban was a function of the availability of public land, a sympathetic political climate and the presence of a strong local environmental industry (Kasioumi, 2010). However, environmental ideals may not be a prime motivator for all self-builders as the Office of Fair Trading (OFT, 2008) noted that the requirements to meet the Code for Sustainable Homes was a burden for some self-builders. Moreover, the dominance of single detached dwellings can contribute to urban sprawl and car reliance, which could work against sustainable ideals (Dol et al., 2012).

UK and international reports suggest that individuals are motivated to self-build because they obtain a bespoke home that meets their individual needs and aspirations at a cost unavailable in the wider housing market (Building Societies Association, 2011; Brown, 2007; Dol et al., 2012). An unpublished DCLG survey (cited in Building Societies Association, 2011) also found that one in two people see self-build as a less expensive route into homeownership, but as already noted the extent to which this happens may be limited. However, Clapham et al. (1993) found self-providers of homes

in rural Scotland could not access suitable local accommodation by other means, as speculative builders had withdrawn from these areas, but they note that self-provided homes play different roles in different housing markets. Barlow et al. (2001) note that by the 1990s the motivation to self-build had shifted from those unable to afford open market homeownership to those dissatisfied with the supply of homes and who wanted an individual property. The choice and costs potentially achievable with self-build were also identified in the Norwich and Peterborough Building Society survey (Building Society Association, 2011). A Buildstore survey in 2009, again cited in Building Societies Association (2011), found that choice, control, financial gain and dissatisfaction with the existing supply of homes were key drivers of self-build for individuals.

Interestingly, Ambrose (1994) notes that after the fall of communism Bulgaria enlisted a British team of housing specialists that promoted schemes that met the latent demand for self-build housing. Although the literature does not clearly demonstrate the cost savings of self-build, the two learning points they passed on, that may be salient to today, were:

'[First] ... that if there is very little or no public money, then ingenuity and new practices have, to the extent that it is possible, to serve instead. The second is that if community and resident participation can be achieved, and if the people who have a direct interest in improving their homes and immediate environment can be drawn into the process, then the 'release' and organisation of individual and group energies can help to bring about desired outcomes even in periods of great financial stringency.' (p192)

This review does not include evidence relating to self-help housing that provides often homeless or unemployed people with training and learning skills to refurbish existing empty properties and bring them back into use (see Pattison et al., 2011). A desire to see a substantial increase in housing supply has brought a renewed emphasis on empty homes, and there may be parallels between the renovation of uninhabitable spaces and self-building new dwellings. It seems, to date, that the funding structures and key players have been different, self-help housing largely being the preserve of social enterprises or homelessness charities, for example. However, the Chartered Institute of Housing has called for an exploration of whether the two agendas could be combined by funding the refurbishment of empty homes from Homes and Communities Agency (HCA) self-build funds (Inside Housing, 2012).

Barriers to self-build

The Self-Build Government-Industry Working Group Action Plan identified land and procurement models, lending and finance, regulation and red tape and the self-build industry itself as areas where support to self-builders could be improved (NaSBA, 2011).

The lack of available finance was identified as a barrier to more people choosing self-build. The Action Plan (2011) notes that lenders perceive self-build loans as more risky, and in the context of a constrained mortgage market, their appetite for lending to the sector has declined. Risks identified include:

- The failure to control costs;
- Delays in the build;
- Limited demand for self-build products;
- Regulatory requirements;
- Inadequate development finance for group builds; and
- Problems associated with the valuing of incomplete and/or unique properties.

An unpublished paper for the Government-Industry Working Group reported that lending within the sector declined sharply following the financial crisis, and cites Datamonitor estimates that the

self-build mortgage market is likely to rise from 0.35 per cent market share in 2011 to 0.8 per cent by 2015. Around 50-60 per cent of current self-builders do not need mortgage finance to start the build as they release equity from the sale of their existing homes, although some also use bridging or bank loans to supplement capital. Small building societies take the largest market share with only one large lender, Lloyds Banking Group, providing significant volume in the market. Buildstore (2010) reported that the average self-build mortgage was £208,000 and although the average loan-to-value was 62 per cent, around half of loans had loan-to-values of 50 per cent or below. The current system of lending to the self-build sector therefore favours those who are capital-rich and thus significantly disadvantages younger people and first-time buyers (Parvin et al., 2011). Studies also identify that the financing of group self-build schemes is problematic (Building Societies Association, 2011; Broer and Titherridge, 2010). Parvin et al. (2011) suggest that to obtain the support of a greater number of lenders the risk threshold needs to be lowered. For example this might be by using build types that require lower trade skills (such as Walter Segal timber builds⁵), providing contractor-led infrastructure support, using enabling professional intermediaries and/or a centralised development finance agency and more group builds. All these responses may mitigate the risks for lenders. The Government-Industry Action Plan (2011) suggests greater market research and information sharing, guidance on valuation and joint working with community agencies to develop finance models for group builds.

Duncan and Rowe (1993) cite land values as prohibiting access to self-build. Barlow et al. (2001) identified the allocation of the right land as a task, but suggested that the perceptions of difficulty outweighed the reality, although land supply constraints in the south-east of England were polarising the self-build market, squeezing out less affluent buyers. The Action Plan (2011) identifies the securing of land as a major hurdle for self-build and suggests that the strategic policies of planning authorities need to change to support self-build and the release of public land needs to include targeted release to self-build projects. Broer and Titheridge (2010) identify securing land as difficult for community self-build projects, as it is hard for them to compete with developers in terms of financial resources, and/or the time available to assemble finances and enter bids for land. Parvin et al. (2011) and Griffiths (2011) agree that self-builders should be assisted by making available public land and allocating proportions of larger sites to self-build plots. Publicly owned land was regarded as critical to the successful self-build groups in Vauban (Kasoumi, 2010).

The review of UK literature identifies land acquisition, development and mortgage finance and planning processes as constraints on the self-build sector.

Planning is also seen as an obstacle to self-build projects, and the Action Plan (2011) indicates that the process is overly complex and does not support the sector. Barlow et al. (2001) noted that, as local authorities interpret the planning guidance, this creates a mixed picture of idiosyncratic responses to aesthetics, the size of replacement dwellings and attitudes to rural and village homes. Planners find it as time-consuming appraising a one-off self-build as a larger development; moreover they may not understand the concerns of self-builders and impose conditions and charges disproportionate to the proposals made by self-builders (Parvin et al., 2011; OFT, 2008). Broer and Titherridge (2010) noted that the length of time the planning applications took on some plots in a group scheme was potentially problematic as it delayed finance reaching some self-builders with a potential to threaten the group's cashflow. The Action Plan suggests that the process needs to be simplified and made more transparent from pre-application discussions to outline planning decisions and conditions. Guidance to planning and housing authorities has now been provided to support them in appraising local demand for self-build and providing examples of mechanisms they can use to enable self-build locally by allocating land, providing finance (individually or in partnership), ensuring planning rules locally are not burdensome and by marketing and promoting the sector

⁵ <http://www.segalsselfbuild.co.uk/home.html>

(NaSBA, 2012). Certainly, a less restrictive planning regime in Belgium has been an important factor in their commitment to self-build housing (De Decker, 2008).

Other barriers identified by the Government-Industry Working Group were a range of bureaucratic processes that needed to be smoothed for self-builders and the lack of co-ordination and provision of a voice for the self-build industry to promote the opportunities and available support. Brown (2008) notes that, at that time, there were few examples of professionals engaging with amateurs to produce individualised homes. Historically, community self-build schemes have provided support and training to individual self-builders (from the 1980s and 1990s onwards), but have had multiple motives in terms of meeting training and housing needs as well as increasing supply (Bixby, 1996). Moreover, in the past, these schemes were hampered in achieving their ambitions by numerous issues that included the benefits system, weak local labour markets, and poor cost effectiveness (Hutson and Jones, 2002). There is now a greater emphasis on, and emerging examples of, enabled group or multi-unit self-build schemes which provide support to, and achieve a greater role for, self-builders in the current housing market (Parvin et al., 2011; Hill, 2009).

Owen (2011) provided an overview of several international self-build models to inform the Government-Industry Working Group and noted that the lessons were that proactive planning was required, as were capital grants to groups, cultural change to promote self-build, an increase in self-build finance, modern construction methods, reduced planning regulations for the sector and the master planning of large sites.

Notes on the research evidence base for self-build

There is a paucity of research evidence on self-build in the UK to test many of these claims made for, and about, the sector. Clapham et al. (1993) noted the lack of research interest in the field and it appears that this problem remains. Such research interest as exists largely approaches the subject through the lens of sustainability and/or urban planning concerns or offers an industry perspective. There is a disparate self-build literature reflecting its 'niche' role in the housing market. Although 'noise' about self-build has undoubtedly increased over recent years there is little work that provides evidence of the processes and outcomes of the self-build sector for individuals, communities or the wider housing market.

There has been a lack of research interest in the field and it appears that this problem remains.

In respect of international research evidence again there is little available, at least in the English language. Housing studies is dominated by the US, UK, Netherlands and Scandinavia, countries with low to moderate rates of self-build, which Dol et al. (2012) suggest may explain the lack of research interest in the field. Of the mostly widely recognised international examples of self-build, little research evidence was found relating to the Almere development in the Netherlands or in respect of the self-build co-operatives, the 'Baugruppen', that form two thirds of the Vauban site in Frieberg, Germany.

The study reported here contributes to strengthening the evidence base. In 1993, Duncan and Rowe noted that, 'the sector merits considerable further research than has been the case so far'. That is even more the case today with the increased policy interest in self-build.

Conclusions

The current market for self-build homes is small but some evidence suggests that it has the potential to grow and meet unmet demand in the market. However, the figures reported may overestimate the desire to self-build in the UK by conflating aspiration with effective market demand. Nonetheless,

there is a sense that more people wish to enter this market, but are prohibited from doing so or deterred by the structure of finance in the sector, the high cost of, and limited accessibility to land, and possibly onerous planning conditions. There has also been a lack of strategic support from national and local housing policies. There may be benefits in supporting the self-build sector, as there is some evidence to suggest that self-build not only meets individual aspirations, but also meets macro goals including community building, increased sustainability, consumer satisfaction with the housing achieved and effective participatory planning approaches. There is evidence showing that lower income or younger groups find it difficult to participate in the self-build sector and there are calls for more strategic approaches to land sales and allocations and for more enabled multi-unit builds in the future.

3 Individual, one-off self-build

Chapter summary

- Most self-builders were motivated by the wish to obtain a home of their own design for their long-term residence at a cost unavailable elsewhere in the market.
- Self-building can be a long and often arduous pursuit, and individual self-builders vary in the effort they commit to the design, management and construction processes involved in the procurement of their home.
- Finding land was not always easy. Self-builders used a variety of search tools and methods, often considering existing properties (for demolition), not just vacant or derelict plots.
- Planning is often considered difficult, but many self-builders interviewed found it to be straightforward, although they were occasionally challenged by onerous or unexpected conditions being attached. Early discussions with planners and neighbours appeared to be effective.
- Some self-builders have considerable resources, but obtaining mortgage finance to fund the project from the outset was difficult. Self-builders who successfully secured mortgages for the build costs still found the process arduous, often unpredictable, inflexible, too cautious and occasionally inefficient.
- There are significant risks associated with self-build. For example: projects may proceed without confirmation that all funding or permissions are in place; there may be inadequate contingencies for unanticipated build-related events; or there may be changes in the individuals' circumstances, such as unemployment. Strong project management, insurance and professional support may mitigate these risks. Both lenders and self-builders recognised risk, but often differed in their assessment of the critical concerns.
- The social, emotional and extraneous financial costs to self-build are poorly understood. Self-builders believed these factors deterred younger people from entering the sector.

Most self-build is undertaken by individuals who procure their home by one of three main routes. Having acquired the land, most individual self-builders follow one of the procurement routes noted in Chapter 1:

- *Self-build one-off home* – undertake most or all of the design and construction themselves.
- *Contractor-built one-off home* – manage the design process and select a contractor to undertake most or all of the work.
- *One-off kit or package home* – engage a kit manufacturer and work with them on the design and construction plan. The specialist manufacturer supplies and erects the house with the self-builder responsible for providing the slab. Either the kit manufacturer or the buyer 'finishes' the property.

Occasionally, an individual finds a developer with a site and a design acceptable to them, which is then built out by the developer (referred to as *developer built one-off home*).

This chapter considers the motivations, behaviour, decision-making and experiences of individual

self-builders. This complements discussions to date which have either been based on, or informed by, the perceptions and concerns of organisations servicing these one-off builders (for example, lenders, developers etc.) or relied on short, 'closed' question surveys of self-builders. The intention here is to provide detail about self-builders' behaviour and experiences. Understanding what works for individual builders and what is problematic may or may not coincide with industry perceptions, and has the potential to identify additional actions that might support the sector further.

Qualitative interviews were held with 22 one-off self-builders. They cover builders in all of the first three categories above, and include those at the planning stage but not yet on site, those currently on site, those who completed projects within the last five years and those whose projects have currently stalled in a major way. Clearly, the interviewees are not statistically representative of all self-builders. However, there is a wide geographical distribution and the profile by age, income, type of procurement etc. is such as to suggest that the information is nevertheless likely to offer a good guide to how individual self-builders in general experience the process.⁶ Table 2 in the Appendix describes the characteristics of the 22 interviewees.

Routes to self-build and key motivations

Twelve of the 22 individual self-builders interviewed were committed to self-build from the start.⁷ They bought either an empty plot of land or a property with the explicit intent to demolish. A further six had initially bought property to renovate but for a variety of reasons subsequently decided to demolish and self-build a new property. This was because self-build offered a solution to a problem or they saw an opportunity:

'We wanted a Victorian house we could do up, but conveyancing took ages and there was a boundary dispute and we pulled out. We were looking for another house but found a plot. We knew it was available but had not paid it much attention, but when we couldn't find a house we thought about it again'.

'We had not thought about self-build until various developers kept asking to buy part of [our] land'.

Another couple bought a rundown bungalow on an excellent plot with the intention of renovating and extending it, but having lived in it for some time they recognised the amount of work involved and started to consider demolition and building a new house.

Irrespective of the route to self-build, few interviewees were motivated by cost savings per se. A more frequently cited motivation was the ability to design their home and secure an ideal location. Some were motivated by the possibility that they could get more for their money by self-building than they would in the speculative market. For some, there was also an emotional and aspirational drive, 'a dream', and 'I've always wanted to do it'. A small number said they hoped eventually to sell at a profit, usually to supplement their pension. Most self-builders, however, were building for long-term residence. Builders who were particularly motivated by cost (as opposed to making money) were younger, with lower incomes. Often several triggers came together as one interviewee illustrated:

'[It was] the only way possible to live in a house like that [more than he could afford in the market]. ...it's a grand size; the bedroom is the size of some whole houses. I practise in building and I've always liked to. Most people would love to'.

⁶ For example, the profile of interviewees is broadly in line with the profile of those who say they have already self built in the BSA survey, and in line with the profile of respondents to a Buildstore survey undertaken specifically for this project.

⁷ Three respondents were still looking for a site.

The experience of self-build

The interviews show considerable variety in the way self-build occurs. Even within each of the three main procurement categories noted above there was no standard approach as to how much 'work' builders undertook, what they focussed on, where they got help, what method of construction they adopted or how they put the finances together etc. Self-build remains a highly 'bespoke' activity. For example, one self-builder designed and drew up the plans and then, *'we did everything ourselves, both of us, by hand, buying in only very specialist skills such as gas heating'*. There were others who project managed a contractor, but were not hands-on builders. There were builders who bought the land outright and built using savings or proceeds from the sale of (one or more) houses. Equally, there were builders who drew together several different sources; wages, savings, a mortgage plus equity from a house they sold.

Self-build remains a highly 'bespoke' activity.

The self-build experience was also, typically, a long one. Up to two years was often required to access land. It was then not unusual for it to be two years or more between acquiring the land and completing the build, even where a contractor was used both to build and manage the process. For those doing most of the work themselves, the process was often longer. Only a part of this time related to the build itself as considerable time was required for agreeing the design, planning and finance. The project planning period was often protracted as self-builders tried out their ideas with one or more architects and builders. However, the consequences of these iterations included delays, false starts and lengthening time to completion.

One couple, seeking to renovate and extend a property, first talked to a builder who wanted them to use his architect who pressed for a design significantly different from the concept they had in mind. Both the architect and builder were stood down. Further plans were submitted via an architectural technician at which point the planners 'suggested' the project might be a demolition and re-build (despite previously saying no to this), at which stage a further architect was engaged and planning permission achieved. The couple then had discussions with three builders before finding one that was in tune with their ideas and experienced in the method of construction proposed. In total, the project has taken around five years.

There were, however, instances where the process was very smooth:

'The architect knocked up the plans in a couple of weeks...planning process incredibly easy...in seven weeks it was approved'.

This interviewee also noted that because of the poor market he was able to find tradespeople easily.

Further details of the self-builders' experiences of specific aspects of the process are discussed below.

Planning and self-build

Existing studies identify planning as a significant obstacle, and for some of those participating in the research it clearly was. One self-builder, now on his second project, commenting on the increasingly bureaucratic nature of planning applications and building control procedures, said:

'...can honestly say that planners and building inspectors have taken the joy out of building your own home. [On this build] they've not provided any added value'.

Examples of self-build homes



The majority of individual self-build projects are detached houses, built by older, relatively affluent households. The sector is characterised by a wide range of property styles, but many builders opt for relatively conventional designs.



(Reproduced with permission)

Others experienced planners making demands, particularly in relation to sustainability, that were difficult to meet or which they found unreasonable. For example, in one case the local authority and planners required the property to meet sustainability Code 4, which would have involved a ground or air source heat pump. The self-builders had neither the funds nor room on the site for such provision, but the planners were deemed unhelpful. (This was resolved by chance as an energy assessor found a precedent for a Code 3 build in the area, which was then agreed.) Another builder was required to undertake a site survey as a condition of obtaining planning permission. The issue was in respect of the ground levels of the build, but as they were proposing a single storey build *'it has been of no use; solely [undertaken] for the planners'*. He also had to submit a SAP survey despite the fact he was building with a technology (SIPS) that would result in energy efficiency in excess of any required SAP rating.⁸ A third builder noted:

'They have a blanket policy insisting that 10% of energy is produced by natural [renewable means] but it's not always possible if your plot is not south or south east facing. Our site had large oaks and trees everywhere blocking the light but they don't care about that...I care about the environment but not about ticking boxes.'

One planning authority required a self-builder to include a home office in their design to meet the sustainability goals of a rural location. The self-builder was then unable to reclaim his VAT from

⁸ SAP – Standard Assessment Procedure Ratings that measure the energy efficiency of dwellings and must be displayed on completion of the build. Included in part L of the Building Regulations. SIPS- Structural Insulated Panels are used to deliver energy efficient and air-tight frames for homes.

HMRC⁹ as his home was not solely residential, as a portion was then considered to be for business use. He appealed this decision but was unsuccessful, a policy conflict that has left him several thousand pounds out of pocket. In the most extreme case, planning permission took six years to complete due to archaeological and heritage issues. All these planning requirements were resented but as, if not more, important, is that each additional demand from the planners has a time and cost implication that is not known about at the start. They can be expensive, are frequently un-budgeted, but have to be accommodated. Examples of costs that were 'absorbed' included £1000 for a site survey, £1000 for a SAP survey, and £300 to have a document required by the local authority approved by a solicitor for them. The requirement to meet the Community Infrastructure Levy could also be significant (see below).

However, the more typical experience of the planning process was that it was not an obstacle and indeed relatively straightforward. Often this was because a site already had planning permission, which had established the right to build even if a new design was submitted, but a key factor was early discussion with the planners and with local people potentially affected by the build:

'We got planning first time within the statutory eight week period'.

The above builder had sounded out the planners ahead of submission and their architect had also arranged a meeting of local people (to which 50 came) at which drainage problems were brought to their attention (and accommodated before the plans were submitted).

the typical experience of the planning process was that it was *not* an obstacle and relatively straightforward.

In two further cases, early discussion with the planners led to designs being modified in order to comply more closely with the vernacular style in the area. While builders sometimes had a preference for more modern designs they recognised that their buildings had to be in context and so accepted the guidance, and planning went through.

Planning authorities and utility companies attracted the most dissatisfaction from self-builder respondents in the Buildstore survey (Wallace et al., 2013). Professionals and/or agencies over which the self-builders had the greatest control – architects, designers or tradespeople – reflected the greatest satisfaction.

Financing individual self-build

Individual self-builders have, in principle, to finance the land, the design and planning process, the materials and then the build. Few, if any studies to date have explored self-builders' full funding arrangements, limiting themselves to considering the issues around mortgage finance. In contrast, the interviews show both the complexity of many funding arrangements and the significant variety of arrangements that are patched together. The interviews also indicate that while considerable difficulties remain in relation to mortgage finance for some, for others the mortgage was unproblematic. These differences seem to be explicable, at least in part, in terms of the mortgage market cycle and the risks that characterise the project or that self-builders accepted (see below). The research also only considered self-builders who had undertaken their projects during the last five years, during which time the mortgage market has had restricted activity and financial institutions have become very risk-averse. But given little sign that the market is easing voluntarily, and the evidence of tighter regulation, the past few years may be a reasonable guide to the next few years.

Four interviewees had pre-owned land in the form of a plot in their garden. Those who needed to buy an empty plot of land typically used one or more of: savings; re-mortgages on their existing properties; a new, short-term mortgage for the land; or proceeds from the sale of their previous

⁹ VAT paid on building materials and conversion services when building a new home or converting a building into a place to live can be reclaimed. <http://www.hmrc.gov.uk/vat/sectors/consumers/new-home.htm>

home. Others who bought an existing property, which was then demolished, typically bought with a conventional repayment mortgage or from the proceeds of the sale from a previous property. The Buildstore survey (Wallace et al., 2013) found that a third of plots were purchased using mortgage finance, and savings and housing equity was used in over a half of cases.

Interviewees required between £90k and £750k to acquire their sites and in most instances the purchase price exceeded £250k. Not surprisingly, self-builders in the north of the country typically paid less for the land than did those in the South and West, but land costs were also influenced by when they bought and the size of plot. Land appeared to be more readily available in the North. In the significant number of cases where self-builders used a re-mortgage on their existing property to fund a new site none indicated that they had found the re-mortgaging process problematic.

A married couple bought a plot of land in 2009 for £90k. They remortgaged their existing property, in which they had lived for 15 years, using the considerable equity they had accumulated to fund the purchase.

A couple who were living in a mortgage free property purchased land comprising a small and a larger adjacent plot. The larger plot had an existing property on it but there was permission for demolition and the whole site had planning permission for two houses. They had savings of over £300k, which they used to buy the land plus they withdrew equity from their existing property by re-mortgaging.

In three further cases, couples purchased land by selling their existing property and renting for a period. Two of the three also put some of their savings towards the purchase of the land. However, in the occasional example of a self-builder wanting a separate, new mortgage to buy the land a typical comment was:

'Unbelievably difficult; mortgagees want to see all the plans [and costs] upfront- it puts the cart before the horse.'

Only two of the interviewees were first-time buyers, but if the market is to expand, the first-time buyer market is likely to be significant. The reliance on equity (and savings) noted above is not available to first time buyers and so a key question is how can they take the first step and here new and innovative individual financial arrangements, including, potentially, guarantees, will need to be explored. Another route may be that of developer-led self-build projects, assuming that development finance is available to address the financial hurdle seen currently in relation to land purchase.

Putting together the funding for the build was also a variable process. Amongst those interviewed, the build costs, estimated at the start of the project, ranged from £40k to £300k. Of the 22 builders interviewed four already had the finance to build, usually from the sale of a previous home and/or savings, while 14 of the 22 sought a self-build mortgage. One interviewee simply transferred the mortgage he had on one property (which was demolished) to the new build. Three interviewees were right at the start of the land search process and had not thought about build finance.

Of the 14 seeking a self-build mortgage, five reported that the process had been unproblematic. One couple were offered a 95 per cent tracker mortgage in 2008 for just over £130k initially at 2.44 per cent above the base rate but which then fell as the base rate fell. This was recommended by a broker. There was an arrangement fee and a lending fee. In another case a couple seeking to borrow around £500k had two mortgage offers. They were surprised:

'People want our business, they are willing to sharpen their pencils'

This was a very recent case and perhaps reflects some easing of the credit market. None of the other 13 seeking a mortgage had more than one offer.

However, other self-builders found the mortgage application process arduous, uncertain and sometimes characterised lenders as unrealistic, although eventually all had/have a confirmed mortgage. Some had achieved this by turning to a broker after initially failing.

The key issues encountered by individuals looking to secure finance were:

- A disjuncture between needing certainty about finance early on and the ability to provide detailed plans, evidence of planning permission and detailed build costs at the mortgage application stage. This is a 'chicken and egg' issue that can lead to repeated requests for additional information. It engendered uncertainty and caused delays. It led some self-builders to proceed at risk (see below);
- Slow decision-making by lenders;
- Very limited choice of lender/had to try several/refusal from lenders and higher than expected mortgage interest rates;
- Standardised product, procedure driven, no flexibility in relation to the type of procurement process;
- Additional and unpredictable costs associated with applications, brokers' fees, lending charges and legal fees;
- Lenders that they perceived as disproportionately risk-averse and requiring significant deposits that were thought unreasonable;
- Low valuations in relation to risk and security. Lenders were viewed as being unwilling to recognise that the land on which they were building was worth more than the outstanding mortgage, if in the worst circumstances there was default on the mortgage or the abandonment of half-built properties;
- Inefficient administration including poor local staff and no central contact point;
- Retentions that were often released late resulting in the individual having to take a loan elsewhere to complete the project.

Not all the above applied to all lenders or were experienced by all borrowers but they do provide a snapshot of the range of issues that can characterise the market. Further, the same kinds of obstacles or constraints were noted in respect of individuals who were involved in group builds where they took over the property at a later stage in the build (for example after first fix) and at that point needed individual mortgages. The quotes below give a flavour of how some individual self-builders perceived and experienced their relationship with lenders:

'My first lender withdrew from the market [after they had started negotiations] and I had to approach more specialist lenders. I was looking for [an interest rate of] 3.5% -3.8% but they were charging 5.2%-5.3% – incredibly high – and there were additional fees. Eventually a larger more mainstream lender agreed to consider a loan' [but took many months to make a decision].

After much negotiation a lender agreed to provide another interviewee with £90k;

'They originally said they would give us all the money [in staged payments] but they retracted that'.

The interviewee will now get £80k with £10K retained until after completion. He cannot complete without the £10k and has had to ask his parents for a loan to enable him to complete:

'They are so procedure-driven and will charge fees for every pen lifted and e-mail sent'.

One consequence of these perceptions of lenders and the finance process is that some individuals

seek ways to avoid contact with lenders over what are legitimate matters for lenders to be informed about. In one case an individual who had bought a property with a mortgage had then demolished and rebuilt but had not notified lenders of this process, 'as it will just invite hassle'. They simply used savings to build and continued paying the mortgage as though nothing had changed:

'They [the lender] don't know about it. There was a period when we destroyed the value but it's [now] worth twice as much from their perspective so there's no risk.'

Others had simply chosen not to take a mortgage, even though it might have brought cash flow benefits, on the grounds that the application and assessment process was too rigid and onerous, however small the sum requested.

In two cases, agreements that individuals thought they had with lenders went wrong. In one case, a mortgage agreement was signed and site work started but the first payment was not yet drawn down. This was at the start of the 'credit crunch' and the mortgagor received notice that his loan was being withdrawn as it was no longer the policy of the company to lend on construction projects. Despite protests the borrower was told to 'read the small print'. He used his own resources to secure the foundations and the site is now mothballed with the hope it can be reactivated shortly. In the second case, a verbal agreement for a re-mortgage was not honoured, stalling the work.

Based on these interviews, mortgage finance is available, but self-builders indicate that the mortgage market is limited in scope, lacks adequate competition, and is not realistically tailored to the structures and processes of the self-build activity, either in terms of the information required for lenders to assess the loan application or the release of final funds. While lenders quite rightly have to assess risk, and borrowers do not always control risk (see below), there is a strong perception that lenders' assessments are disproportionately cautious given both the value of the land and the properties being created. This is the view even where the mortgage application is straightforward and positively dealt with as most still require a significant deposit. Thus, even if lenders have clear and supportable rationales for extant market processes a clear implication of the interviews is that funding can be difficult and that any expansion of self-build is not likely to occur without some market easing:

'...lenders are the biggest stumbling block. The problems in the banks were not caused by the self-build sector but by lending 125% to people and not checking their ability to pay. Rather than have a blanket policy they should look at each case on its merits. [In our case] the land value was twice the value of the mortgage, but even without the house the land is worth something, but not to the banks it seems. The only person taking a risk was me; all they have to do is sell the land and get their money back. I'm thankful it [the mortgage] came through but it was extremely stressful. I would have died if it had not been agreed.'

This was a self-builder who had undertaken the design and planning stages and engaged a builder to establish some costs, and based on all this had applied for a mortgage. It took several months for him to receive the positive outcome, and in the meantime there was no designated person in the lender organisation to whom he could speak.

Self-builders indicate that the mortgage market is limited in scope, lacks adequate competition, and is not realistically tailored to the structures and processes of the self-build activity, either in terms of the information required for lenders to assess the loan application or the release of final funds.

Previous studies suggest that acquiring land, the planning process and access to finance are all experienced as significant constraints on the self-build process. This research, however, provides a more nuanced and varied assessment with a range of straightforward, positive, experiences as well as some problematic ones. Access to finance, (amongst those who need it) appears to be more problematic than access to land or planning. In contrast, the Buildstore survey (Wallace et al 2013) indicates that land and planning presented self-builders with the greatest difficulties, but that obtaining a mortgage was particularly challenging for younger people.

The risks of self-build and mitigation

Self-build is often described as a risky process, for example, lack of expertise on costing (and the knock-on effect of inadequate finance), changes to the project, and limited project management skills are often seen as potential threats. One of the objectives of, for example, the Information Portal is to provide more information to would-be builders on a whole range of issues in order to reduce the risks. One purpose of the Guide for Lenders (Building Societies Association, 2011) is to develop their awareness and realistic assessment of risk and so assist more to enter the market. Self-builders were asked what they identified as the major risks involved in their projects and how they developed mitigation strategies.

The key areas of risk experienced stemmed from:

- Over budget projects due to one or more of poor costing, unexpected costs and an inadequate contingency;
- Lack of familiarity with new technologies on the part of builders, planners and building control officers;
- Proceeding to planning and engaging contractors without firm funding arrangements in place;
- Lack of technical knowledge (especially where self-builders were themselves building);
- Unanticipated ground conditions or unforeseen technical problems;
- Loss of income as a result of unemployment or short time working;
- Purchasing sites without planning permission or with planning for a property that the buyer wished to change;
- False starts with architects and/or builders; and
- Withdrawal of funding.

All of these risks had financial consequences, sometimes directly and sometimes because they caused delays or mistakes, which had a financial penalty. For example, some interviewees overlooked the Community Infrastructure Levy when budgeting, or faced unbudgeted costs in relation to demands from planners for site surveys:

'Big shock....eight weeks into the planning process we had a letter from the planning officer saying it [the Infrastructure Levy] would be £5,300, a bit of a bolt out of the blue.'

These builders had expected a charge closer to £800.

A few did not plan as carefully as they could:

'not as much due diligence as we should have done.'

In this case the self-builder had not looked at any cost estimate models, but based the cost estimates on reading the self-build magazines and books.

Some faced unbudgeted costs for unexpected work:

'I've kept a real tight control but there have been some hidden costs I'd not thought about like £1500 for a plumber to do something.'

Another said:

'Heavy rains meant the project slipped six weeks and foundations collapsed and more concrete was needed etc.'

Two interviewees noted that Building Control would not give full approval at the point they needed the final mortgage drawdown because they were not familiar with their building technologies. In one case, the lack of knowledge was entirely reasonable as, *'it felt massively risky, as it was the first house in the country built with this technology'*, but interviewees expected the professionals to be up-to-date.

Two interviewees were explicit that from the start they knew they were taking risks, but that the desire to build was worth the risk. One person had taken voluntary redundancy:

'I'd left work with no planning permission, no builder or money [agreed mortgage], just a vision.'

A first-time buyer couple had been prepared to buy a site and secure planning permission hoping that finance would be forthcoming:

'We're managing to do it as we're a bit mad and willing to take the risk on it.'

Some interviewees recognised that insurance could mitigate some of these risks and indeed, if they had a mortgage, Build-out insurance was often required.¹⁰ Others mitigated the risk by opting for a form of procurement that handed the project management or construction to experts (contractor-led and managed or a separate professional project manager). In several cases however, once the risk materialised, self-builders either had to find a way to 'fix' the risk or stop the project. Typically, they found additional funds (often from family) or cut back the specification if the overspend was identified early enough. However, the interviews with 'stallers' showed that they were in this position either because of withdrawn funding or because they were not adequately funded at the start. One became unemployed and another experienced a slowdown in his self-employment precluding any further approach to the banks for finance.

The 'full' costs of self-build

There is a common presumption in much commentary that the forms of individual self-build are 'cheaper' than volume built properties. This may be the case but there is no well-grounded evidence on the costs of self-build.

What counts as a cost can also be unclear. While land, materials, labour costs, professional fees and permissions are obvious costs, few self-builders kept clear running tallies of expenditure and can often only provide approximations. Others talked about 'extras' for utility connection or the Community Infrastructure Levy, but their inclusion in the cost tally is unclear and likely to be variable (often because they are not estimated at the start and have to be absorbed 'en route'). All these factors make cost comparisons between types of self-build and with volume build difficult. Further, there are only rough estimates from self-builders of the value of any labour they contribute, but interviewees suggest they may have 'saved' between 10 and 25 per cent of what the costs would otherwise have been.

¹⁰ Build out insurance protects the lender, and indirectly the borrower, by providing funds for the lender to hire a new contractor to finish the build should they wish to take property into repossession after mortgage default. In this way, the loan can be repaid from the sale of a complete dwelling.

There is a lack of any real understanding of the full costs of self-build.

However, the 'full' costs of self-build were often rather more than these estimates. For example, interviewees often had double housing costs for a period of time; they had to live somewhere while their property was built and this cost (either for rent or an existing mortgage) was often in addition to the self-build mortgage costs. To avoid, or reduce, these costs interviewees sometimes lived with relatives or purchased a caravan and lived on site.

Sometimes these arrangements were satisfactory, but they could also have high social and emotional costs:

'It's not ideal [living with parents], but it's better than living in a caravan and it's cheap'.

'We lived in a caravan for 18 months. It got to -19 degrees C, the caravan was cold and the cupboards and walls froze. And you thought, was it worth it? It was difficult all cooped up cold...another winter would have been fairly desperate'.

Other emotional costs were identified in terms of the stress and anxiety associated with self-build, although clearly these were not quantified. The Buildstore survey (Wallace et al., 2013) asked respondents to choose 5 words that characterised self-build. The following 'word cloud' illustrates the most frequent responses, which often incorporated strong positive and negative responses, suggesting individual self-build is a highly stressful but hugely rewarding activity.



'Word cloud' of respondents' characterisations of self-building.

Who can self-build?

Individual self-build interviewees were asked if they would recommend the process to others, and how they assessed the Government's objective of increasing self-build. In addition, a very small number of interviews were held with people who were thinking about entering owner occupation and they were asked about their attitudes to self-build and the likelihood they would consider it.

Self-builders, reflecting on the process, noted that it was unlikely to be a realistic objective for many, if any, first-time buyers, as well as for many further on in their housing careers. Even the first-time buyers did not see it as a route they would recommend. Interviewees noted:

- The level of economic resources required; 'you need cash to burn'. 'We had assumed it would be cheaper but it won't be';

- The amount of physical and emotional effort required; *'you have time for nothing else, so there are emotional as well as physical effects'*. *'I'm missing the family...I have only seen my daughter for three full days in five months'*;
- The length of time to build; *'It feels a long time already [seven months] and only about to go on site with a further 40 week build period'*;
- The benefits of some technical knowledge or relevant transferable skills such as project planning or project management; and
- Other activities took priority; children, careers, not yet able to commit to a specific location.

Interviews with potential first-time buyers reinforced some of the points above but also indicated that the concept of self-build was not a familiar one and nor had any housing or mortgage market professionals drawn it to their attention. It was not a topic of discussion amongst friends. One person summed up his reservations:

'I don't really know what it entails but I assume it would be going out to get people to draw up plans and then build because I wouldn't be doing that, I don't have those skills...I'd be paying the market price.. And it seems like a lot of hassle.'

He did though find the idea of being involved in the design of a property quite appealing but

'the big question for me is, why would you do it? As opposed to buying something that is already built – is it a lot cheaper?'

Conclusions

Few of the self-builders were first-time buyers but rather households later in their housing careers who had often moved several times. Typically this was linked to their ability to release accumulated equity as a key financial component of the self-build. The financial packages through which self-build was delivered were both complex and varied. Access to land was quite frequently via the purchase of a property, on a good site, that can then be demolished. Most self-builders were motivated by the aspiration to own a home they had determined and to achieve more for their money than would be possible in the speculative market. A small number aimed to profit financially by the process.

Against the run of previous studies, access to land and planning permission, for most interviewees, was relatively unproblematic. Few self-builders were able to gain a mortgage to secure a site, and where mortgage finance was used for this purpose, it was typically via an additional mortgage on their existing property. Not all self-builders needed a mortgage in order to build and when they did some found the process straightforward, although many noted that the market offered them little choice, a standardised product irrespective of the procurement method adopted, and required a significant deposit. Most self-builders thought lenders were unnecessarily risk averse. For some, though, negotiating the mortgage market was particularly difficult. They experienced rejections, a slow response and lenders changing their mind and withdrawing offers. A fundamental issue for most was the tension between their ability to present well-researched and secure costings at the point the lender was asked to make an assessment and decision about granting finance. These descriptions point to an immature mortgage market, but also highlight the areas of change that are needed for a stable, well-functioning market to emerge.

Self-builders identified a range of risks including: budgetary problems (under-costing and unforeseen costs); an uncertain response to the use of new technologies; proceeding to planning ahead of firm financial arrangements, and; false starts with architects and builders. Typically, the risks were minimised by taking insurance, selecting a contractor-led form of build, but also by paring back budgets where necessary.

Individual self-build is a long process, and has associated social and emotional as well as financial

costs. There is a lack of any real understanding of the full costs of self-build.

The interviews indicate that, at the very least, better market information is needed so that for example the full range of potential costs is identified at the start. But on its own, this will not be adequate. More lenders might increase competition, resulting in more competitive pricing, but a fundamental issue is the assessment of the extent of risk within the market, as it is this that governs price, size of deposit, retentions and valuations. Whatever the risk is, a key question is how can it be reduced so as to give a more flexible, less constrained and more affordable market? This is one of the issues taken up in Chapter 6.

4 Group self-build projects

Chapter summary

- Group and/or multi-unit site self-build schemes are considered important to increase access to self-build for younger and less affluent households.
- There is a long history of group self-build projects in the UK, but sites and the number of schemes are small.
- There are various ways to procure self-build housing as part of a group. Most are led by a community group, but a social landlord or developer may also instigate and manage the process. The models of group self-builds comprise co-housing, eco-villages, sweat equity models, social rented models and community land trusts.
- Motivations to self-build with others stem from personal and community values, rather than broader economy or social trends, although particular sites are often a response to market failure and an inability for many to secure affordable housing locally.
- Groups often form organically, although strong individuals are instrumental, and some groups are brought together by housing associations or specialist agencies.
- Obtaining planning permission was not considered problematic, but land acquisition and development finance were a challenge.
- Project management risks among the group are evident, but group self-builders demonstrate considerable commitment and groups adopt methods and legal structures to complete the builds together.
- New models of group or multi-site self-build schemes are emerging led by developers or local authorities. They represent a diverse range of pilot initiatives at this stage but are likely to grow in the short-term as a response to the Government's initiatives in this field.
- New models aim to address concerns about accessing land and either offer support to self-build on dedicated sites, or provide a customised package of land and house types from which individuals can exercise greater choice than in the wider market.

As outlined in Chapter 3, the majority of self-builders are individuals who acquire land and build (working with architects/designers and, often, building contractors) their own one-off (bespoke) home. In contrast, at present, group self-build projects are less common in the UK, although a recent DCLG survey (cited in Building Societies Association, 2011) found that one in four (26 per cent) of potential individual self-builders would be interested in building their homes as part of a group scheme. Group self-build has a long history and has produced a number of different models, including co-housing, sweat equity and self-build for rent schemes. Importantly, group self-build is also seen as an important route forward for the expansion of self-build housing over the next decade. As mentioned in Chapter 1, the self-build Information Portal identifies three main types of group self-build.

- *Independent community collaboration* – Self-builders work with others to acquire a site to split up into plots, then organise the design and construction of their own home.
- *Supported community self-build group* – A social landlord or independent self-build organisation helps you learn the skills to build a group of homes together.
- *Developer/contractor led group project* – A developer/ contractor organises a group and builds the homes; often, to save costs, the self-builders finish them off.

This chapter examines both relatively established models of group build, and also the spectrum of group models that are now emerging. Within both sectors of the market, motivations and key processes are examined, and current constraints to market development investigated.

This chapter draws on the interviews with key players, both those who are active in the group self-build sector and those who are not, alongside interviews/visits to a number of group self-build initiatives in England. It also draws on literature and other publicly available information on group self-build models.

Current models of group self-build

The more established models of group self-build in the UK usually fall under the independent community collaboration or supported community self-build categories of development (or a combination of the two). More than 100 'community self-build' projects have been completed in the last two decades.¹¹ Whilst precise figures are not available, this accounts for in the region of 1,000 units if we assume an average of 10 self-builders per project, and it is likely that other group builds have also been completed outside of the community self-build working definitions. Clearly, the sector is relatively small but as described below, has also delivered a diversity of innovative schemes. A number of specific models are evident, although some schemes combine a number of elements from more than one model. The below classification is therefore one of many possible classifications of the sector. Existing models include:

- Co-housing
- Eco-developments/ villages
- Self-build for rent
- Sweat equity models
- Community Land Trusts

Below there are examples of these five types of scheme, drawn from direct fieldwork and/or publicly available information on the Internet.

1. Co-housing: Originating in Denmark, the co-housing model is a type of collaborative housing in which residents actively participate in the design and operation of their own communities, with residents consciously committed to living as a community.¹² (The physical design facilitates both social contact and individual space, providing individual/ family homes alongside community facilities including a common room. Some co-housing communities also include an aim of developing sustainable housing. Co-housing does not necessarily involve community members participating in the actual build, rather they are involved in the design and management of the build process.

¹¹ Community Self-build Agency: <http://www.communityselfbuildagency.org.uk/>

¹² See <http://www.cohousing.org/> for a more detailed definition.

Example: Lancaster Co-housing Model

The idea for the initiative dates from 2006 when a small group wanted to establish a community and eco home development. The group (constituted as a limited company) eventually purchased a site just outside Lancaster city (formerly an engineering works).

Planning permission was granted in 2010, for a total of 41 properties and a common house. Architects produced seven property designs (including flats, 1, 2 and 3 bedroom houses). Development is being built to Level 6 of the Code for Sustainable Homes and Passiv Haus standards. The group has engaged one of its members as their project manager who works with the contractor and professional design team.

Funding includes a bank development loan, income stream from residents purchasing properties (including 30% deposit on sign-up), and some community members loaning money to the organisation.

Potential members formally apply to join the cohousing community and are expected to take part in community life by contributing at least 3 hours per week towards a variety of activities such as finance or landscaping.

A number of properties are already completed, with full completion on target for mid 2013.

<http://www.lancastercohousing.org.uk/>



©Lancaster Co-Housing

2. Eco-developments/villages: Eco-villages are communities that are set up with the intentional aim of providing a socially, economically and ecologically sustainable way of living. They do not necessarily involve self-build, but similar to co-housing, community members are usually involved in the design and management of the housing development. Some may have specific self-build elements. There are relatively few eco-villages in the UK.

Example: LILAC (Low impact living, affordable and community), Leeds

Low impact living (as little human impact on the planet) scheme build using co-housing design principles. 20 homes with communal facilities.

Site owned and managed by Lilac Mutual Home Ownership Society – the society obtains the mortgages and residents hold a lease; members retain equity stakes in the property equivalent to around 35% of their income.

Housing is made using the Modell process, using straw bales. First home completed at end of 2012. Funding sources included Homes and Communities Agency (HCA) grant, city council, Department for Energy and Climate Change and mortgage finances.

<http://www.lilac.coop/>

3. Self-build for rent: An established form of group schemes where members agree to provide a set number of hours of their labour, usually in exchange for training opportunities in building and/ or a reduced rent calculated on the free labour input which leads to a lower build cost. These schemes usually require a specialist housing agency (usually a housing association) to lead, fund and organise the development (and training components).

Example: Diggers Housing, Brighton

Nine properties built for five families and four single people in early 2000s. Used housing co-operative model, drawing on co-housing principles. Members worked 24 hours per week over two year period. Each tenant pays a reduced rent and has the possibility of a capital payment if they move on.

Land purchased from local council and building work funded by South London Family HA, with funding partly via Housing Association Grant and partly by loan finance.

Houses have a communal facility and have achieved National Homes Energy Rating of 9.8/ 10.

<http://www.segalselfbuild.co.uk/projects/diggers.html>

4. Sweat equity group model: A concept also familiar for individual one-off self-builds, sweat equity group models typically involve group members providing a set number of hours of their labour (or labour on their behalf from family and friends) in exchange for a specified saving on the market value of the completed property. They may, or may not, aim to deliver affordable properties.

Example: Liverpool Habitat for Humanity (LHfH)

An international charity organising and managing a sweat equity self-build model of affordable housing in Toxteth, Liverpool 8. Land donated by the Catholic Church. 32 three-bed homes, one main design, with some customisation/self-finish (e.g. use of loft space).

Homes cost £55,000 to build including all construction and overheads (the housing association are paying LHfH £85k). The houses have a market value of £120,000. 500 hours of sweat equity results in £10,000 off price (acts as deposit)

Working with a housing association to provide shared equity model: the equity loan is held by the housing association (3% equity charge per annum). On 100% purchase, or when staircased out, the difference between £85k and £120k 'profit share' is split 50:50 between the housing association and LHfH. First phase of homes (9 homes) completed in 2008. All homes are scheduled to be completed by 2014 (2017 is the ending of development agreement with the housing association) at latest.



© Liverpool Habitat for Humanity

5. Community Land Trusts (CLT): A CLT is a non-profit community-based organisation that develops, and stewards, a range of assets to meet the needs of the local community, including affordable housing (in perpetuity), workspaces, and community facilities, farming and gardens. CLTs are owned and controlled by the community (on a voluntary basis). In this case, affordability is measured in relation to the local market (not the social housing or HCA funded shared ownership definition). The model, which derives from the USA, is not a specific vehicle for developing self-build housing, but can be utilised to develop self-build housing that is affordable to first-time buyers/ those with fewer resources, with a defining feature being the separation of the land and build costs.

Example: St Minver Community Land Trust

St Minver CLT developed 12 two and three bedroom bungalows for local people through a self-build scheme. North Cornwall District Council provided both a setting up grant and also development finance (a secured interest free loan). The scheme was completed in December 2008.

A second phase started on site during March 2010. This was a joint development with Cornwall Rural Housing Association (CRHA). It provided 4 homes for rent through CRHA and eight self-build plots for St Minver CLT (with sweat equity providing £25,000 towards the purchase price). The 4 social rented homes for CRHA in phase 2 were supported with Social Housing Grant from the HCA plus Local Authority Grant, and the 8 CLT self-build homes were also supported with some subsidy from the Local Authority (derived from S.106 off site contributions). The CRHA homes were completed in January 2011. The CLT homes have all been completed and occupied with the final home being handed over early in 2012.

<http://www.crha.org.uk/cclt/cclt.html>

Motivations for group self build

Motivations for current models of group or community self-build tend to be influenced by micro factors around personal and community values, rather than macro factors related to the broader economy and social trends. The small existing literature suggests that group self-builders are driven by a desire to create, and strong values held, around community and 'place making', as well as often around the need for building sustainable environments (Cerulli and Field, 2011; Broer and Titherridge, 2010). This was confirmed by this study, with interviewees stressing the benefits arising from engendering a sense of community through the self-build process:

'[Our motivation is] building a community, if people put the time and effort into the houses and they're doing it alongside soon-to-be neighbours and members of the local community it gives everybody the whole community cohesion thing. I seriously believe people put their hearts into building their own home, pride. There are kids you talk to, [name] who's 8, said proudly, 'Dad built our house'. It's also making it more affordable.' (Community self-build, manager)

Self-builders in community schemes were also often motivated by a desire to create environmentally sustainable housing, looking to develop a genuinely innovative and low or neutral carbon development. For some, sustainability went hand-in-hand with affordability as they hoped the former would lead to cost savings in energy bills, food production etc.

Sweat equity self-builders were motivated by the ability to secure a deposit on their housing using their labour and time, especially where this was the only available method for them to secure home ownership (or equity stake), alongside the aspiration to build a community of like-minded people:

R1: 'Because of this programme of sweat equity...you get your deposit. And because you own it, and you can dictate what you can do with it, choose which one you want and convert the loft.'

R2: *'Capital for the deposit, and the community life. I am used to it, I grew up in a community where you know everybody by name'.* (Community self-builder)

The three key motivations; community, sustainability and affordability, tended to be present in most accounts of existing self-build groups, varying in emphasis depending on the nature and location of the scheme. The organiser of a London scheme explained:

'It's hard to get a sense of the whole group, but as we keep meeting, affordability and sustainability are on an equal level. Community is third and ideally on the same level, but a lot of people shy away from it, as it is time and effort. In London everyone is very busy, pressured and they have already got communities of work, communities of family, friends, so an additional community may be too much, it may be spontaneous rather than formal.' (Community self-builder)

To date Community Land Trusts have often had a rural focus where alongside the issue of affordability (sometimes exacerbated by the second home issue) their concern has been to meet the desire of local people to remain within their local community, and to secure this aspect for future generations.

Key processes and constraints

Forming a group

Group interviewees usually described an organic process by which a group self-build came together and became constituted as a company or co-op. Often there were a few founding members who were committed to the idea and, often over a long period of time, brought together a larger group to undertake the project. As one external agency reflected, groups are usually formed by *'strong individuals with a strong desire to get something done and people are then drawn to that centre of gravity'*. Recently, a Community Build website has been set up to act as a *'match-making service'* between individuals, groups and landowners.¹³ In self-build for rent models, the formation of groups was remarked upon as being *'easy'*. Here, groups might also form organically, but were also often brought together by housing associations or specialist self-build agencies. In the case of CLTs, a respondent noted that it was not uncommon for members of parish councils or other local organisations (who were not necessarily the self-builders) to take the lead in establishing a mechanism whereby local people could then secure local housing.

Acquiring land and planning permission

The acquisition of land can be a significant problem for community self-build initiatives, in terms of having to raise finance early in the process, as well as often having to compete with developers. Some rely on donated land (for example, in the case of Liverpool Habitat for Humanity, the site was donated by the Catholic Church) or the purchase of land on a deferred basis (LILAC). Other examples have involved founding members of groups pooling their own resources, involving a considerable commitment to an embryonic scheme and trust in the group, for example, in the Bristol Ashley Vale scheme a small group of members purchased land using their own personal resources. The ad hoc nature of site acquisition makes replicability of schemes difficult, and location is also likely to be severely constrained towards cheap or contaminated land. The HCA Revolving Fund Loan could play an important role here if community groups are successful in bidding for it. The fact that the RFL was available at commercial rates did, however, mean it was difficult for some community groups to access the funds and it was suggested that preferential rates could be made available to community groups.

In rural areas it was not unknown for farmers to sell land for housing local people or the local authorities to bring forward rural exception sites, reducing or preventing the competition otherwise faced for sites, which were then in many instances developed under the framework of CLTs. There

¹³ <http://www.communitybuild.org.uk/>

are examples of local authorities supporting CLTs by providing a loan to buy the land and to fund early development costs (providing a similar role to the Revolving Loan Fund (RLF)), but not all local authorities are in a position to do this. Timescales tend to be quicker than independent community self-build projects (see above) at approximately two years, but less efficient than traditional methods of procuring housing. It was seen as an answer to market failure as in the provision of social housing/ shared ownership, with the main extra benefit being the community element.

Gaining planning permission was not reported as a major problem by most group self-builders. It appeared that a combination of innovative design, professional support for the projects, combined sometimes with the development of a previously difficult site, and pre-discussions with planners, meant that local authority planners often looked favourably upon group self-build schemes.

On-going finance

Existing studies identify the financing of group self-build schemes as a major obstacle (Building Societies Association, 2011; Broer and Titherridge, 2010). Some schemes rely on a considerable amount of voluntary assistance and donations to make the overall scheme stack up, from volunteers and corporate one-off and on-going donations or materials and/or services in kind. Delays can be caused by a lack of development finance, for example, one scheme had to delay development as they could not raise funding to pay for a road through the build, this problem was finally overcome by the Army building the road for them as a training exercise. Most schemes need to attract a patchwork of grants and loans to make the scheme viable, which can be extremely difficult to achieve. Self-build for rent models have traditionally relied on Social Housing Grant (SHG) to assist the development, and there were concerns that this model would be much harder to replicate in the future with the demise of SHG. As noted in Chapter 2, the Action Plan (2011) highlighted the need for further development of finance models for group builds.

A major problem was also reported in terms of group members securing mortgage finance, particularly for more affordable models attempting to attract low-income working households. In one group, they had received 20 applications over a six-month period, but only three households had been approved for a mortgage. This was despite the involvement of a specialist mortgage broker. This scheme was investigating alternative methods of finance (for example, Rent to Homebuy¹⁴) as the difficulty in securing mortgages for their target audience was proving intractable:

'You get people, they're really keen to get involved but they can't get mortgages.'
(Community self-build, manager)

Mortgage lenders were also reluctant to fund a full scheme, preferring to offer mortgages on perhaps half of the houses, meaning that a number of mortgage lenders had to be found for prospective owners. Some models rely on community members being able to access considerable personal resources (for example, paying a 30 per cent deposit) as well as being able to secure a mortgage.

The build and management issues

Many interviewees reported the drawbacks associated with managing the group self-build process. The self-build / industry documents often report possible issues of one or two individuals not completing the build and the difficulties that this can cause for others. However, this was avoided by some community self-build schemes either by using contractor building (for example, in co-housing) or clauses that required all houses to be completed on time. In some cases (particularly where there were sweat equity arrangements), occupation of the houses was only possible once they were all completed.

More generally, the cooperative nature of many community ventures brought both benefits and potential problems to the initiatives. Some people literally described the process of orchestrating a community self-build as a 'nightmare', including resource issues, lengthy time periods and inter-

¹⁴ Rent to Homebuy – Individuals pay reduced rent on a new build home for up to five years, to help them save for a deposit and purchase the property. <http://www.homesandcommunities.co.uk/ourwork/affordable-home-ownership>

personal issues within a group:

'... very resource intensive and expensive, you need a grant for training, people fall out... people leave...takes time...' (Housing provider)

'I've not heard about these for years... back in 80s were big news... you know what, there were a lot of problems...' (Small developer)

However, others pointed out that a community necessarily took time to mature and that strong community networks were achieved where neighbours knew each other, also leading to much more stable communities. One interviewee reported on a self-build for rent scheme of 10 young people where only one person had moved on after a two-year period. Another scheme appeared to have avoided any conflicts between self-builders. The self-builders interviewed in this project spoke extremely passionately about the community element of the build. It was also pointed out that institutional structures often found it hard to respond to 'real people', but that challenges from the group builders often improved a build and were welcomed by more flexible agencies.

The present complicated and extended procurement methods are likely to mean that these models may remain small scale and a niche market unless development is substantially supported in the future.

Effective project management was essential for the success of a community scheme. One self-builder explained:

'This group of people here [the charity] are fantastic. They will match you to tasks, encourage you to do things but not pressurise. The project manager is brilliant, they really identify with you.' (Community self-builder)

One key player remarked that community groups often have lots of enthusiasm and give hours of time and effort to self-build but need to be encouraged and enabled to work in a more commercial /professionally controlled manner in the current climate. This was seen as an important 'next step' for many of them to become developers or developer partners, but this was not always seen as easy by the community groups. One community representative explained that they felt there was an expectation upon them to team up with a developer to secure finance and they were daunted by this prospect as, *'they [the public sector] didn't seem to trust community groups to buy land and do it themselves'*.

The risks of group self-build and mitigation

Interviews with those involved in group projects indicated a range of risks, and a range of mitigation. Some of these have been noted earlier but they are drawn together below. They included:

- Failure to identify or acquire appropriate sites, or for the process to be lengthy with false starts, loss of participants and additional costs – mitigation can include a willingness to consider difficult sites, working closely with planners;
- Failure to achieve adequate institutional funding for the land – mitigated by group members pooling their own resources, seeking partnerships with local authorities etc.;
- Uncertainty that individual members of the group will obtain mortgage finance – mitigated by brokers, use of financial advisors to assist households determine their mortgage viability etc.;
- Differential effort or motivation amongst those providing sweat equity – mitigation includes good project management, skills training and support and condition of simultaneous occupancy;
- Risk averse lenders in the face of unfamiliar schemes and re-sale market – mitigated by good

communication, sound business case and acceptance of conditions that widen the options for re-sale after an initial period of time;

- Interpersonal conflicts and issues around managing the group – mitigated by regular meetings of the group, consensus building activities and in some instances by one person taking responsibility for conflict resolution.

In summary, existing models of group self-build tend to have many of the following characteristics:

- Often unique – producing diverse models;
- Usually trying to create a community as well as individual housing;
- Financial structures are often complicated, replicability is challenging;
- Relatively small scale;
- Take a (relatively) long time to design and build;
- Require significant work to obtain land, may involve self-financing;
- Sweat equity requires considerable physical effort and time investment;
- Group build often attracts people with specific values and beliefs;
- Environmental sustainability often a feature of schemes;
- Focus on affordability, but also access to housing for local people within their local community.

The established models of group self-build offer an important housing option to people with specific interest in community and, often, sustainable, living, not usually available on the open market. A number of group schemes address issues of affordability in rural areas, in perpetuity. Group members or representatives report significant benefits of group schemes for individuals and the wider community, although there is a lack of evaluations of the schemes. The present complicated and extended procurement methods are likely to mean that these models may remain small scale and a niche market unless development is substantially supported in the future.

Emerging models of group self-build

A number of new group models have begun to emerge in the last few years, and particularly since the Government-Industry initiative. They usually aim to offer a number of units on one site (multi-unit site), sometimes as a stand-alone development, and sometimes as part of a larger commercial development. These units may be offered as serviced plots to individuals or a group, or customised to offer nearly built homes with self-finish or customised elements. As with existing models of group self-build, the emerging models often overlap each other and a number of classifications are possible. Here, on the basis of the research, the Information Portal definition of 'Developer/contractor led group project' has been further divided into two main emergent types. These two models, both of which have contractor/developer involvement are distinguished by the whether or not they have an enabler and by where they focus in relation to the self-build/custom-build spectrum.

1. Contractor/developer enabled self-build: In this type of project, usually a local authority, or a Registered Provider, utilises their land/ procures land to provide a number of serviced plots for self-builders. This may be part of a larger development of housing. Often a commercial developer will be commissioned to develop the plots as part of a wider commission. The key role of the LA/RP is an enabling one working in partnership with private sector contractors and/or self-builders. In some instances, a commercial developer will purchase land and offer the serviced plots without a public sector enabler.

Example: local authority led serviced plots for self-builders: Stoke-on-Trent

Developed as part of city strategy, Mandate for Change, that identified a need to encourage wealth creators to remain in the city (rather than staircase out). Context of considerable affordable housing already in place.

LA plot of land (Penkill) will provide 7 plots for self-builders. Serviced plots – LA putting in infrastructure (road, utilities, street lighting). Outline residential planning application agreed.

Launched in June 2012 at public event. Engaged an intermediary to assist with the process. All potential applicants were interviewed and given an opportunity to meet with a financial advisor, an architect and a building manager.

Finalising terms and conditions: likely to employ an intermediary to undertake some project management of site, and set down conditions of build (including buy-back and residency clauses) and broad outline of colour/materials for build.

LA also working with HCA to develop 13 plots in Handford.

2. Contractor/developer led custom-build projects: Here, large or small scale developers provide a choice of housing design for individual self-builders on a multi-unit site. In this model, a developer may construct the houses with the exception of the final stages, providing customers with choices of different lay-outs, kitchens, bathrooms etc. Housebuilders are the most likely type of company to be involved here, but other specialist companies may also be involved in sourcing land, providing serviced plots and/or offering a 'package service' of design, planning and overseeing build.

Example: Private sector custom-build company

This company operates in the East Midlands (mainly Nottinghamshire and Derbyshire) and provides serviced plots in a range of locations, and also sells homes from a range of house designs that are customisable in various ways (for example, internal flexibility including choice of first floor layouts). The company is also investigating ways to assist customers with arranging finance. Received HCA revolving funding for a custom-build package in Derbyshire.

Both contractor-enabled and contractor-led models can meet the needs of either a pre-determined, 'cohesive' group or a number of discrete individuals.

It is too early to be able to assess the impact of these new procurement routes: how sustainable they will prove to be, whether they will prove attractive to home buyers and what risks are associated with them.

Motivation for development of new group models

A greater variety of lead players are involved in the new models and, consequently, the motivations behind developments appear more diverse than those in the established group models discussed earlier. Some private companies are motivated by working in new markets (when other markets have contracted), alongside offering choice in the market. Local authorities may be attracted to self-build as a route for developing their city/ area, not only to meet housing need, but to meet wider concerns around regeneration and local wealth retention. Most key players believe that the attraction for potential self-builders (whether or not they engage in the build) is greater choice and better built

properties. There may be some cost savings but, in the current market and particularly with custom-build, these may be minor. One small developer explained:

'I think all of our clients are happy enough for the property to be worth what it cost them the day they move in...if it wipes its face in accounting terms, they are going to be there for 10 or 15 or 20 years or more, the actual value versus cost isn't an issue for them, they know that will take care of itself over a longer period of time'. (Small developer)

Sustainability issues are also sometimes a motivating factor but not usually as prominent as in the community self-build schemes. A number of players also explained that they saw future group builds as offering real opportunities to support local economies (such as using local construction firms) as well as creating places that people wanted to live and invest in.

It is too early to be able to assess the impact of these new procurement routes; how sustainable they will prove to be, whether they will prove attractive to home buyers and what risks are associated with them. However, many key players in the housing market and construction markets, including some specifically involved in self-build were considering the likely opportunities and implications associated with these routes. For example, one large housing provider was undertaking a feasibility study of self-build customised housing, possibly developing 'aspirational housing' that could attract economically active people from adjacent high value areas as well as provide relatively affordable options for first-time buyers. However, although they had the land and development finance, uncertainty about mortgages for self-builders was a key concern.

Conclusions

Many forms of group project are long-standing, although developments such as CLTs or mutual home ownership options are more recent. Historically, group projects have resulted in a steady, but small addition to the stock of housing. Acquisition of land, development finance, mortgage finance remain constraints and in addition group management issues can constitute a risk.

Government and industry spokespersons have placed considerable emphasis on the potential role of enabler/contractor and contractor/developer-led group or multi-site self-build schemes in the new agenda (Parvin et al., 2011; Action Plan, 2011). There is certainly interest, some activity and some belief that volume can grow via these routes. However, it should be noted that developments in this area remain in their infancy and a number of constraints remain to be addressed (see Chapter 5). The risks may not yet be fully understood.

More established methods of community self-build have their fierce proponents and critics. Whilst less likely to lead to volume building, there remains interest in these models, particularly sweat equity models and their potential for delivering more affordable homes. Community models were often seen as the most challenging, particularly in terms of financing, but also potentially as the most beneficial in terms of place making, and the balance of these benefits/ problems need to be carefully appraised when taking forward the self-build agenda.

5 Developing the market: key players' attitudes and responses

Chapter summary

- All parts of the housing industry – volume builders, small developers, housing associations, lenders, suppliers, and local authorities – have responded to the Government-Industry impetus for self-build housing, albeit active participants remain a minority.
- Multiple motivations exist for those engaged with emerging models including: the lack of development finance for small developers; meeting local housing needs by securing executive or affordable homes; potential to cross-subsidise social renting; the possibility that allocated self-build plots may become a requirement of planning permission on larger sites.
- Key players who do not wish to engage with self-build saw it as inefficient and burdensome and had priorities elsewhere, such as social housing, land development, or were wed to traditional methods of housing supply.
- The sector encompasses new entrants and new models of self-build delivery with differing ideas about what the sector can become. It is unclear what patterns of self- or custom-built options will emerge as successful, and it is likely that some models will not reflect all the claims made for the sector.
- Views varied as to which agencies could deliver volume in the market. Several local authorities were reportedly making provision for self-build through land allocations; none yet meets the scale of schemes in the Netherlands or Germany, but are testing the market.
- Several key lenders are uninterested in entering the market as it is too bespoke and does not deliver the volume required to warrant investment in the market. They see no business case, nor moral imperative to enter or re-enter the market as these agencies have other priorities.
- Housing professionals welcomed the Government-Industry initiatives but thought they were limited and on-going support was required.

The Government's stated objective is for the self-build market to grow, become a mainstream option and, by implication, a more mature market than is currently the case. Over the last decades a number of housing sub-markets have developed (and/or declined), for example, shared ownership, equity release for older homeowners, sub-prime, and notably the recent expansion of private rental markets. Market change typically comes about via a mix of levers including increased competition, Government incentives, changing patterns of demand, profitability, and the appetite for risk. Internal market developments are encouraged – or suppressed – by contextual factors such as the fiscal and economic environment, the planning framework, regulatory issues and cultural factors. Many similar processes are at work in relation to the self-build market and the Government-Industry Action Plan (2011) identified land, finance, 'red tape' – including planning consents – and the presentation and support by the self-build industry as all requiring attention if the self-build sector was to achieve growth. In particular, they suggest that a step-change in the volume of self-build homes over the medium-to-long-term would require new models of finance and land acquisition, along with new players and new partnerships.

This chapter focuses on both actual and potential players within the market (lenders, developers, brokers, registered providers, self-build enablers) and those with positions of involvement, concern or influence outwith the market (planners, local authorities, central Government policy makers).

It considers the engagement, attitudes and responses of these parties to the current market and the aspirations for growth as well as their assessment of emerging opportunities and procurement models and potential further developments.

The interviews show that currently there is a wide range of interest and activity both between the different groups of key players and within any one group of key players. This ranges from strong commitment to, and engagement with, the sector, to scepticism and avoidance of self-build activity. Amongst those interested in the potential opportunities that the market might offer, many ideas are germinating, but as yet there is relatively little concrete action to render this activity widely visible. All sections of the housing industry are represented among those making a contribution towards building a new market for self-build housing in the UK – volume builders, small developers, housing associations, lenders and local authorities – albeit those active in each sector appear to be a minority.

Willingness to engage with the self-build market

Key interviewees already active in the market, or seriously considering the opportunities, had multiple motivations. Small developers were looking for alternative sources of funds since development finance was now difficult to obtain, but were also struck by the opportunity that self- or custom-build styles of development offered to increase choice and consumer satisfaction with new build homes. Although some interviewees noted that not all self-build outputs were modern, highly sustainable designs – and emphasised their often traditional specifications – suppliers of eco-homes using off-site construction methods saw the self-build market as an opportunity to deliver modern sustainable and affordable homes. Some housing associations thought their role in community regeneration dovetailed with the participatory role self-build offered future residents and gave rise to stronger communities. One volume builder was enthusiastic about self-build and would participate on sites as a ‘good neighbour’ and thought other volume builders could be incentivised to participate:

‘Fundamentally if you look at other sectors – retail, cars, holidays – big ticket items, they’ve developed approaches to custom design all the way down the line, it’s all about choice. Housing is the least organised at giving people choice, yet it’s the biggest ticket item.’ (Small developer)

‘It’s a completely new business model. It needs a lot less finance, just for land and infrastructure...could build four times as many houses for the same amount of money.’ (Small developer)

‘We are very obvious, us builders, if you penalise a builder in order to get him to do something differently, he will do it...[i.e. land fill tax and recycling].’ (Volume builder)

Several interviewees in the market were motivated by a belief that self-build could provide access to affordable homeownership (see below). One enabler of a group scheme offering affordable self-build options conceded, however, that their work was a response to market failure. Were there adequate alternative routes to affordable housing through the open market or social housing then their work would not be required. Some policy makers also articulated self-build as a response to the market failures of access and affordability in the wider market. However, these failures constituted an opportunity to procure housing in a different, more consumer focused way. While not necessarily substantiated, others stressed the perceived cost advantages of self-build.

As mentioned in Chapter 4, some local authorities and housing associations saw self-build as contributing to other housing market and economic priorities, boosting local construction and providing executive homes to satisfy inward investment priorities. Yet a further motivation, particularly clear at national policy level, was the perceived fit between the sector and localism, and this was an important issue for policy makers. Local initiatives would be tailored to local housing preferences and needs, and the powers now available to local authorities and local communities through the

Localism Act would help free up the allocation of land.¹⁵

Some interviewees noted that parties not yet engaged in the market were missing an opportunity. For example, policy makers suggested that kit manufacturers with their streamlined, but individualised supply chains, were well placed to engage across the market to widen access (but suggested that the commercial case had still to be accepted by some of them). In another example, interviewees from the self-build sector and housing industry saw a role for small builders:

'There are 18,000 desperate builders who would gobble up that stuff.'

A reluctance to engage with the market

There were also multiple reasons put forward for not engaging with the market. Large and medium sized lenders not involved in the market were unconvinced of the demand for self-build, viewed the processes as too burdensome and therefore could not make a business case for entering or re-entering the market. This is discussed further below. Other reasons key interviewees advanced for not engaging included a perceived lack of concrete information, no clear route through the opportunities, alternative priorities, or that they were unconvinced by the argument.

One volume builder said:

'Are we interested in the self-build market? Most certainly no. In fact, we are implacably, well I wouldn't say implacably, opposed to it, but we just don't feel it's appropriate in the complex world that we live in today. The issue of custom-build, as I understand it, particularly the aspect where government has been looking for a certain amount of sites to be made available...we just think it's crazy...'

In particular, he was concerned with the inefficiencies and lack of experience of self-builders that could affect the speed of construction, as well as the practical issues of site management if self-build was allocated to a portion of their construction sites. This company would participate if required to do so as part of planning consents or land acquisition, but 'through gritted teeth'. The volume builder did not consider that self-build for the equity-rich over 45s was a priority, was concerned whether younger households with student debt would be served by this sector, and thought the focus of government activity should be elsewhere.

The experience of community self-build training projects in the 1980s and 1990s deterred one housing association from participating as they viewed their priorities to be rented housing. Other public and private agencies also acknowledged that these schemes were problematic, but that alternative models could be developed in the future. Some housing associations showed little interest in contributing to the project, indicating that their priorities were the provision of social rented housing and not homeownership.

However, notwithstanding the views of the currently non-participating organisations, some momentum and enthusiasm for engaging with the market does exist and as Chapter 4 noted, new models of delivery seem to be emerging.

New models of self and/or custom-build

The re-branding of the self-build market as self and custom-build was to signal that the sector already offered a wider range of procurement models than traditionally perceived, and could offer more (see Chapter 1). In particular, custom-build better reflected the nature of the sector where relatively few people actually self-build their homes, but rather work with a contractor, developing their preferences or customising key features or fittings. Different procurement methods raise different issues and questions and some of the key issues raised by key players that potentially influence how

¹⁵ See Community Right to Build, Neighbourhood Development Orders and the National Planning Policy framework (NPPF) in the Localism Act (England) 2011 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5959/1896534.pdf

the sector moves forward are discussed below.

Some momentum and enthusiasm for engaging with the market does exist and new models of delivery seem to be emerging.

What constitutes the market?

There were different perceptions of what that sector is or might become and where players wished to position themselves.

The narrow public perception of the sector was a critical issue for some developers who were keen to promote new models of *self-commissioned homes*, similar to the pattern in Europe, where people do not necessarily 'get their hands dirty'. Two small developers were insistent that their role was to 'enable' and produce *custom-build homes*, as they wished to occupy a new space in the market. They placed their models some distance from previous environmental or community inspired schemes. Their ideas about what constituted custom-build differed however, as one had a small range of house types that could be customised in various ways, whereas the other offered serviced plots. Another small developer offering both customised houses and serviced plots on the same site was relaxed about how their outputs were perceived, as he thought this market was too new to constrain:

'The thing is, that the number of people who build one-off houses don't consider themselves self-builders, but they get put in the self-build pot. They're not eco-warriors or part of traditional self-build groups.' (Small developer)

'Changing the name communicates a different journey.' (Small developer)

'There are lots of different ways of doing it, different companies in the market. Some people don't understand what custom-build is, but as long as they're clear up front about what the options are. As a company we want to reflect all those people...we're in the market building process, so we want to stay flexible within that, it allows us to absorb both ends of the market.' (Small developer)

There was also a range of views about how the various procurement routes differed in terms of client control and choice and how much control and choice potential clients wanted. Several interviewees thought that the custom-build epithet signalled that the owner had more choices than they would have in the current new build market. However, the 'parameters of choice' cited by the interviewees varied significantly and it was suggested that some custom models offered nothing more than could be gained from buying off-plan from a volume house-builder and was therefore insufficient to represent a radical shift in models of new housing supply. In contrast, serviced plots where the client had control over what was produced, within the overall design brief and master plan for the site was seen as providing residents with the greatest control and choice. Alternatively, self-finish, where a buyer assumes responsibility for completing the project from second fix onwards, i.e. installation of electrics, plumbing, bathrooms, kitchens and decoration, was being considered by some organisations, particularly as there was a view that people were only interested in the cosmetic finishes in the home. One developer however, viewed this position as not grasping the essential potential of the self-or custom-build sector where participation and choices are given from the start:

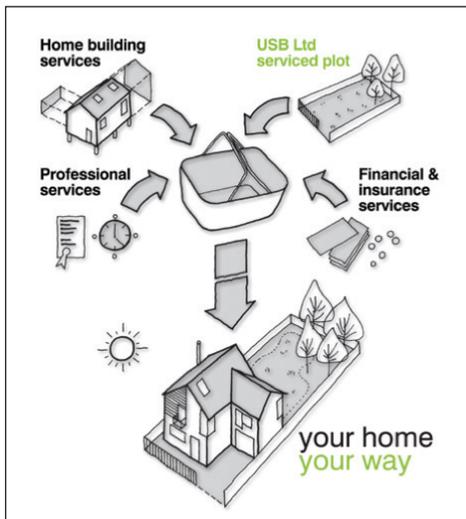
'People are more interested in flexibility internally, so they can plan their lifestyles and needs. It's not possible in spec homes or old houses without a lot of time and effort and expense.' (Policymaker)

'Our flexibility in the wider market offers benefits over the standard housebuilder product, which is sometimes good but often mediocre...' (Small developer)

'If you deliver homes for someone (and all the homes on the site) then you're not much different to a house builder, not getting as much choice...maybe control but people are less bothered by that. People want it to be easy, but any builder will offer a degree of customisation, people want more. There is a lack of understanding in the UK, we don't see how other people do things. Self-finish, that's a classic UK construction mentality.'
(Small developer)

Key players therefore indicated little consensus about what constituted self-or custom-build, or about what clients were seeking and the market's scope and boundaries were poorly defined. Interviewees had different ideas about their likely niche and where to pitch their intervention. Although some small developers had firm and active plans, some already being implemented, other interviewees were still at the project inception stage and were uncertain of which route they would take. Many parties engaging with this new agenda were new entrants to the self-build sector and navigating the new territory was a challenge:

'All those [large Almere type models] are exciting and would lead me to want to get involved, well [if there was a] call for it, but we're not sure of the mechanism or the journey to follow.' (Large lender)



Example of a new model of housing delivery-offering self and custom build options and support.

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Some key players were exercised by whether to adopt a group approach to self-build involving a constituted legal entity of potential self-builders or self-commissioners of buildings, or whether people were more attracted to multi-unit sites, but in an individual capacity. This clearly adds to the significance of the complexity and uncertainty faced when trying to bring forward self-or custom-build opportunities to the market.

Key players indicated little consensus about what constituted self-or custom-build, or about what clients were seeking and the market's scope and boundaries were poorly defined.

Where will the land come from?

Land for self-build currently comes forward in a variety of ways (see Chapters 3 and 4). Much of the land supply to self-build is haphazard and opportunistic, although the designation by local authorities (for example, rural exception sites) or the sites designated for self-build by the HCA are a more systematic form of land supply. One small developer noted that:

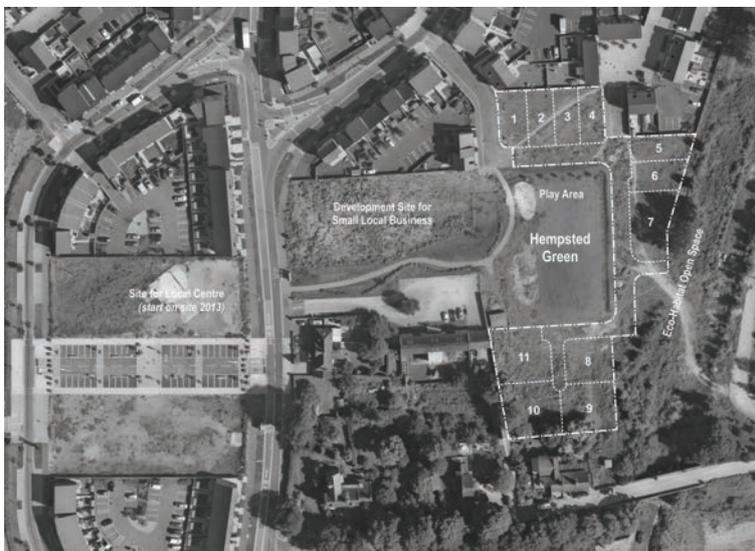
'The current market is working on back gardens, but can't deliver numbers and satisfy market demand like this.'

Many key respondents argued that the availability of public land (both local authority land and other public land) was important for sector growth, particularly as those agencies disposing of the land can be persuaded to release the land specifically for self-build. This is in contrast to the situation where providers or developers have to compete for the land on the open market. The provision of public land may, through its pricing structure, also facilitate the provision of more affordable dwellings. The HCA is trialling the disposal of public land for self-build on seven sites across England, although not all have yet come to market. These sites are small with a maximum of 30 plots available, although if these prove successful, more sites could be disposed for self-build. The current initiative was welcomed across all key players, but there were concerns about the longer term, as the market required confidence that there would be a sustained commitment to supply land beyond the 'demonstration' period. Some local authorities have also made land available and others are considering this possibility.

The Government provided a significant boost to the potential provision of land for self-build as the National Planning Policy Framework (NPPF) now requires local authorities to consider self-build in their area for the first time:

'But to be fair the government are doing a lot to speed that along in the NPPF, as councils have to by March assess demand for self-build locally. They've never been required to do that and they're all scratching their heads about how to measure that demand, but then they've got to make that provision if there is demand.' (Self-build industry representative)

Several projects are now coming forward and it is likely that a range of models and responses from local authorities and their partners will be announced over the coming year as councils absorb the implications of the NPPF requirement.



An aerial view of a development in Peterborough which includes 11 plots for customised homes. Purchasers can refine the houses externally (e.g. selecting cladding material, window sizes and positions) and have options on the internal layout. The standard specification delivers Level 4 of the Code for Sustainable Homes, but purchasers can upgrade their specification and performance.

© Urban Self-Build

Some interviewees were strongly in favour of the Almere model developed in the Netherlands. Here land is allocated by the planning authority with a masterplan and design codes, and within these parameters self-builders are free to purchase, individually or as a collective, and build out a plot to their own budget and design. Coaching, architects and pattern books are available for support throughout the process.¹⁶ There are also models of affordable self-build available.¹⁷ However, the

¹⁶ <http://www.ikbouwmijnhuisinalmere.nl/> Google Translate or Bing Translate can assist with some translation of webpages.

¹⁷ <http://www.ikbouwbetaalbaarinalmere.nl/>

innovative designs of self-build homes in Almere were not appealing to all interviewees, and whether such schemes would be acceptable to a potentially more conservative British palate was questioned. Other responses noted that the parameters within which the self-builders can design can be as wide or as narrow as the local authority allows, and that not all of the sites designated in Almere have the same design freedom. Indeed one English scheme is currently marketing serviced plots in a similar fashion, albeit on a much smaller site, and their design code is much tighter than the Dutch model. Further attributes of the Almere model are yet to emerge in the UK context and these include: forms of 'build now pay later' on plots; low interest mortgages supplied by the municipality; the provision of evening courses, 'accredited' coaches and enablers and substantial information manuals; and affordable options for individuals.¹⁸

Almere Municipality has seen self-builders deliver 1000 homes between 2007 and 2010.¹⁹ No English schemes announced at the time of writing offer this volume of self-build homes. One local authority is thought to be considering a volume model but no firm plans have been made public. A large 91 unit scheme in the South West has been announced, but involves sustainable kit homes that self-builders can customise, rather than plots that individuals control in their entirety. The scheme could potentially, however, deliver a much larger volume of self-build if there is demand locally for the type of home specified.

Some key players made the distinction between the availability of land and its price and saw the affordability of land as the major barrier to self-build. An agency in the South West noted that rural land was not hard to access, as exception sites were available and farmers released land for local people, but mechanisms like Community Land Trusts were required to separate the high cost of the land from the property values, as the homes would otherwise become unaffordable to the target residents:

'Without the land and affordable price, think it's going to be quite tricky really...'
(Local authority)

In London, at the time of writing, the Greater London Authority had not approved any schemes for Revolving Loan Fund support. Ones coming forward included the extension of a block of flats by the residents to provide additional homes on top of the present building, reflecting the problems land values create in the capital. There are cohousing schemes that with housing association support have secured access to former public land, and one London Borough has also allocated land in a regeneration area to self-build and is seeking an architect/enabler to support the project and the provision of 8-10 homes.

Who can deliver volume in the new market?

Reflecting the smorgasbord of activity, there was little certainty about who was needed to take the ideas forward. Views varied and were dependent on the model envisaged, and in respect of the future, will be influenced by which models emerge as viable and achievable and what part of the housing market is being served.

All interviewees agreed that increased volume was critically dependent on lenders supporting the market (lenders' potential role is discussed further below), although one noted that a local authority had begun to offer mortgages. Beyond that, there was little consensus about which other actors might bring about a step change. Views varied as follows:

- Housing associations had access to land, development skills and finance and could potentially produce models that served lower income homeowners;
- Volume builders could bring scale, and access to land, as parts of their sites could be given over to self-build;
- Volume builders could, in addition, install the infrastructure for plots on allocated land transferring

¹⁸ Personal communication with Almere Municipality

¹⁹ <http://tinyurl.com/cdfqo8r>

- the requirement for development finance from small developers supporting custom-build options;
- Local authorities had land and powers of allocation. They could require provision for self and custom-build by placing conditions on speculative volume developments;
- Housing associations and volume builders had no role to play as only local authorities and enablers were required to allocate land and work with self-builders;
- Central government should lead the step change, underpinning activity by others by ensuring land release and development funding etc.;
- Lastly, several interviewees were also uncertain about how and when you would involve groups of self-builders.

These perceptions of who could best drive volume in the market are not mutually exclusive. It was, however, clear that a step change would require more complex partnerships and groups of collaborators.

All interviewees agreed that increased volume was critically dependent on lenders supporting the market. Beyond that there was little consensus about which other actors might best bring about a step change.

Can the market provide affordable self-build?

Self-build is not currently part of the Affordable Homes Programme and does not automatically meet the HCA definition of what constitutes an affordable dwelling.²⁰ Many interviewees thought self-build had the potential to provide affordable access to homeownership, through shared equity arrangements or Community Land Trusts, often based upon the sweat equity element of the build (see Chapter 4). However there were some concerns that combining self-build with low cost homeownership models brought additional complexities, or ‘over-engineering’ as one lender termed it. In contrast, another lender thought that as long as the models were simple with appropriate resale clauses then they would consider such schemes.²¹

There was greater concern from a number of interviewees that self-build was automatically assumed to be affordable, even if it did not meet the HCA definition. This suggests that there could be resistance to the idea of self-build being included in any revisions to planning or HCA definitions, not least because the costs and benefits are often uncertain. Sweat equity models may save substantial sums for the owner with build costs well below the market value, but should an individual come to sell the property, the increase in house value, or equity gained, as a result of their labour will be lost, so the affordable entry to homeownership will not exist in perpetuity.

Furthermore, it was clear that there is some conflation of custom and self-build homes in these conversations, but some respondents noted that developer led homes with some degree of customisation would only produce minimal savings compared to a similar new build property and thus the ‘affordable’ tag may be inappropriate.

The need for support and guidance

There was widespread recognition that it was important to provide support and guidance to self-builders. This was a feature on some extant community-led projects (see Chapter 4), and ranged from specific skills training to more diffuse advice on, for example, costing, project management,

²⁰ The definition of affordable housing in the Homes and Communities Agency Capital Funding Guide currently states: “Affordable housing includes social and affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should: 1) Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices, and 2) Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision” http://www.homesandcommunities.co.uk/cfg?page_id=5556&page=168

²¹ Schemes where there are covenants restricting the resale of properties in some way (usually giving priority to local people) may cause lenders to attach clauses that allow for the sale to occur on the open market if there are no targeted buyers within a specific period, commonly 6 months. This allows lenders to realise the assets on which the loan is secured in the event of repossession.

specifications etc. Providing more support was one of the factors motivating the development of the industry-led Information Portal. However, it was not something that developers who had previously offered serviced plots had done before, but was recognised as a way to support those buyers who were interested in self-build at some level, but were put off by their lack of experience.

Some respondents also noted that currently there was a great deal of 'reinventing the wheel' at the institutional level. In particular, every local authority had to think through the self-build issues in their area and there was an opportunity for information pooling and development of good practice.

The role of local authorities

Several key players (particularly developers and registered providers), saw local authorities as central if any significant change in volume was to occur, as already noted in part because they can allocate land and have been given a role in determining, and responding to, the demand for self-build at a local level, via the NPPF.

Local authority interviewees had mixed views about self-build housing, seeing both potential in the new models as well as likely difficulties around the process. In the two areas where self-build was being actively investigated, the original interest and motivation had come from council leaders ('top-down'). One interviewee explained:

'It's like all political rhetoric, it sounds very good, but I think it is quite a tortuous process... At the moment it is actually knitting with fog, it's on a scheme by scheme basis, it will be local circumstances, in some areas there will be a great deal of support in other areas there will be indifference at best.' (Local authority)

Local authority players identified the risks around self-build in terms of identifying land (and the cost of land, particularly in high value areas), the array (too many) of possible models (and lack of evidence of their respective effectiveness), the timescales involved, under-development of present financial models, lack of evidence on local demand and the risks of some people not completing the build. However, one interviewee was quite relaxed about the risks:

'We will manage our own risks through the sales agreement that we come up with... I suppose the only risk for us is that we are paying for the infrastructure which we have to recover through the capital sales of the plots, so if it falls flat on its face, we have a piece of land with a road in it!... but the plot of land would be very attractive to developers...' (Local authority)

One local authority player felt that community groups were the way forward, with Government support. Another saw more potential in providing serviced plots to individual self-builders, whilst another was open to either option. One authority was specifically targeting the executive housing market, whilst the other two authorities were more interested in affordable models of self-build. The local authority focused on executive homes was quite far advanced with two self-build projects (see Chapter 4). They had undertaken considerable development work, suggesting that local authorities interested in self-build needed to undertake targeted work in the area (and/or opportunities for local authorities to share their experiences needed to be made available).

Local authority interviewees had mixed views about self-build housing, seeing both potential in the new models as well as likely difficulties around the process.

As well as allocating land use, planning authorities also have responsibility for granting permission to build on that land. Key players said little about the processes involved in seeking planning permission, although, as mentioned, individual self-builders were sometimes frustrated by the process.

New models of finance

Many interviewees cited finance as a major barrier to the expansion of the self-build sector, particularly lending by financial institutions and this section looks at key players' identification of the barriers to further lending and how they may be addressed. There were concerns about development finance and residential (self-build) mortgages.

Overall lending to the self-build sector

Lending to the self-build market prior to the crash was £2,627 million in 2007 compared to £790 million by 2011 (Working Group, unpublished). Several lenders retreated from the self-build market as the overall mortgage market contracted and, although there has been an upturn in the number of building societies that have re-entered the market, only one volume lender remains and others show little appetite to return. Interviewees advanced a number of reasons why volume lenders will be hard to entice back into the self-build market.

Lenders' assessment of lending for self-build: risks and priorities

Four medium to large lenders were interviewed – representing over half of the residential mortgage market – plus one small lender and a broker. The broker, small lender and one large lender were active in the self-build market; the other three medium to large lenders were not. These last three lenders were not interested in self-build and, in the context of the currently tight mortgage markets, could not foresee their position changing in the short term.

All the lenders (and others), however, were sceptical of the figures indicating that there was significant unmet demand in the sector, and they did not sense that they were turning away large volumes of customers. One reported that even if an additional 100,000 self-build homes were achieved, in respect of this lender's mortgage market share, the sector would remain a small niche part of their overall portfolio:

'Not convinced it's large enough to release the skills and systems we need. Probably in part it's because lenders are not going hunting for markets to lend in, it's more about constrained lending to fit the current funding capacity.' (Large lender)

'To recoup your cost you have to be guaranteed quite a substantial amount of mortgages coming through...' (Medium lender)

'Not the magnitude or benefit of scale to make it a key investment area.' (Large lender)

All medium to large lenders viewed self-build lending to individuals as administratively burdensome and the bespoke appraisal and staged payments meant the loans did not fit into the usual automated lending systems:

'It's [normal residential loans] a simpler model, you turn up with a property, we value it, you take the money and walk away.' (Large lender)

In contrast, loans to self-builders required greater appraisal and management. Lenders found self-build often produced unique properties rendering them difficult to value, and, although they were initiated and managed by professional people, they often lacked expertise in construction. Consequently, each individual loan application required the usual credit scoring and checks against the individuals, and in addition an assessment of the viability of the project, which is in excess of the one-off valuation associated with traditional mortgages:

'A big chunk don't understand the finance they require... and the contingencies are not big enough.' (Large lender)

'Very labour intensive' (Large lender)

More stringent mortgage market regulation from the UK and Europe was also noted, meaning that lenders were now risk averse, which raised concerns about any bespoke loans tailored to individual projects as they are subject to greater discretion and therefore risk. A non-lender commented:

'[Lenders are] petrified that a renegade person in the self-build mortgage section may be agreeing mortgages that make them all catch a cold.'

Lenders not in the market thought that to cover the increased administration and risks the loans would have to be substantially more expensive than their other residential products. The complexity of the self-build product and subsequent premium pricing was largely accepted, and considered less of a concern than the absolute provision of funds, as self-builders often re-mortgaged to traditional loans on completion.

Some lenders also perceived the self-build market as serving the needs of 'cash-rich' existing homeowners. One large lender not only thought there was no business case to entice them back to the self-build market, they also felt no 'moral' obligation to do so, in contrast to their commitment to lending on low cost homeownership initiatives or to first-time buyers:

'Fairly elitist, fairly aspirational...'

'It's evolved into a sector that's not securing the needs of homeowners, but supporting relatively high cost, relatively high quality homes and is less associated with the building societies' obligations.'

'You kind of think that there are bigger fish to fry...'

Lowering the threshold to self-build loans to admit younger or less affluent households was highly desirable, but increased the risks involved. This was borne out by one lender's experience of offering Accelerator-type loans that were payable from the outset of the project, from site acquisition onwards:

'It was welcomed by the self-build sector as more accessible, but it created additional risks. You're no longer dealing exclusively with those with the financial backing to deal with the legal, planning, design and discharge all those costs from their own significant investments before seeing mortgage funding.'

Thus, lenders within and without the market identified a series of issues and risks associated with lending for self-build. It is not surprising that in the currently constrained, and risk averse, mortgage market many lenders opt to stay with the most familiar, low risk, lower cost activities. There are ways though in which lenders in the self-build market mitigate risk, and further ideas for additional means of mitigation, that could underpin the market further and these issues are discussed below.

Mitigating risk

Insurance

Lenders were aware of mechanisms in the market that could reduce their exposure to risk, such as build out insurance, which protects the lender in the case of a self-builder defaulting on the loan while the property against which the loan is secured is incomplete. Thus on repossession, and a successful claim, the lender can fund a contractor to complete the build for sale. Although considered useful by lenders build out insurance was not unproblematic. One lender had not required build out insurance in their previous involvement in the market so considered these policies 'untested'. Another current self-build lender requires this insurance, but in practice found that claiming was time-consuming and with uncertain outcomes, a particular concern if the property is not yet wind and watertight and at risk of deterioration.

Some dissatisfaction with insurance has led to suggestions for other models of mitigation. One developer thought risk-sharing models could be extended to open up the self-build mortgage market

further and is looking for a mortgage lender to develop a model in partnership:

'Quite correctly banks are quite nervous about lending somebody money when there may not be an outcome...that is a substantial risk... So if you lend the money and if for any reasons whatsoever a habitable structure is not complete, there is a contracts performance policy, underwritten by Lloyds, which will respond...this would mean a whole raft of people who cannot get a mortgage at the moment would be able to get one...'

'It shouldn't be beyond the wit of the system, NHBC, Buildstore, to have an industry-wide approach to these guarantees and be simple and cost effective.'

Government support to underpin lending

Large lenders thought that if the government wanted to see a greater commitment to the self-build mortgage market they would have to provide some financial support to reduce lending risks and support any social policy objective of extending access to affordable housing via self-build:

'Someone needs to sit behind it if it's social lending. If it doesn't make money you're [failed banks], it's a capital industry, it needs to stack up commercially.'

'Want to move away from the 'pay and dispute' insurance model, but just have funds to draw on when needed, without too much rigmarole, as in New Buy.'

'Question is, is there market failure? Is there a gap that's not being filled, despite the sound economics behind it? Is there a failure of the market to respond to opportunities? Is there a compelling wider case to single the market out for special support and treatment if it delivers a wider good? Probably is a case. It could help unblock building, a nudge to the process of delivery in an environment that wants new homes.'

Some interviewees were exercised about the form Government support should take. The Government currently provides a guarantee for high loan-to-value loans on new build property under the New Buy scheme, designed to support demand and get stalled construction sites moving again.²² Under this scheme, lenders can make direct claims on the funds in the event of default, which lenders viewed as a much simpler, direct and less uncertain process than the insurance model. One lender did suggest, however, that the Government had effectively deterred lenders from drawing on these funds, which he saw as undermining the effectiveness of the guarantee in mitigating their risks. Another lender wondered if the Government could cover costs of the self-build development leaving lenders to offer normal loans on completion, rather as in the model of the Revolving Loan Fund, which is currently addressed to small developers rather than individuals (see below). Two lenders also noted that although they had received the former Housing Minister's letter urging them to reconsider their involvement in the self-build mortgage market, there had been little follow-up and it was therefore not perceived as a significant Government priority.

Alternative approaches

Other methods of potentially de-risking the self-build process involved the greater use of professionals supporting individuals or groups, particularly in custom-build models. Alternatively, the use of different construction methods was proposed as a way to minimise risk in the build process. One developer mentioned the use of timber Walter Segal style homes, which require less sophisticated building skills to erect, as lowering the risk threshold. However, modern methods of off-site construction were also proposed by a range of interviewees who saw these approaches as taking less time to build, and therefore less time to realise the value in the property against which the loan is secured, as well as delivering increased sustainability.

²² See Department of Communities and Local Government information <https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/newbuy-guarantee-scheme>

Who will provide development finance?

As mentioned in Chapter 4, the inability to secure development finance to meet the infrastructure costs of serviced plots or group multi-unit models inhibits the growth of such models. The lack of availability of development finance was an issue that exercised many key players. In recognition of this situation, and announced in 2011 by the Government, the Homes and Communities Agency, and the Greater London Council in London, now administer a £30 million Revolving Fund (HCA/DCLG, 2012; GLA, 2012). This fund provides short-term development period finance at commercial interest rates to demonstrate proof of concept to lenders that self or custom-build models can be a profitable business proposition. Owners repay the funds by obtaining traditional mortgages on completion of the property. Two developers commented:

'Way too small, but that's the type of activity we need, lending to fund infrastructure, then recovering the loan through revenue from plot sales. Because banks like [name] are out of the market, that's a big gap.'

'But the problem is that for the last 3-4 years commercial finance [has been] next to impossible. But this environment has allowed us to have a conversation we wouldn't ordinarily have had. Recessions are when you see innovations start to happen. Commercial lending want to lend in business models they know about, where it's entirely proven and has been done before.'

At the time of writing, the HCA have approved two schemes for funding, both schemes offering small sites of up to 12 units of mid- to top-end-of-the-market homes. Although there were comments that the fund was insufficient, neither the HCA nor the GLA funds are at the time of writing over-subscribed. One informant noted that there was mixed understanding of, and engagement with, the initiative as some players perceived the risk of moving away from current speculative models of procuring new homes to be too great. Another noted that the criteria for accessing the funds favoured professional participants and that community groups could be deterred unless they collaborated with a developer of some description. One housing association noted that they could secure better rates elsewhere so were unlikely to use this for their self-build project, but other site developers who have constrained access to finance welcomed the provision. One small developer thought that the HCA funds were too skewed towards custom-build models and not the large-scale Almere type provision of serviced plots, but as officials note, they can encourage bidders but are dependent on schemes coming forward:

'Hopefully the principle for the fund will be picked up by the commercial sector... showing that it can be de-risked and viable, making it attractive for them to pick the fund up. We see it as a key boost to opportunities to getting plots and land, but the front end needs pump priming.' (Small developer)

Some lenders signalled they were not interested in the success or otherwise of the Revolving Loan Fund, as they considered development finance outside of their expertise and were concerned that other lenders had been badly burned with construction finance during the financial crisis:

'Lenders are not ready to decide at the outset of a project whether the economics will work through the life cycle of the project. It's an easy get out to say we're not equipped to deal with it, we don't understand the pricing, we don't understand the building development, we don't take risks on building developments. This pushes things into areas we're uncomfortable with.' (Large lender)

Furthermore, another lender saw that some schemes may be commercial but not scaleable, and thus the current projects, even if demonstrably viable, were unlikely to tip the current balance of risks and opportunities towards additional funding for the sector. However, another lender currently in the market was more positive and was in discussions with their commercial division regarding how to package development finance with normal residential mortgages (available on completion) for future schemes. In addition, a few interviewees noted the potential role of the mortgage lenders in

administering the Revolving Loan Fund on behalf of the government, and possibility contributing to it, after 2015 when the current HCA/GLA scheme ends, but other players thought these discussions premature.

Assessment of the Government strategy towards self-build

For those committed to developing the self-build sector the Government's initiatives were very welcome, although there was also a sense that more could be achieved with a greater steer from the centre. This may be in terms of marketing and promotion to the wider public about the opportunities and benefits available, but also promotion of good practice guidance to local agencies regarding what levers can be used and how to work with partners to deliver. A range of ways are available to the Government to stimulate the sector, but are not universally available across all industries or markets. Thus, interviewees welcomed the NPPF requirements and use of public land, albeit they thought these moves could go further. Mortgage finance is an area where Government incentives to lend are harder to identify, yet many interviewees called for more action from lenders:

'I think it's achievable but it needs some radical thinking in terms of legislation and codes of guidance to allow it to happen, otherwise it won't happen, or it will happen as it does at the moment on a piecemeal basis.' (Local Authority)

'[Need to] lean on planning authorities...to encourage people to be more creative.' (Large housing association)

'Unless you carrot and stick the major developers, it won't happen out of love.' (Volume builder)

'Step in the right direction but too skewed towards developers and not enough attention paid towards community self-build.' (Community build scheme)

'Very worth a try to make self-build more a volume option, or custom-build, so we can build up a less elitist tenure. I think that there's not a simple solution, the government and industry can do it, but it won't be an easy solution.' (Large lender)

Policymakers indicated that the initiatives were designed to bring about a market-driven expansion and that the expansion of the sector represented opportunities for the market. However, significant private organisations indicated that they were reluctant to get involved, and significant not-for-profit organisations saw their priorities as elsewhere. There were questions raised about the absence of robust evidence on demand and the costs of self-build, which, if available, would potentially increase confidence in the sector. Several interviewees said that the viability and benefits of self-build have to be demonstrated, not assumed, and so proof of concept was required if there was to be expansion over the long-term. A number felt that attempting to shift self-build from a niche part of the housing market towards the mainstream was challenging.

Several not-for-profit organisations suggested that they were unlikely to make bids for Revolving Loan Funds as they could obtain finance at better rates or that the conditions attached were not applicable to their sites and/or schemes. In addition, there was a perception that the current initiative was too driven by the needs of developers and not community groups. There was a view that not enough had been offered in terms of sites for rural development. The outcomes of this fund may therefore be shaped differently to those that could be achieved should the participation be made more favourable to other parties.

Several interviewees said that the viability and benefits of self-build have to be demonstrated, not assumed, and so proof of concept was required if there was to be expansion over the long-term.

In addition to key players, individual self-builders were asked if they were aware of the Government's initiatives and in particular the Information Portal. Not all respondents knew of the Portal, but a few (more recent entrants) had used it. There was though in-principle support for the initiative and recognition that many would have welcomed such a one-stop shop as they prepared to build.

Policy makers interviewed also reiterated that currently the initiatives are programmed over 2011-2015 and as noted above are designed to 'kick start' a new phase of activity with the express intention of demonstrating viability. Thereafter, the expectation is that private and not-for-profit organisations will recognise and respond to the opportunities in the sector, including responsibility for the continuation of a revolving loan mechanism. Given the pace of implementation to date, and the likelihood that any evaluation will have been completed by 2015, this is an optimistic timetable. There were some interviewees who raised the extent to which the initiatives were a response to a poorly performing, or failing, market and whether the demand and interest would be there as the wider market recovered. Others saw the initiative as addressing the issue of consumer choice in the market, and so having a relevance beyond any market cycle.

Conclusions

Key players who may be expected to take forward the initiatives to expand self-build and boost the sector's profile as an accessible option in the housing market held mixed views in respect of the achievability of the Government's plans. Currently, only a minority wish to engage with the opportunities self-build may offer, and explore mechanisms to grow self or custom-build options and test them in the market, during what is in effect a pilot phase of the national strategy. These are a disparate range of key players with multiple motivations and who envisage different forms of self-build serving different parts of the housing market. While some wish self-build to offer greater opportunities for first-time buyers and support low-cost access to homeownership, others see that it satisfies the needs of the higher end of the market well and are deploying self-build to fulfil local needs for this type of housing.

Access to land is an on-going constraint, but in some instances it is price rather than availability that is the key issue. The release of public land in support of the sector was argued to be critical.

Overall, key players reported that access to development finance is constrained but the support of lenders is critical in the development of multi-unit sites or group builds, and it is here that key players see the opportunities for lowering the threshold to the sector for younger and less affluent households thereby delivering volume. Some lenders maintain their interest in the sector, but significantly, some large lenders do not see sufficient demand, or either a 'moral' or 'business' case for them to overcome the complexities of offering finance to the sector. New requirements for councils to identify and satisfy local demand for self-build included in the NPPF, and highlighting the use of public land to provide sites supports innovation and more schemes are likely to emerge over the coming period, but to date local authorities show differential commitment.

It is unclear what patterns of self- or custom-build options will emerge as successful, and it is likely that different models will be successful in meeting different goals. There is a need for these early schemes and demonstration projects to build on what has gone before and for opportunities for shared learning to be created and projects evaluated to identify good practice accordingly. The emphasis on localism is driving a range of activities, but central government should continue to play a role in supporting the emergent market.

The recent Government-Industry initiatives were welcomed but some viewed them as too limited, and noted that on-going support to the sector was required.

6 Emerging themes and recommendations

Summary

- The potential for an increase in self-build initiatives is already visible, but it is too early to appraise what the likely outcomes might be and whether existing momentum will be maintained.
- The current impetus behind self-build housing reflects a range of limitations and failures within the wider housing market including; access, affordability, sustainability, a lack of development finance amongst some contractors and developers and the need to maintain construction supply lines.
- A major challenge is to improve access amongst less affluent groups at a time when the mortgage market is constrained. The involvement of new agencies and partnerships in innovative procurement routes has begun but it is not yet clear which agencies/procurement routes are most likely to deliver the step change envisaged.
- For the sector to become a mainstream option, significant structural and cultural change is required, a process that has started but that needs on-going support.
- While self build may grow as a whole it is unlikely that all forms of self build will necessarily deliver the cost savings, place-making, community support or choices often assumed.
- Local authorities are likely to be instrumental in delivering a change in volume, but partnership working and/or consortia could overcome obstacles that currently limit scale. Some agencies are breaking new ground, but doing so in isolation, and there is little sharing of experience as yet.
- Many agencies could improve guidance to, and support for, self-builders.
- The limited availability of finance, both individual mortgages and development finance, continues to constrain activity. The self-build sector is likely to remain below any potential it might have until such issues are resolved.

Key recommendations include:

- *Lenders* should appraise how risks can be limited and products tailored to reflect the characteristics of particular procurement methods. They should consider working in consort with other lenders, developers, housing associations or local authorities to effect the delivery of larger-scale self-build sites.
- *Government* should continue its enabling role and signal support for the sector beyond 2015, recognising that it takes time to achieve a step change in a previously niche market. Government should commission an evaluation of the strengths, weaknesses and long term viability of emerging models of procurement. Government should promote more opportunities for sharing good practice, particularly in relation to local government.
- *Local authorities* should consider using planning agreements to secure self-build sites within speculative developments and look to self-build to provide 'more affordable' housing for local people. Local authorities should look for opportunities to make land available for self-build.
- *Developers and registered providers* should consider working as enablers to provide packaged solutions of professional services to help self-builders overcome the 'silo' approach that deters and slows the self-build process.

Chapters 3, 4 and 5 have considered the motivations and experiences of current and potential participants in the self-build sector. There are critical differences in the way different kinds of self-build are organised, and differences of interest and priorities amongst different players. In Chapter 6, the focus shifts to the larger 'across the market' picture and identifies major themes, issues and questions arising from the research. Where appropriate, the report highlights some potential ways forward.

Key issues and recommendations

The research indicates that self-build is often perceived as a response to a range of limitations and failures in the mass housing market including: lack of access; affordability; limited choice with respect to design and/or location; limited eco-credentials; and lack of opportunities for community led developments. By self-building, individuals and groups believe they can achieve more housing for a given cost, better and more personally tailored design, higher eco-standards, and/or realise co-living. Failures in the credit market and the lack of development finance for speculative building have also resulted in a number of small developers stepping into the self-build market, attracted by a possible new market and Government initiatives such as the Revolving Loan Fund.

However, some potential players assess the self-build sector as unattractive. For example, a number of lenders have exited the market as servicing the market is resource-intensive and/or perceived as too risky. Others do not even consider entry. Lenders in the market can find it hard to justify increasing self-build lending against more conventional, 'safer' lending, on more traditional properties. In this context, current self-build mortgage lending is channelled in a risk-averse manner to those who already have significant housing choices. The challenge is to lower the entry threshold and widen access so self-build can serve other parts of the housing market, notably younger, newer entrants to homeownership.

For the Government's aspiration to be realised the self-build market has to be reconfigured as a mainstream activity, forming part of a well-functioning market. This means promoting the concept, supporting and improving the existing data sources, offering forms of self-build as a routine option for those considering house purchase, easing constraints, reducing the actual or perceived risks, and underpinning the sector as part of low cost home ownership initiatives and products, all with the intention of scaling up the sector. This process has started, for example with the Information Portal and the Revolving Loan Fund, but both are 'early days' developments (with the Revolving Loan Fund a temporary initiative) and need to be secured and developed if a step change is to occur. On top of a small and diverse existing self-build sector, new forms of organising self-build are necessary and emerging, for groups building together, and for multi-unit site opportunities, but these models remain novel and marginal in terms of volume. Other initiatives, and change of both structure and culture, are needed if any momentum is to be realised and critical mass achieved.

A number of discrete issues require further attention, including securing participation in the self-build sector, finance, new models of delivery and learning opportunities.

Participation in the self-build sector

1. Self-build remains a marginal issue to many potentially key organisations including developers, lenders, local authorities, and registered providers. There are often 'hard-nosed' rationales as to why this is so, for example, entry costs to the market, uncertainty about demand, more pressing priorities and/or no sound business case. The proponents of the opposite case – that there are significant opportunities – remain too fragmented or rely on persuasion rather than countering with a more economically-focused argument about the potential costs and benefits. Unlike the Government's support of, and provision for, low cost homeownership initiatives, self-build lacks a similarly designated, incentive structure. There was a widespread view that current Government-Industry initiatives were 'welcome', a 'start' but 'don't go far enough', as well as uncertainty about the post-2015 support for the sector.

2. There is considerable variation in the appetite for self-build amongst key players. Currently, there is some evidence that the attitude of the local authority is critical in determining whether self-build is promoted to any extent. The National Planning Policy Framework introduced by the Localism Act allows for designated sites to come forward and local authorities can determine their response to the requirement for affordable housing placed on speculative developers. Alongside low-cost homeownership requirements, a requirement to provide self-build sites could be made. This could privilege contractor-led self-build schemes in order to avoid variable build-out times and ensure external design coherence. Similarly, there is a key role for registered providers, but considerable variation in their appetite to engage, not least in the context of the decision that their key role remains the provision of social (and increasingly private) rented housing.
3. There is a tendency to conflate all forms of self-build housing and talk up the potential uniformly. A core characteristic of traditional self-build is the self-provision or active self-production rather than the passive consumption of homes, and indeed it is the control or depth of participation in the inception, design and production of the homes that underpins many of the claimed benefits for self-build. However, other models of self-build procurement that offer less involvement and/or choice in the design, project management and/or build may not deliver the same outcomes in terms of place-making and community, although they may still offer enhanced customer satisfaction relative to other speculative new build housing. They may also provide an enhanced scale of self-build. One view is that the key to the new role of 'enablers' is to support collections of people to, within reason, achieve their ambitions rather than have someone else's imposed upon them. There could be a tendency to forego the participatory element of builds as 'too difficult' and opt for the 'quick wins' of developer-led custom-build style options and there may be good reasons for doing so, but the different range of gains and losses should be recognised.

Financing self-build

4. Finance both for land and development construction is identified as the major hurdle to realising the expansion of opportunities for self-build to new groups. (The provision of land remains fundamental, but is being addressed via a series of initiatives.) Financial constraints are currently shaping the demographics of self-build and particularly individual self-build, where activity is concentrated amongst older households who typically draw on equity and savings. A key issue if the market is to grow is to ease self-build finance for first-time buyers and/or lower income households who want to move within the owner occupied sector. This would require lenders to explore the provision of lower deposits than are currently required. At the group build level there are schemes that address the first time buyer and affordable homeownership issues, but these often rely on sweat equity to lower costs and provide a deposit. Key questions relate to whether there is sufficient finance available to fund the on-going development of these initiatives, whether the slow speed of delivery is palatable and thus how scaleable such models will be.
5. Different forms of self-build procurement have potentially different risk profiles. However, this differentiation is not reflected in the forms of financial product offered to self-builders. There is an opportunity and necessity for lenders to address the 'one size fits all' limitation of current products. For example, developer-led custom-build models may require a less administratively burdensome mortgage product than a self-managed sweat equity project. A more differentiated, and explicit, assessment of risk might in turn focus the attention of self-builders on the key areas for mitigation, further easing their access to finance.
6. Self-build is routinely assumed to offer the potential for an affordable housing option, but this needs to be demonstrated. Lower costs *per se* do not necessarily mean that procuring homes in this way is available to lower income households or that it supplies homes that are below market costs and would therefore come under the umbrella of the HCA definition of 'affordable homeownership'. A particular concern is that public finance, should it be provided to secure these homes, may not be held in perpetuity and could be lost on the first resale. There are examples of using Community Land Trusts and shared equity schemes, combined with sweat

equity, to ensure that the costs are lower. However, before local authorities allow developers to allocate land as self-build as part of their s.106 affordable housing contributions, one potential way forward, a robust assessment of the terms on which self-build can fulfil these ambitions is required.

New models of delivering self-build

7. Both individual and group self-build are characterised throughout by uncertainty. In part this is due to the components of self-build being organised as a series of silos and disjunctures. Each step (land acquisition, design, planning, finance etc.) is often taken without any certainty that subsequent steps will be realised. Uncertainty brings delay and sometimes additional costs. Few steps have been taken towards forging more integrated approaches, but these could bring significant benefits in terms of greater certainty, less risk, control of costs and speed of completion. Some custom-build or group builds with significant coaching and support could smooth the interactions between services, but lenders, planners and building control could all offer greater levels of advice and guidance for self-builders in respect of expectations of their own service and the required involvement of other agencies, likely fee structures and significant policies. There may be scope for establishing partnerships to facilitate pathways through the relevant processes.
8. There is recognition by almost all interviewees that self-build needs enablers if it is to grow. The Self-Build Information Portal is one form of enabler, but most key players see a role for some institutional process where a lead player brings interested parties together and creates the momentum and provides the knowledge and technical base for projects to move ahead and succeed. This would shift the balance of activity towards local authority/housing provider-enabled and/or contractor- and developer-led groups, and generate volume. There is a wide range of potential enablers (some already taking this role) including registered providers, Community Land Trusts, developers, local authorities, specialist self-build organisations, and lenders. Any of these could adopt an enabling role and forge partnerships and support residents on multi-unit sites or those looking for co-living arrangements, to deliver sites, contractors and finance in a more integrated manner.

Learning opportunities

9. There is a danger that the localism agenda will produce a range of innovations, but provide few opportunities for evaluation, shared learning and guidance. Thus, there is a risk that people 'reinvent the wheel' or fail to learn from others. An institutional repository and exchange forum for key players, accessible to people interested in forming groups, responding to them and working with them, could form part of the current Self-build Portal or function as a stand-alone site, and help overcome practitioners' isolation by connecting them to others in the field. There is also a need for central government to remain instrumental in supporting the sector, certainly during this initial phase of the initiative, by producing and improving statistical data and evaluative information to strengthen the evidence base available for current participants as well as new entrants.
10. There is little international comparative work on self-build processes, as issues of sustainable planning dominate the literature. It is important to understand the institutional context as well as practice in respect of European models and to identify transferable lessons. It appears that central to the success of some European models is a range of structural issues that may influence the transferability of different models, such as strong planning, liberal mortgage markets, and different land tax arrangements. Understanding the precise mechanisms of how the European models work would be advantageous to the developing UK sector.

Recommendations

The potential for a significant increase in self-build initiatives is already visible, but it is too early to appraise what the likely outcomes might be and to what extent existing momentum will be maintained. The consensus amongst key players, however, is that the sector will need continuing support for some time. The Government-Industry Working Group produced a detailed Action Plan to secure the desired expansion in the self-build sector and this report does not intend to reproduce the actions identified there. Rather, a number of additional activities are suggested to support the disparate range of organisations contemplating actively engaging with self-build approaches.

Lenders could contribute by:

In the short term:

1. Providing guidance packs to potential self-builders to contribute towards building the market, i.e. embedding it as an option in the wider housing market, and to inform potential entrants about the self-building process, what sources of information and support are available, but particularly what can be expected from the mortgage lender.

In the long term:

2. Establishing an industry-wide working group to consider the potential for industry-wide standards or systems to smooth the administration of self- or custom-build projects.
3. Appraising the risks associated with the different models of self-build to ensure that current assessments are correct and responses proportionate, so enabling the development of accessible products, tailored to the different models of self building and range of self builders.
4. Appraising the effectiveness of risk-mitigating approaches, such as insurance, guarantees, construction methods, or professional participation and/or partnering arrangements, to inform the development of lenders' products to support emerging models of self- or custom-build delivery.
5. Consider leading and/or contributing to consortia to bring about the delivery of large scale self-build sites.

Government can encourage growth by:

In the short term:

6. Commissioning an evaluation, including a cost-benefit analysis, of self-build delivery models that have emerged from the first phase of their initiative to identify (and disseminate) the experiences and outcomes of the different models and approaches and the factors that most clearly influence outcomes.
7. Working with partners to appraise the circumstances in which self-build housing could be considered as a part of the Affordable Housing Programme or be considered 'affordable' in terms of planning regulations.
8. Making a longer-term commitment to maintaining the Revolving Loan Fund and a continuing flow of public land in order to prevent a 'cliff edge' in 2015 and encourage participants to view the sector as worthy of long-term investment.
9. Working with partners across the sector to organise or expand opportunities for a prominent self-build conference or seminar in late 2013, with a view to making it an annual event.

In the long term:

10. Commissioning an international comparative research project to identify transferable lessons

from European, and possibly US, models of self- and custom-build delivery.

11. Identifying and improving data sources to give a more accurate depiction of the self-build sector, including a more robust approach to measuring demand. This would include, for example, reviewing the planning documentation, and opportunities within the English Housing Survey and HMRC data.
12. Producing on-going guidance to local authorities, registered providers, developers and other key players on good practice in supporting the market for self-build housing, not least in guiding local authorities to fulfil their new duties towards self-build under the NPPF.

Local authorities can encourage growth by:

In the short term:

13. Considering how they can make land available and designating a proportion as self-build plots.
14. Addressing those aspects of the planning process that particularly constrain self builders.

In the long term:

15. With support from central government, considering robust methodologies for appraising local demand for self-build.
16. Considering the extent to which they can use planning agreements to secure self-build sites embedded within speculative developments and, where appropriate, considering the benefits of supporting the sector to provide 'more affordable' housing for local people. The opportunities to expand this model from its more traditional rural application to urban areas should be explored.

Developers and registered providers can encourage growth by:

17. Recognising the social and economic benefits of working with prospective residents/purchasers to enable them to procure and/or customise their homes.
18. Working collaboratively with other enablers (lenders, local authorities) to develop partnerships that support self-builders and overcome the 'silo' approach that currently characterises and slows the self build process.

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Appendix: research methods

This appendix includes further information regarding the qualitative in-depth interviews and the electronic Buildstore survey.

Qualitative interviews

Table 1 presents an overview of the range of people interviewed during this research. A total of 57 qualitative in-depth interviews were undertaken between September and November 2012, mostly by telephone, lasting between 30-60 minutes. Table 2 presents the characteristics of the self-builders interviewed.

Table 1: Range of people interviewed

	Number	Comments
Lenders	6	Large to medium lenders (5), broker (1)
Intermediaries	18	Including not-for-profit organisations (2), trade organisations (2,) registered providers (3), volume housebuilders (2), small developers (3), other suppliers/project managers (2), local authorities (4)
Policymakers	3	Central government and agencies
Group build projects	4	Liverpool London Cornwall Lancaster
Self-builders	22	Completed projects within last five years (4), currently on-site (7), early planning stages (5), stalled projects (4), community self-builders (2)
First time buyers in wider market	4	
Total	57	

The interviews were either digitally recorded or extensive hand written notes taken, and then typed up afterwards. A range of topic guides were used to ensure the conversations covered all salient points, such as the interviewee's motivations to self-build, their finance, planning and land acquisition etc.

Self-builders were accessed as follows: approaches via a mortgage lender to those with self-build mortgages; requests for interviewees placed on self-build web sites and blogs, approaches to self-builders identified from planning submissions and; a request to agree to interviews attached to the e-survey undertaken by Buildstore. Key players (intermediaries) were selected to provide evidence for those both within and without the market. In addition, information was collected from the websites of on-going group projects.

Table 2 Characteristics of individual self-builders

	No. of self-builders		No. of self-builders
Housing status		Land acquisition	
First time buyers	2	Bought land at auction	2
Existing owner occupier	20	Sole negotiation	9
		Already owned	8
		Not yet bought	3
Household composition		Type of procurement	
Single person	6	Self-build-one off	4
Couple	16	Contractor does main project management	7
		Client is main project manager	7
		Kit manufacture	1
		Not yet determined	1
Employment status		Region	
In employment	11	North	5
Self employed	6	Midlands	7
Retired	3	East	1
Unemployed	1	London	2
		South	7

The employment status of one respondent was unknown

The characteristics of those interviewed accord with the profile of existing self-builders identified in the Building Societies Association (2011) survey and with the e-survey undertaken as part of this research project (see below).

Quantitative e-survey

A short electronic survey was emailed to people registered for a range of services from Buildstore that include: PlotSearch, National Homebuilding and Renovation Centre visitors, and those who have enquired about or have taken financial services products (such as mortgage, insurance, warranty, etc.). Buildstore is a leading provider of support to the UK self-build sector.

The survey was sent to 53,000, excluded people intending to or currently undertaking renovation and conversion projects, and was open for one week between 16-23 November 2012. A total of 580 responses were received. The survey was not representatively sampled, but provides a useful insight into the circumstances of (potential) self-builders registered with a major national provider of services. Headline findings of this survey are available in a supplementary report (Wallace et al., 2013).²³

²³ Available at www.york.ac.uk/chp/publications/2013

