
THE 2013 LONDON STRATEGIC HOUSING MARKET ASSESSMENT

Part of the evidence base for the Mayor's London Plan

People wishing to build their own homes

Current provision

- 8.13. The National Planning Policy Framework (NPPF) states that “Local Authorities should plan for ... people wishing to build their own homes” (para 50). This is often referred to as self-build (or custom-build) development, a term which covers a variety of development models but can be broadly considered housing which is developed by its future residents.
- 8.14. The total number of self-build homes completed in the UK for the 2012/13 financial year was estimated to be 10,940⁹⁰, slightly down from 11,850 in 2011/12 and 13,500 in 2010/11⁹¹. DCLG estimated 13,800 units in 2010/11⁹².

⁹⁰ UK Self-build Market Report, Homebuilding & Renovating Market Research

⁹¹ The only official statistic available on the size of the UK self-build market is the number of VAT refunds made each month by HMRC for completed projects under ‘VAT 431NB – VAT refunds for DIY housebuilders’. This is a scheme which allows private individuals to recover the input tax paid on eligible building materials to ensure they benefit equally from the zero rate of VAT applied to new dwellings. It is widely accepted that a significant proportion of self-builders recover input VAT by other means, such as via a VAT-registered building contractor, or their own VAT registered business.

- 8.15. Self-build completion figures tend to follow the wider house building market, with a slight time lag. Based on the DCLG's unpublished analysis of the self-build sector's market share between 1987 and 2011 it is clear that while its share has marginally increased in the last few years the long term trend has remained relatively steady, averaging between 7-10% of the overall number of new homes built each year in the UK⁹³. This is in stark contrast with most European countries, where self-build development typically accounts for anything between 30% - 65% of total housing output⁹⁴.
- 8.16. Self-build provides 32% of all news homes built in Wales and 23% in Scotland, but only 4% of output in England⁹⁵. This supports a received wisdom that self-build is generally more prevalent in rural areas. A report by Joseph Rowntree Foundation⁹⁶ estimated that self-build in London accounted for 2.1% of total output in London in 1999. Typically self-build in London takes place in small infill sites, end of terrace spaces, backland sites, gardens, garages, and small industrial sites.
- 8.17. The London Development Database (LDD) records 417 completed developments involving the erection of a new single residential unit in 2012/13. This figure is fairly constant at 480 in 2011/12, 422 in 2010/11, and 472 in 2009/10. It should be noted that some of these may be speculative development of a single unit rather than self-build. The LDD also records extensions to existing buildings to create a single residential unit, and change of use from non-residential to create a single residential unit. These are more likely to be speculative development, and when added to the new single-unit developments bring the total to 766 in 2012/13, 892 in 2011/12, 833 in 10/11, and 942 in 2009/10. These figures do not include any group self-build or multi-unit custom build developments, or those who build one unit for themselves and other units for sale or investment. However, these can be assumed to be fairly negligible at present. These figures suggest self-build could be between 1.9% and 3.5% of annual housing output in London. It is expected that in many cases buying a run-down, possibly empty, home and carrying out substantial alternations and repairs can be another way of achieving the benefits of self-build in London.

Demand for self-build

- 8.18. A national survey for the Building Societies Association⁹⁷ in 2011 found that 53% of all respondents said they would be interested in building their own home. An Ipsos MORI survey conducted in 2013⁹⁸ found that 13% of adults in London were actively researching self-build,

A survey conducted by Homebuilding & Renovating magazine in March 2013 found that of 688 self-builders who had recently completed a project, 64.3% had recovered VAT using 'VAT 431NB' with the balance recovering VAT by other means. To get a more accurate indication of the true size of the UK self-build market, therefore, the HMRC completion figures are adjusted by a factor of 1.5554.

⁹² DCLG (unpublished) quoted in "Lending information for self build in the UK", Building Societies Association, April 2012

⁹³ *ibid*

⁹⁴ AMA Research (2011), 'Self Build Housing Market Report UK 2011-2015 Analysis' and Dol et al (2012), 'Self-provided housing in developed societies' International Encyclopedia of Housing and Home (pp. 310- 315).

⁹⁵ AMA Research (2011), 'Self Build Housing Market Report UK 2011-2015 Analysis' – based on the VAT refunds data.

⁹⁶ Barlow et al (2001), 'Homes to DIY for: The UK's self-build housing market in the twenty-first century", James Barlow, Robert Jackson and Jim Meikle, Joseph Rowntree Foundation, 2001 – based on a survey of building control departments in 1999

⁹⁷ Building Societies Association (2012), 'Lending information for self build in the UK'

⁹⁸ Ipsos MORI (2013), 'National Self Build Association Survey of Self Build intentions'

broadly in line with the national average⁹⁹. The same survey found that only 2% of adults in London (the same as in the country as a whole) were taking some form of action including acquiring land, submitting a planning application, or starting construction, and less than 1% expect to complete a self-build project within a year¹⁰⁰.

- 8.19. Finally, the London Legacy Development Corporation (LLDC) carried out a call for interest in self-build or custom-build on the Olympic site in Feb 2013¹⁰¹. Nearly 600 households expressed an interest in a two month period, with only local media targeted in the four boroughs around the Olympic site.
- 8.20. While levels of interest and research into self-build are fairly even across the UK, completed self-build projects make up a much lower percentage of total housing output in London than in other regions. This indicates a significant unmet demand where a large number of households are actively researching self-build, but either do not pursue the option further or are unsuccessful in taking action at the point of acquiring a site. This may be due to London's high-cost land market, which favours builders used to capital-intensive, high-density development. London's high costs also make it harder for self-builders to access finance, as lenders have tended to see the sector as relatively risky, although there are signs that this is changing. Demand is thus to some extent a function of market conditions, and it could be expected that if more opportunities for self-build development are provided, and the self-build process is made less difficult, the level of effective demand could rise.

Group self-build

- 8.21. Group self-build involves several households developing housing on a larger site, which may allow costs to be shared and economies of scale to be achieved. While this is estimated to be around 2% of all self-build development, DCLG's survey found that that 26% of self-builders would be interested in building their home as part of a group scheme and a further 35% are undecided on whether they would be interested¹⁰². It is notable that the demographic profile of self-builders interested in such schemes appears to be skewed towards younger age groups. This type of project is likely to be the most relevant for London, as it can enable denser developments, comparable to conventional speculative development.
- 8.22. A few developers and boroughs are initiating projects to select interested households to "custom-build" homes on larger sites (over 0.2 hectares). Groups have also come together independently to form a legal entity and initiate development for themselves. Most of the groups in London have entered into partnerships with registered providers to undertake the construction and financing. There are at least 15 such group schemes at various stages of development in London providing around 20 to 30 units each¹⁰³.

⁹⁹ 'Researching' included looking for and watching television programmes, using the internet, buying specialist magazines, visiting exhibitions, discussing the possibility with others, enquiring about finance, and looking for land, and enquiring about planning permission.

¹⁰⁰ Ibid.

¹⁰¹ LLDC (2013), unpublished research

¹⁰² Building Societies Association (2012), 'Lending information for self build in the UK'

¹⁰³ UK Cohousing Network website listings, National CLT Network website, GLA 'Build your own home the London way' enquiries

Conclusions

- The self-build market in London is still relatively small, and it is therefore difficult to draw definitive conclusions about the scale and nature of demand, except to say that it is likely to far exceed current levels of activity.
- Both the high levels of interest and the low levels of activity may be a function of London's uniquely pressured housing and land markets, which tend to favour larger and more experienced builders.
- Single unit self-build schemes are most likely to be practicable in low-cost parts of London, and the evidence of demand is strong enough for boroughs in such areas to pro-actively encourage and facilitate such projects. Where there are complex or 'fringe' sites not of interest to mainstream developers they may also be suitable for targeting to self-builders.
- Group self-build could have the potential to deliver larger numbers in higher-cost areas, especially with supportive systems of finance, planning and construction. Evidence from current schemes will inform future estimates of demand for this form of development.