

Reducing the Hidden Costs of Building Your Own House in England and Wales

Sina Shahab

School of Geography and Planning, Cardiff University, Cardiff, UK

The UK housing market is in crisis, in terms of both availability and cost of housing (Gallent et al., 2017; Payne et al., 2019). The strengthening of the self-build and custom housebuilding sector could help to increase the supply of housing and alleviate some of the strain on the UK housing market. Although it is not a solution for everyone, improving self-build and custom housebuilding can add diversity to the market, increase housing affordability, and produce sustainable homes (Benson and Hamiduddin, 2017; Gingell and Shahab, 2021). This opportunity has been recognised by the central and devolved governments in the UK, which have introduced legislation that aims to assist self and custom housebuilders on the journey to building their own homes. For example, the UK Government has required local authorities in England to keep a register of people interested in building their own houses since 2015, and the Welsh Government has introduced 'Self Build Wales' that is an initiative to help remove barriers for self and custom housebuilders, and to encourage more people to build their own home. Despite these efforts, the self and custom build market in the UK has remained significantly behind the rest of Europe (HM Government, 2018; Duncan and Rowe, 1993; Sadler and Shahab, 2021). The National Custom and Self Build Association has estimated that as little as 7-10% of new builds in the UK are produced through self and custom build, whilst this rate is 38% in France and 60% in Germany. Issues around access to land and finance, high costs, conservative planning policies, and inadequate information are considered the key barriers preventing the development of the sector in the UK. Yet we know little about the hidden costs of building your own house that can considerably increase the overall costs of this type of housebuilding in the UK.

This project aims to comprehensively analyse the process of developing self and custom build houses in England and Wales, and measure the hidden costs associated with different stages of the process, whilst proposing ways to reduce such costs. Informed by the theories of transaction-cost economics, this project will identify and measure both time-related and direct monetary costs of developing self and custom houses, with a focus on transaction costs (i.e., all costs that make a transaction happen but that do not create value). Such transaction costs include the time and effort that needs to be spent to collect information, utilise public services, complete administrative requirements, interact with public authorities, find contractors, make contracts, etc (Shahab, 2021). While often ignored in policy making, previous research shows that transaction costs can be significant and considerably affect people's decisions and the uptake of a policy. A lengthy process involving several hurdles can make it more difficult for people to achieve their goals, or even discourage them from attempting it altogether. Reducing the transaction costs of developing self and custom build houses can help in increasing the affordability of this type of housebuilding to a wider range of people and communities.

This research will achieve the following objectives: 1) identify and explain the transaction costs generating from different stages of the process of developing self and custom houses through dividing the process into a series of required activities; 2) measure the transaction costs associated with each stage of the process to learn about the magnitude of such costs and by whom they are incurred; 3) compare the estimated transaction costs between the processes of

developing self and custom build houses in England and Wales to learn about what works and what doesn't work in policy and practice within and between two different policy contexts; and 4) propose ways to reduce identified transaction costs that could help policymakers in England and Wales to make self-builds a more straightforward and affordable option. Reducing such costs would not only bring more diversity to the housing market, but also help the self-build sector play its role in the supply of housing and addressing the housing crisis.

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