



Right to Build Task Force Advice Note

October 2020

The Essentials

Local Economic Benefits of Custom and Self-Build

Summary

The custom and self-build (CSB) market offers significant local economic benefits. It creates additional opportunities for new investors and supports builders, suppliers and tradespeople in the local construction industry. In addition, a significantly higher proportion of CSB spend on materials and labour is distributed locally, in comparison to the national housebuilder model. This form of housing is also more resilient through economic cycles and helps diversify the local housing market.

Speeding up delivery

According to the National Custom and Self Build Association (NaCSBA), the CSB sector completed around 13,210 homes in 2018/19, a 2.2% growth rate year-on-year. This equates to about 7% of the total number of homes built nationally, although this is significantly below the average for the developed world, where 37% of new homes are built or commissioned by their owners¹. The CSB sector therefore makes a sizeable contribution to our housing supply and helps to diversify our housing industry through promoting more competition and choice for consumers.

The 'Planning for the Future' White Paper reaffirms the Government's commitment to achieving an annual housebuilding target of 300,000 homes a year, in order to keep up with population growth and start to tackle years of under-supply. The Government also recognises that we have lost many of our smaller builders and we urgently need to diversify our housing market. The number of homes registered by small builders declined by more than half from 44,000 in 2007 to 18,000 in 2015. The number of builders who build fewer than 100 new homes per year dropped by more than 50% between 2008 and 2015. The majority of new homes (59%) are constructed by just 11 larger housebuilders (those that build more than 2,000 homes a year).

The CSB sector has the potential to speed up supply, particularly where permissioned serviced building land is facilitated, or where custom build developers offer package solutions and 'shell homes'. An independent review of build out rates was completed by Sir Oliver Letwin in 2018². The review concluded that "*the homogeneity of the types and tenures of the homes on offer on these sites, and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of slow rate of build out*". It argued that if either the major housebuilders themselves, or others, were to offer much more housing of varying types, designs and tenures including a high proportion of affordable housing, then overall build out rates could be substantially accelerated. The review recognised that CSB can contribute significantly to housing diversity.

¹ Homebuilding and Renovating Self & Custom Build Market Report (2017)

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752124/Letwin_review_web_version.pdf



How does CSB benefit the local economy?

It is now well established that CSB is good for the economy. According to the *Homebuilding and Renovating Self & Custom Build Market Report (2017)*, the total value of the UK CSB market is £3.9bn and is predicted to grow by £5.5bn by 2020.

Any increase in the CSB sector will create additional opportunities for new investors; it would also support existing builders, suppliers and tradespeople in the local construction industry, which helps local economies. Every project sustains seven construction jobs for a year.

Research undertaken by Chamberlain Walker Economics Ltd on behalf of Mid Devon District Council estimated that **45 pence in every pound invested in CSB homes is spent locally, more than double the estimated 22 pence in every pound invested by mainstream housebuilders.**

This research also considered how custom and self-builders procure materials and labour. It is estimated that 32% of CSB spend on materials is local compared to just 10% for the mainstream housebuilders. With regards to labour, Chamberlain Walker Economics Ltd estimated that 65% of labour is local (including the economic value of DIY labour). This is higher than the estimated 43% of major housebuilders that is local.

Community-led housing (which is an important driver of CSB) also provides significant economic benefits. According to recent research published by Community-Led Homes³, using a ten-year horizon, each pound of public support delivers 1.8 pounds of benefit, rising to 2.7 pounds when health and benefit savings, well-being and income distribution benefits are factored in.

Recession-proofing local housing supply

CSB completions across the economic cycle appear to be less volatile than completions overall⁴. This is partly because custom and self-builders are less reliant on volatile financial markets – specifically mortgage lending – for demand. However, it is also important to note that CSB, by definition, uses single-home sites including infill and sites that generally do not attract the big builders. CSB ‘build out’ is not constrained by market absorption rates that have been shown to constrain standard housebuilder supply on large sites.

How supportive are private sector housebuilders?

According to surveys from both the National House Building Council (NHBC) and the Federation of Master Builders (FMB), most small- and medium-sized builders see the expansion of the CSB housing sector as an opportunity for their businesses. Indeed the FMB Housebuilder’s Survey 2019 found that

³ <https://www.communityledhomes.org.uk/resource/housing-community-community>

⁴ Analysis of the economic benefits of self-build and custom housebuilding to the local economy. A Chamberlain Walker Economics Ltd Report for Mid Devon District Council. December 2019.



52% of its housebuilder members built a home to the plan and specification of a new homeowner in the last year⁵.

Furthermore, the NHBC (October 2014) found that 54% of small builders would prefer to build more homes for custom and self-builders. The FMB (September 2014) found even stronger support for CSB among its members with 89% saying that they see it as a good thing for their business. The FMB also concluded that the provision of serviced plots was essential to scale up supply and create new opportunities.

It is also important to note that custom and self-builders like working with small builders. The FMB surveyed 2,000 homeowners in 2018 which found higher custom satisfaction rates of homes built by small builders – with twice as many people (36%) saying they are ‘very satisfied’ with the quality of their new home compared to those whose home was built by a volume housebuilder (17%).

Larger builders are also becoming engaged in the CSB market with opportunities coming forward from volume housebuilders such as Charles Church, Barratt Homes, Redrow, Linden, Bovis and David Wilson Homes as part of developments on larger sites.

Key points to remember

- The CSB sector makes a sizeable contribution to our housing supply and helps to diversify our housing industry, promoting more competition and choice for consumers.
- CSB can contribute significantly to further diversifying housing supply, which will help accelerate overall build out rates.
- The value of the CSB sector is approximately £4bn, divided more or less equally between labour and materials.
- The proportion of investment in CSB spent locally is significantly greater than the proportion of investment spent locally by mainstream housebuilders.
- A significantly greater proportion of CSB spend on materials and labour is local compared to the mainstream housebuilders.
- CSB completions across the economic cycle appear to be less volatile than completions overall.

⁵ https://www.fmb.org.uk/media/49207/fmb_house_builders_survey_2019_digi.pdf