

Helping self builders understand the lie of the land.

Charlotte Grimshaw, Head of Intermediaries

Self build isn't for everyone. The stress of finding land, project managing or literally being hands-on, is a lot to undertake. Yet, according to our research (conducted amongst 2,000 UK adults during May 2023) nearly a third (31%) of people say this is something they would like to consider in the future.

Many fantastic self build TV series have helped fuel the nation's self build obsession. Yet, as we know, this hasn't translated into any significant increase in actual self build projects - at least not enough to have had any impact on the UK's housing shortage.



0330 123 1073

bdt@suffolkbildingsociety.co.uk
suffolkforintermediaries.co.uk



Many people may have the impression from seeing huge projects on TV that self build is simply not for them. Yet according to the Bacon Review, in other European countries, self build accounts for around 40% of new builds - which would translate to around 120,000 homes a year in the UK, compared to our 5%.

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Borrowing to fund land purchase

I believe one of the main sticking points is the myth that self builders need to be able to self fund the purchase of land. Whilst self funding is a valid route, knowing that specialist mortgage providers will lend on the land itself, could give more prospective self builders the impetus to push ahead.

Brokers could help develop this market whilst also growing their own business. To do this, having a good understanding of the self build process is imperative, as is developing sound relationships with lenders.

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Understanding planning permission on self build.

Most lenders will want to know that there is planning permission for a property on any such land. The main reason for this is that the lender is lending for self build purposes and so wants to be certain that that is a possibility. Other reasons include to prevent land banking, but also because the primary security for the lender is a property on the land, as it is more readily saleable than just land on its own.

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Lenders will need to see planning decision documents that prove planning has been granted, and brokers should also ensure they understand this paperwork before submitting a mortgage application on the customer's behalf.

Arguably, self builders who have the means to purchase land ahead of gaining planning permission may have more flexibility in terms of the type and style of project they undertake.

Normalising self build

As a country, we don't need thousands of mega-bucks, mega-builds. Instead we need to normalise self build, encouraging regular people to build good homes, and thus reduce the housing shortage in the process. Of course, in doing so, they also benefit from designing a property that suits their households' exact requirements too.

It's usually the vendor who applies for planning permission on their land for the obvious reason that it inflates the value. However, this does mean that the self builder is not usually involved in the planning process.

Brokers and their customers should ensure that they are aware of any conditions attached to the planning permission.

It's important for brokers and their customers to understand that in most cases, a mortgage provider will only lend on final plans. However, in most cases, the self builder will only purchase land where the approved property already meets their needs.

Part-complete self builds

It is also possible to borrow for a part-complete self build where a build has been started but, for any number of reasons, the owner has been unable to finish the project. In these cases, the lender would commission valuers to give an accurate valuation of the land, the value of the partially-complete property, and the estimated value once finished.

Whether borrowing for land or a part-finished self build property, brokers and their customers should ensure that they are aware of any conditions attached to their customer's planning permission, as these can occasionally have implications for the overall cost. This could include terms such as using specific building materials, making an area good after works, or complying with parking or traffic assessment regulations. The lender will need to know that this has been budgeted for, so it is in the broker's interest to know this level of detail.

Timing is everything.

Planning is usually granted for three years. So, if the plot of land has been on the market for a while, there may only be one or two years left. Brokers and their customers wishing to proceed should check whether their lender is comfortable with the remaining time period.

In addition, many lenders expect building work to commence within months of a self build mortgage being completed. This measure is again aimed at ensuring that the self builder is serious about the project, is not land banking, and that the planning permission is still valid.

Most self build mortgages have a two-year term before reverting to the lender's SVR.

Brokers should not shy away from asking detailed questions about which project managers and builders their customer is intending to use to ensure that all ducks are in a row and works can begin almost immediately.

It's also true that most self build mortgages have a two-year term before reverting to the lender's SVR, so there is a further impetus to motor on with the build to avoid unnecessary expense. If, however, a project does over run, there are options out there such as being able to switch to another product but ideally, things would be completed within the initial product period.

Brokers can sow the self build seed.

I believe that more people would consider self build if they knew that some lenders will lend on land where planning permission has already been agreed. Would-be self builders don't need a pot of ready cash to purchase land, or have land gifted to them from a family estate. With more education around self build, we could create a nation of self builders where more people understand that this route is a viable alternative to the standard house purchase process.

Self build is not something to be undertaken lightly and for many people, it is rightly years in the planning. Brokers and lenders, however, could start to sow the seed with their customers now, because with a little more knowledge about being able to borrow to purchase land with planning approval, standard resi customers might just return with a self build project in the not-too-distant future.

With the government backing self build as a route to home ownership too, this could represent a great opportunity for brokers who get up to speed on self build now.

There are many misconceptions around self build and large scale renovations but there are solutions out there, whether they're looking for something standard, or a much grander design!



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