

Press Release

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AVERAGE COST OF BUILDING PLOTS DROPS IN THIRD QUARTER OF 2012

The average price of building plots has dropped over the last three months by 0.74 per cent. A typical individual building plot across England and Wales of similar size to those used by traditional housebuilders now costs £93,300. Three months ago the same plot would have cost £94,000.

A larger plot of one sixth of an acre (the size often purchased by a self builder) currently costs – on average - £274,000. Three months ago the cost would have been £276,000.

These are the headline results from a new survey of land and house prices launched today.

The survey shows that – on average – a self-builder planning to build a three-bedroom home in England should allocate just over £50,000 for the purchase of their building plot (assuming they opt for a modest sized plot typical of those used by traditional housebuilders). For a four-bedroom home their average land budget (for a modest plot) should be £119,500, and for a five-bedroom home it should be around £133,100. Across all three, four and five bedroom homes in England the average budget for a modest building plot should be around £101,000.

In 2011 self-builders paid an average of £212,000 per plot in England (including London).

In Wales the average budget for a building plot of similar size to those sold by housebuilders should be around £67,400. Last year in Wales the average price paid by self-builders was £114,000.

Obviously there are wide regional and local variations, and two adjoining building plots can still differ widely in value. For example one could have great views, or better access, and this could have a significant impact.

The survey shows, for example, that it is possible to acquire land very cheaply in places like Lincolnshire and parts of Yorkshire, whereas the same sized plot might cost ten times as much in Surrey or Hertfordshire. As no two plots in any one place are identical the range of land budgets was found to vary a lot too – these are illustrated with a series of distribution charts for each region of the UK, which are set out in the full 357 page report.

The survey was undertaken by the property consultancy Rightproperty, and is supported by the National Self Build Association (NaSBA). The aim is to reproduce the survey every quarter so that a series of Indexes can be produced to track trends that are closely linked to figures used by professional property developers.

The county-by-county data has been assembled to give would-be self-builders a much better 'benchmark' to gauge what they should pay for land. The research has taken the average asking price for a three, four or five bedroom home, and has then *subtracted* all the building and other associated costs incurred by a typical self builder – leaving a figure for the land budget. If self-builders pay more than this figure there is a strong chance their completed homes will have cost more than they are worth.

The survey analysed the asking prices of almost 490,000 three, four and five bedroom homes across England and Wales at the end of August 2012. London homes and other major cities were not included, as this would have significantly skewed the figures because the majority of land is used for commercial, or major high-rise projects.

The predicted self-build construction cost in each area was also calculated, taking into account local building costs, professional fee levels, a budget for negotiated local authority costs and lending costs.

A key feature of this new survey is that it closely follows how major housebuilders and developers to assess the value of plots of land on a national basis. The survey suggests that public and private sector land owners should consider dividing up large plots of land and selling them to self-builders because they are prepared to pay a little more than developers or housebuilders, who target larger profits than self-builders.

Rightproperty director and chartered surveyor Ahmed Zghari said: "There's a big difference between what a self builder can afford to pay for a building plot, compared to a traditional housebuilder or property developer. Property developers are very astute negotiators and are often able to get land for much less than a typical self-builder. They also exist to make a profit, and much of their profit margin comes from their land buying skills. So, for example, while a self builder might be prepared to pay £100,000 for a given plot, a developer would probably only be prepared to pay about £70,000 – as he will want to make a decent profit on the new home he builds. For self builders profit margins aren't the name of the game, so they usually prepared to pay a premium of up to 30%".

“The reduction in building plot values over the last quarter is down to a number of factors – but the biggest one was overall house asking prices. This figure, which excludes flats and central city properties, has fallen at a greater rate than construction/development costs, which remained broadly flat in the quarter. Wales and parts of the North of England saw the largest falls in asking prices.

NaSBA Chairman Ted Stevens welcomed the new survey: “Self builders usually only ever buy one plot of land in their lives, and most of them don’t have a lot of valuation or negotiation expertise to call upon. This survey should help them enormously; as it gives them a good idea of the upper limit they should go to for different sizes plots in different parts of the country. Of course every site is unique, so our tip to any self builder is to seek professional advice from an expert local surveyor when you have identified a plot you want to purchase.”

A full list of the guideline plot costs self builders should pay – broken down by each of the English and Welsh counties – is available for free on the NaSBA website and the Self Build portal. (www.nasba.org.uk and www.selfbuildportal.org.uk) A detailed analysis is also available direct from Rightproperty (www.rightproperty.com).

For further information contact Ted Stevens of NaSBA on 07860 336087 or Ahmed Zghari of Rightproperty on 07863 177856

Editor’s Notes:

*The Custom Build Homes Index is **indicative** only, as the land budgets it produces are **averaged** across entire counties, regions or countries. No two building plots (even of the same size and in the same locality) are likely to be worth exactly the same amount – as their value depends on a host of things; for example how good or bad the vehicular access is, whether or not it has good views, the ground conditions and the steepness of the plot, its closeness to good schools, if services are nearby or not, if there are planning restrictions or covenants, and many other factors. So when any self builder is looking to buy a specific plot they have to take all these issues into account. That’s why we recommend self builders seek professional advice from a surveyor who really knows the local market. Their surveyor should be able to accurately calculate the cost of the proposed self build, the likely value of the final property, and the recommended budget for buying the plot.*

It should also be pointed out that the figures used are based on the asking prices of three, four and five bedroom properties. The asking price is also often a little more than the final agreed sale price. Another factor to take into account is the fact that self builders tend to build larger than average homes, and finish them to a higher standard, so their final value can often be higher.

The survey figures are intended to create a long-term guide to key price changes in custom build housing to enable individuals, lenders and everyone involved in the industry to keep track of national and local markets so they can make informed decisions with similar tools to those available to professional developers.