

Custom & Self Build Market

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Image: Fleming Homes

Summary

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Executive summary

Custom and self build policy

The UK has the lowest known rate of self-commissioned homes in the world. It is the largest single difference between our housing market and those of other developed market economies. Its effects are damaging to us as a nation in both absolute and relative terms.

We build too few homes and those we do build are of poor quality and poor value. This is a problem that has been created and which, at its heart, is the fact that the occupant has so little say in the product that is delivered.

We know that custom and self build homes are very different from the homes that speculative developers and planners decide that people should live in. Over half already have a sustainable prime heat source and over half are built using modern methods of construction.

In summary, custom and self build delivers more and better homes that more people aspire to live in and that communities are happier to see built. At the National Custom and Self Build Association (NaCSBA) we aim to make custom and self build a mainstream choice for all those seeking a home of their own.

Current priorities

While the planning system has a primary responsibility to meet demand, it is the Right to Build legislation that provides a specific duty on local authorities to ensure a sufficient supply of plots to meet the demand on the Registers that each local authority in England must maintain.

This legislation is being hindered by a minority of local authorities which, we believe, are operating contrary to the letter and the spirit of the legislation. NaCSBA's ability to challenge such practice is difficult.

The very new Levelling Up and Regeneration Act includes three specific changes to strengthen the legislation but there is still more to do. Associated regulation needs amending and the National Planning Policy Framework and the National Planning Policy Guidelines need updating. The next year will be important for both these and could shape the effectiveness of the legislation for a generation.

Lastly, but by no means least, we continue to work through the recommendations in the Bacon Review including holding the government to account for the

actions set out with its response. This summer, and two years after the Review was initially published, Richard Bacon undertook a progress update, and there is some disappointment as to the pace and extent of change to date. That progress update is included in full within this report.

Other policy areas

In addition, there are other opportunities and challenges that NaCSBA continues to be engaged with.

The Competition and Markets Authority (CMA) is undertaking a review into housebuilding, the latest stage of which will be completed by February 2024. NaCSBA is strongly of the view that the new homes market is broken and we hope that the CMA team have the vision and confidence to look outside the UK to the performance and practices in other developed nations.

A significant challenge that has unexpectedly arisen this year stems from the process of taking back control from Europe in relation to our financial services regulations. In the process of doing so, an important EU-wide exemption for custom and self build homes has for now been lost, despite our campaigning.

This would have major consequences for access to mortgage finance and we are working closely with mortgage lenders to seek to retain the status quo.

For this reason, NaCSBA has developed its Golden Rules for policy development. These are:

1. Per home policies should be no more time consuming or costly than for a larger development.
2. Policies must not introduce relatively more delay or uncertainty into the self build process (e.g. through reliance on scarce skills).
3. Policies must not result in solutions or options that the self builder would be unable to access, in a way that was unfair.

We use these when seeking to create fair approaches on more general matters, such as nutrient neutrality and biodiversity net gain.

Upcoming general election

As we approach the next general election, the continued failure of our nation to provide new homes in sufficient numbers and of sufficient quality appears certain to be a key political battleground. We believe that our message has relevance to all parties and, importantly, that we are

en route to delivering more and better homes. Custom and self build is part of the solution.

However, we need to ensure that our potential is not overlooked and that we continue to make the case for greater customer choice when it comes to new homes – whatever the tenure and wherever those homes are built.

Market insight and data analysis

Planning matters

We asked Andy Moger of planning consultancy Tetlow King for his observations on emerging planning issues in the custom and self build sector.

Two key findings were that:

- There is clearly an increasing awareness of the benefits of the provision of custom and self housebuilding from Planning Inspectors, Case Officers, and Planning Committees. Including significant to substantial weight sufficient to outweigh development plan conflicts being attributed to the delivery of serviced plots where there is demonstrable failure to meet Register demand.
- Custom and self build provision can be sufficient to outweigh Green Belt definitional harm and the importance of the planning balance exercise in the context of the statutory duty and Register demand.

Graven Hill

This year sees the tenth anniversary of Britain's largest and most ambitious custom and self build development at Graven Hill in north-east Oxfordshire.

The decision by Cherwell District Council to buy a 188-hectare former Ministry of Defence site and develop it themselves, rather than simply zone it for housing for major developers, was a bold and imaginative one, even at a time of low interest finance and comparatively stable construction costs. But that was before Covid, soaring interest rates and galloping inflation added to the trials of creating custom and self build at scale. It is to the credit of the Graven Hill Village Development Company, the arm's-length entity set up by Cherwell to realise its vision, that over 130 self builds and over 150 custom builds have now been completed, representing respectively 26% and 30% of the development.

The lessons learnt have been numerous and invaluable, from the value of Golden Brick to the practical challenges of providing services at scale to a large number of

highly individual plots and builds. At the same time, one of Cherwell's most cherished aims – the creation of a cohesive village community – has been a notable success.

Custom build models

The lack of a universal definition for custom build remains a concern for the sector. Current practice operates on a spectrum, with a dominant model yet to emerge. This report reviews the definitions and explores alternative methods of delivering custom build homes.

Together custom and self build can be simply defined as "a home built to the plans or specification of the occupant". For this reason, such a home is often referred to as "self commissioned", which is clearer. Such homes can be contrasted with speculatively built homes, which are constructed with a target market, but no specific buyer, in mind.

NaCSBA has established the following definitions on behalf of the sector:

Self build – a home built to the design and specification of the occupant on an individual plot, or on a multi-plot site where the customer has the choice of builder.

Custom build – a home where customer choice is restricted to a single builder and/or by the nature of being flats and apartments, but choice is then maximised. As a minimum, this includes full choice over the interior of the home.

Right to Build Registers

This report analyses the Right to Build Registers' data from the perspectives of how good a measure they are of demand for custom and self build, and how effective local authorities are in delivering on their obligations under the legislation.

The data behind the custom and self build Registers are collated and published by government annually, but are not without their problems due to the different processes within councils and a general lack of consistency. ►

To address this, NaCSBA has worked with LIVEDIN to create an alternative set of data that offers a more detailed view of the information by each authority. The model helps to highlight any potential issues with data credibility and any challengeable policies that have been introduced. It also provides an assessment of performance for each local authority under the Right to Build for each base period to date.

The Registers are designed in part to measure the demand for custom and self build in a local authority area. The number joining Registers in the 2019-22 three-year period was 29,697. However, the number of people actively engaged in considering self build (as determined by NaCSBA's own new measure of demand in the same period) was 83,430. Overall this means a 64% under-measuring of demand by the Registers – a figure itself likely to be an underestimate.

We also scored each local authority on a range of custom and self build policies and measured that against their Register's performance. Encouragingly, there is clearly a positive relationship between good policies and effective Registers, but equally good policies are not sufficient alone to produce effective Registers.

NSBRC and NaCSBA survey

Together, the NSBRC and NaCSBA asked visitors to the centre and to NaCSBA's Self Build Portal about their expectations around self building.

The key findings of the survey include evidence that plot and build prices are now significantly higher than those reported in the same survey in 2021.

Only 19% had not heard of the custom and self build Registers – down from 30% in the same survey in 2021. But almost half had not joined a Register. The proportion citing no obstacles to signing up to a Register is at 60%, well up on the 50% reported in 2021. This suggests that over time awareness has risen, but of the remainder almost half saw little point in joining the Registers and others were still finding the obstacles too great.

55% of respondents said that the cost of living crisis had caused them to rethink their plans. However, just 1.5% said that it meant that they had abandoned a project. 20% have delayed their plans and this is likely to feed through into orders from the second half of 2023 onwards. The more common response was to make

adjustments by changing the specification or doing more work themselves.

The benefits of custom and self build

Evidence from research commissioned by the Right to Build Task Force to support the belief that custom and self build produces housing that is greener, better built and more supportive of local economies than comparable speculative housing.

- Custom and self build development produces more than a doubling of the beneficial local economic impact of mainstream housing, when labour and materials are viewed together. The research tested this against five areas, with different rural/urban classifications and differing regions, demonstrating a robust set of illustrative data.
- Energy Performance Certificates (EPCs) provide a testable form of data that empirically show that custom and self build homes are greener than typical mainstream new builds. The data demonstrated reduced energy consumption between 8% and 42% lower, with CO₂ emissions between 7% and 43% lower for custom and self build homes in the case study areas.

Business Confidence Survey

In August 2023 NaCSBA launched its Quarterly Business Confidence Survey for the custom and self build sector.

The survey asked a short series of questions of its members about past business performance and expectations for the coming 12 months.

The results show a cautious outlook for many, but not all, reflecting the headwinds in the macroeconomic environment of slow economic growth, the cost of living crisis and a weak housing market. Add to this the political uncertainty, with only just over a year of the current government's tenure and, as things currently look, the probability of change in the governing party and it seems likely that the year ahead will be tough for all.

This demonstrated that interest rates and energy and raw material prices are the biggest concern for most respondents. However, planning-related challenges are on a par with those and these will remain a perennial problem for the sector for the foreseeable future.

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