

INDUSTRY INSIGHTS

Self Build – The Barrier to Future Growth

In January of this year, The Royal Institution of Chartered Surveyors released its Residential Market Survey¹. The overwhelming sentiment was one of positivity; buyer enquiries, agreed sales and new instructions are all increasing. House prices are rising nationally and respondents were upbeat on the outlook for sales in the coming year. This was all positive news for the industry. However, with the realisation of the impact of the coronavirus throughout the spring, and the likelihood that it would last into the summer and beyond, it is very difficult to predict where the mortgage industry will land after this.

THE SELF BUILD BOOM

Within this positivity story there are lots of other encouraging signs. One of the obvious successes over the last decade has been the rise in self-build. At Harpenden Building Society we have seen a continued increase in the number of self-build applications. What might not be as obvious however is the increase in complexity of the build specification and financing requirements. For brokers and lenders alike, these applications are not as straightforward as they once were. The danger is that all future players in this segment of the market fail to evolve at the same pace as our customers' requirements.

ARCHITECTURAL COMPLEXITY

We've been underwriting self-build mortgages for 25 years. In all that time, the biggest change we have seen is in the rapid development in construction types and increasing levels of complexity in the construction methods. These have included; windows that span the full width of a house, irregular shaped properties with unusual supporting structures, and swimming pools being built into the basement of seven bed homes.

Over the last decade, self-builds have expanded from standard family homes, to include structures that might be considered for the world's leading architectural awards.

As a result, lenders have to be more flexible in their decision making and this is only possible when you have a depth of experience to draw upon.

We are willing and able to accept either non-standard or modern methods of construction, provided that there is an acceptable new build warranty. Not everyone is able to match this flexible approach.



FINANCING

Alongside the growth in modern construction methods, is the increasing diversity in financing requirements and income that includes a trend towards later life lending for these projects. As the trend towards later life lending continues, we are seeing repayments come from multiple sources. Income from assets and pensions is commonplace, and more contractors and self-employed people are looking to build their ideal home. We are able to consider income, savings and investments from various sources (UK based and in sterling).

There is also a desire for more flexibility over how and when funds are released. Our policy is now to release funds on a timescale agreed with the broker and the client. We know from experience that a prescriptive process for release simply doesn't work and flexibility is not only desired but is now a requirement. Without it, the build comes under increasing pressure. If the solution is fluid and there is strong dialogue, then all parties can move efficiently to completion.

LAND AVAILABILITY

In January 2020, 'Build It' magazine outlined what they believe the future holds for the self-builder. Historically, finding a viable plot of land was a major challenge and still remains a problem. However, as the housing crisis forces innovation, there is more and more provision of 'serviced plots' which enables developments with roads, key utilities and blanket planning permission in place. The obvious example of this is Graven Hill near Bicester in Oxfordshire.

Other authorities such as Plymouth, Glasgow and Teignbridge have also been providing more opportunities for people to start self build projects as a way of meeting the need for housing. More councils are following the trend.

TECHNOLOGY

We can also expect to see more innovation, such as housing with new forms of technology built in. There is a trend for new property to be very energy efficient making use of ground source heating, solar panel roof tiles and triple glazed windows. These are very carbon emission low. The government has announced plans to ban the installation of gas boilers in new homes by 2025 (although legislation has still to pass through parliament). With energy efficiency and the environment a critical issue for governments around the world, the property construction techniques will continue to develop at a rapid pace. And if climate targets are to be met, energy consumption has to reduce.

'Build It' also expects the UK to start catching up with Europe in terms of reducing the amount of toxins in material. This is despite Brexit and the potential for divergence in our regulatory frameworks. The desire to reduce toxins is likely to be achieved through greater adoption of offsite construction methods. Technology will also be used to minimise noise transfer between rooms and storeys as people look for more peaceful and harmonious environments.

CO-OPERATION IS CRUCIAL

If you take all these variables into consideration, it's no wonder that self-builds often fail to run according to the original plan and budget. Now, more than ever, this is likely to be true as we all adapt to a world that no-one could have predicted in 2019.

The skill and expertise of the valuer is vital within this process. Clearly, you need a great architect and craftsman to create the building, but without flexible financing and co-operation there can be no funds even for the foundations. If the industry can work together to remove any of the potential barriers then there is an opportunity for everyone.



Graeme Aitken

Graeme Aitken, Business Development Manager,
Harpenden Building Society



We individually assess and approach applications.



We offer a manual underwriting process, no credit score involved.



A flexible view on merits of all cases - we're very accommodating.



We provide clear, fair and transparent charges for all cases.



Many types of income are considered when assessing affordability.