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Living the dream in your self-build home

Lower costs and higher quality may be the result of your own hard work

Elizabeth Parker

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Bob Elkins and his fiancée Hannah Skinner spent months looking for a home in Montpelier, a bohemian, picturesque area of Bristol, but struggled to find anything they liked in their price range.

"We knew we wanted to live in the area, but it quickly became apparent that there was no way we could afford a house with the money we had available from our combined salaries as an architect and social worker," says Mr Elkins, 33.

"As our concerns about finding a suitable property grew, so were UK house prices. For a while there seemed to be no obvious solution — until we realised maybe we should just build our own home." And so in 2011 Mr Elkins began the search for a building plot for his own development.

Self-build properties have been a mainstay of housing markets for decades in countries such as Japan, Australia, Belgium and Germany, where around 80 per cent of new homes constructed annually are now built by the people who will live in them.

But despite their soaring popularity abroad, UK appetite for self-build has been muted. Just 10,000 self and custom built homes are expected to go up this year, with recent figures from construction data firm Barbour ABI showing self-build planning applications in 2014 were 28 per cent lower than in 2008, thanks to tighter planning rules and a crunch in mortgage lending in the wake of the financial crisis.

According to the National Custom and Self Build Association (NaCSBA), the state of play could change. An Ipsos Mori poll it commissioned in March found nine British adults would like to build their own home at some stage in their life, with 6.36 currently doing researching or planning into the process.

How best should they navigate the building process, from planning to completion? What are the common pitfalls for novice self-builders? And how do such home compare on costs with conventional second-hand purchases? FT Money has taken a close look the pros and cons of "Do It Yourself" housing.

Self-build benefits

After 12 months spent looking for a site and then six obtaining planning permission from their local council, Mr Elkins and his Skinner took out a loan on Mr Elkins' parents' home and commenced works in 2014.

While most UK builders suggest allowing a year for design and a year for construction, Mr Elkins' experience as an architect sped up the planning application process and helped with bulk-buying materials, although the house is still receiving finishing touches.

He insists the benefits of a self-build property — both in terms of lifestyle and savings — should be seriously considered by the millions of Britons currently hunting for a home.

Niche developers shake up UK housing market

Kevin McCloud, Channel 4

Britain is engaged in an era-defining struggle to build more homes. But the answer might not lie in the most obvious place. Andy Sharman explores the potential of compact living, urban regeneration and custom-build.

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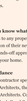
"One clear advantage is that we were able to build our dream house, containing many bespoke characteristics that we would not have found in something already on the market," says Mr Elkins, who has spent around £200,000 to date on their three-bedroom, three-storey home on an infill plot on Bristol's outskirts.

"But we didn't just shape the property around our lives and needs, we made sure we maximised our plot value. And at minimum cost, that can really pay off. The house is valued at around £500,000, meaning we've already made around one per cent profit."

Alex Dutton, a sustainability design consultant at Burton Willmore, a planning and architecture consultancy says: "There is clearly growing UK consumer demand for the type of aspirational, personalised properties being seen from self- or custom-build projects, partly thanks to the popularity of television shows like "Grand Designs" and endorsement by personalities like Kevin McCloud." "Increasingly, self- and custom-build have huge potential as a viable, cost-effective way into home ownership."

Those considering constructing their own home can count on the support of the government. It has thrown its weight behind legislation designed to encourage self- and custom-build, which it believes can help solve the nation's crippling housing shortage. In their election manifesto, the Conservatives pledged to double — at least — the number of custom-built and self-built homes by 2020.

The Self and Custom Build Housing Act 2015, which was implemented this spring, requires local planning authorities in England and Wales to test the demand for self- and custom-build by setting up a register of those looking for land on which to build, and ensuring adequate land provisions are made accordingly over the next five years.


Channel 4

Meanwhile "Right to Build" is a pledge to give those who want to build their own homes in England and Wales the right to buy a plot, alongside a £125m fund to help provide 10,000 serviced plots for custom builders.

The first wave of schemes was unveiled last September, with 11 councils sharing £59,000 to invest in projects to create self-build plots and custom-build homes.

"Whatever your politics, the Conservative majority is good news if you are among the 1m people who say they would like to build their own home over the next five years," says NaCSBA chairman Michael Roberts.

Cost insulation

Part of the allure for Mr Elkins and Ms Skinner is the use of sustainable building materials, which they say will reduce their energy costs to "next to nothing" thanks to the latest insulation techniques and solar panels on their roof.

"A more energy efficient home frees up so much capital that can then be used on other things," says Mr Elkins.

International developers who have long capitalised on burgeoning demand for carbon and eco-friendly homes see big opportunities in the UK.

Hof Haus, a German family-run company, has created some of the world's most recognisable — and expensive — custom-build flat pack homes and oversees each stage of the design, development, construction and interiors of its properties. Its prices start at about £500,000 before land costs, but often run into the millions depending on the demands of a client.

Hof Haus

"Our homes has incredibly distinctive eco-features such as argon-filled triple-glazing and high levels of insulation, as well as heat pumps and photovoltaic panels — the whole effect is geared towards being aware of, and your life enhanced by, the natural environment around you," says Peter Hof, the group's chief architect in the UK, where it builds around 30 of the 200 homes it sells annually. He believes that properties will accrue future value depending on their eco-efficiency.

"In Germany virtually every home is built by the person who will live in it, but in the UK all homes are built by developers — I find this approach amazing given it is the biggest investment one will ever make. But we've seen a real growth in assistance in the market here lately because of the more nervous of planning hurdles and see it is much less wasteful when it comes to materials."

Unlike either custom or self build homes, which can take years to produce, a Hof Haus prefabricated house can be erected and ready for occupation, bought and foundations are prepared. Factory production takes four months, after which the flat pack home is shipped to the UK along with a team of German builders. Assembly of the shell takes a week, with the interiors, including electrics and plumbing, taking a further 12 to 14 weeks.

Prefabulous

Quicker, less stressful and potentially cheaper than traditional self-building, prefabricated homes are becoming an option for second or holiday homes as well as primary residences.

Make sure you know . . .

How to sound like you know what you are talking about

The term self-build refers to any property where someone directly organises the design and construction of their new home. Custom build homes tend to be those who take a more hands-off approach, where you work with a specialist developer to help deliver your home.

Where to look for guidance

To find an architect and contractor specialising in self-build, start with the Association of Self Build Architects, the Chartered Institute of Building and Royal Institute of British Architects. Consider a trip to the Homebuilding & Renovating Show at London's Excel Centre on September 25-27. Websites on your radar should include: selfbuildportal.org.uk; nacsba.org.uk; self-build.co.uk; mycommunitybrighton.org.uk; buildthere.co.uk; buildmyplace.co.uk; theworkhousecompany.co.uk

One start-up in the area is Cocoon 9, which provides luxury prefabricated homes shipped anywhere in the world. Most enquiries have come from homeowners who want to drop one on their property as extra guest quarters, as well as city-dwellers who like idea of adding it to the rooftop of a townhouse.

"The Cocoons are designed for people who value form and function at a luxury level and are conscious of unnecessary space or energy consumption," explains Chris Burch, the prominent US retail investor behind Cocoon 9.

The majestic Somerleyton Hall in Suffolk was an early UK pioneer when it built a collection of prefab lakeside log cabins six years ago to help generate fresh sources of revenue. With 70 eco-friendly cabins currently on site and planning permission for a further 77, head of the manor Hugh Crossley calls them "the engine room of his family business".

Cabins can either be rented for between £255 to £1,100 per week, or sold at an average of £130,000, with about five sales currently made per year.

"The aim is to sell all of them eventually, and we've noticed quite a clear trend in terms of buyer demographic — almost all either own or part-own their own businesses. As a result, they all seem to be confident when it comes to the process of owning, designing and building their own home," he says, adding that most cabin owners let their cabins during high season, earning around £6,000 a year.

Building a home to your own taste is a risk: when the time comes to move on, other people may not want it. Michael Hodiamo of the NaCSBA says owners should also remain aware of local land prices.

"People can get a nasty shock if they've upscaled their plot with a lavish property with no expense spared, only to find the value dragged down by the average house prices of the nearby area."

Lurking costs

Self-builders are unanimous on the need for detailed budgeting before work begins. Banks offer self-build mortgages which differ from conventional mortgages in releasing money in stages as the build progresses.

In order to pay for services, a cash cushion is critical — especially given most such loans require you already to have bought a plot and can be dependent on planning permission.

Make sure you know . . .

How to find the right plot

Talk to your local councils and estate agencies and take a look at plot search websites like Plotbrowser and PlotFinder.net. Buildthere's Plotfinder, a land-finding database, features about 8,500 plots across the country. Aim to look for plots with planning consent already granted.

When to claim money back

You can apply for a VAT refund on building materials and services when constructing a new home or converting a property into a home, provided you keep records and reclaim it within three months of completion. According to NaCSBA, a third of self builders fail to do this.

"I think people often forget that if you buy your home from a developer then you are essentially delivered a finished product with few hidden costs. But building your own home can be a week in progress for years down the line and you need to get your figures right accordingly," says Mr Elkins, who estimates a cost of around £1,000 per sq m for a self-build house.

"It is also critical that you budget in costs like interior decoration and particularly landscaping the outside areas of the property, which will often run into tens of thousands of pounds. It's easy to get stung."

One way of limiting exposure to materials and service costs is by joining a group of self-builders or small building communities, who together buy a larger single plot together for multiple units.

A number of grants are also available by building this way, including the Custom Build Serviced Plots Loan Fund — which offers loans to community groups, housing associations and developers for the purchase of land to be divided into plots for self- or custom-building.

Although self-build remains small, the UK's volume builders have been watching shifts in consumer tastes within the housing market and are keen to deflect accusations that their homes that are smaller, identikit and more expensive than self-build options.

But Mark Clare, until last month chief executive of Barratt, the UK's largest housebuilder, says that for the time being, Britons appear set in their ways in terms of property materials and aesthetic.

"We have to build what customers want, and that still appears to be traditional red brick properties — and I doubt that will change for some time," he says, adding that alternative building materials and techniques won't make a significant dent in the UK housing shortage any time soon.

Barratt and other builders believe one way to solve this unfolding crisis is investing in and incorporating prefab solutions into its traditional building process.

Mr Clare believes that pre-building modular core components of a home off-site, such as its roof, would speed up construction and free up labour and materials, allowing more houses to be built and bespoke touches for the ever more demanding consumer. But for concerts to the self-build route such as Mr Elkins and Ms Skinner, a home built by anyone else is no longer on the cards.

"There just needs to be better communication directed towards prospective homeowners tackling misconceptions around the build process and the savings that can be made, both now and in the future. You get to live in your dream home, no one else's, and once you've done that, why would you ever go back?"

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