

OFT New Homebuild Consumer Survey Draft Report of Findings (June 2008)

As part of its Market Study of homebuilding, launched in June 2007, the OFT commissioned a survey of 1,000 UK new home buyers in the previous two years. Interviews were carried out between 24 October and 30 November 2007. A draft report of the survey, including a Summary, is available at:

http://www.of.gov.uk/advice_and_resources/resource_base/market-studies/current/home1

KEY FINDINGS

- Most new home buyers look within 10 miles of their existing home;
- 92% thought they had some level of consumer protection;
- 91% were aware they had a warranty;
- While a majority (70%) experienced problems or faults, the vast majority of these were resolved by the homebuilder;
- Most said the quality of finish (81%) and construction (90%) were good;
- Satisfaction with after-sales service (75%) was lower than with service during the buying process (89%);
- 60% of buyers would recommend their builder to someone else, 18% would be critical and 21% were neutral;
- 80% said they would be likely to consider a newly built property again (48% 'very likely');
- 70% said they would be likely to use the same homebuilder.

SOME KEY MESSAGES

Most new home buyers move less than 10 miles, which suggests new housing supply should be dispersed across all local housing markets to meet demand. Yet half the Government's 2 million 2016 housing target will be met in large-scale land releases in Growth Areas, Growth Points or Eco-towns.

A high proportion of new home buyers believe they have consumer protection, and there is a very high awareness of new home warranty protection. There is little evidence of house builders pressuring people into buying, exchanging or completing. The vast majority of

problems or faults are resolved by the builder, with only 1% referred to the warranty body. These should be reassuring messages for the OFT.

However the fact that confidence in consumer protection erodes somewhat during the buying process, especially among those experiencing problems or faults, suggests people's expectations are not always being met. And as with HBF's own survey, buyers are less satisfied with after-sales service than with service during the buying process.

There are very high levels of satisfaction with the quality of finishing work and especially construction. Again this should be reassuring for the OFT. However a key message for house builders is that poor construction is the primary reason why buyers would not buy again from their homebuilder.

Most buyers would recommend their builder (60%) or would be neutral (21%), but a significant 18% would be critical. However an even higher proportion (80%) would buy a new home again, and 70% said they would use the same homebuilder. Given that just over half (51%) had only considered buying a new home, there is clearly a significant group of committed new home buyers.

SUMMARY FINDINGS

39% had previously bought a new home; 51% restricted their search to new homes only.

Unsurprisingly, 62% had looked within 1-10 miles of their current home

HBF comment: This is an important finding in view of the Government's attempts to concentrate residential land releases in large Growth Areas, Growth Points or Eco-towns, each requiring major planning intervention.

A majority of buyers said their expectations, based on a show home or example of the homebuilder's work, had been mostly met.

91% said the buying process had **not** been a hard sell, but 9% had experienced "pushy salespeople, pressure to decide quickly whether to buy, or pressure to complete/exchange by a certain date".

Almost a third (32%) experienced a delay in moving in compared with the date they were initially told; of these, 9% were paid any compensation.

81% paid the price originally quoted, with most of the rest (15%) paying less; most buyers (84%) paid a deposit, averaging 7%, but only 54% paid a reservation fee.

HBF comment: buying a new home avoids the risk of gazzumping, the primary reason given for HIPS back in 1997.

In most cases (78%) there was a financial inducement such as free fixtures and fittings or a contribution towards stamp duty. (The vast majority bought between 2005 and autumn 2007, before the current market downturn.)

Most respondents (92%) thought they would have some level of consumer protection: 42% 'very well protected', 50% 'fairly well protected'. However this belief eroded somewhat after going through the purchase process, particularly among those experiencing faults or problems (although even among this group 73% still felt they were fairly or very well protected).

HBF comment: the NCC was clearly not reflecting consumers' views when it claimed: "Consumers have more rights when they buy a kettle than a newly built home" (August 2007).

91% were aware they had a warranty and another 5% assumed they did, although there was more limited knowledge of exactly what the warranty covered. 67% had an NHBC warranty; only 1% had made contact with their warranty provider to sort out faults or problems.

70% had found faults or problems (83% in Scotland, 76% buying a house), with nearly two thirds (63%) reporting 1-10 problems; of those reporting problems to their homebuilder (93%), most (83%) did not take any further action; there was a wide range of faults and problems, with central heating and/or hot water regarded as the most serious, followed by windows/glazing.

HBF comment: in the HBF 2006-07 Customer Satisfaction Survey, among 17 large home builders, 95% of buyers had "reported" problems (snags or defects) to their builder since moving in.

Of those no longer trying to rectify problems (52%), 81% said all the issues had been resolved to their satisfaction; the rest (48%) were still in the process of sorting them out; only 17 buyers had contacted their warranty provider and used the resolution or claims process.

Most (85%) with faults or problems had not incurred any cost (so far) in resolving or attempting to resolve their problems.

81% rated the finishing work, and 90% the quality of construction, as good or very good; 52% said the quality of construction and finishing were as expected and 23% said they were better than expected.

HBF comment: in the latest HBF Survey, 69% were satisfied with the standard of finish.

Prior to moving in, 89% were satisfied with the homebuilder's service, while 75% of those who had contacted the builder after moving in said the service was satisfactory.

HBF comment: in the latest HBF survey, 77% were satisfied with the service during the buying process, whereas 64% were satisfied with after-sales service. (The HBF survey asked all buyers about after-sales service, but the OFT only asked those who had contacted their builder after moving in.)

60% of buyers said they would recommend their builder to someone else, 18% said they would be critical, and 21% were neutral.

HBF comment: although the HBF latest survey found 75% would recommend their builder to a friend, they were only given a straight Yes/No option, whereas the OFT survey also allowed buyers to be "neutral".

80% said they would be likely to consider a newly built property if they were looking to buy a home in the future: 48% very likely, 32% fairly likely.

And 70% said they would be likely to use the same homebuilder: 38% very likely, 32% fairly likely.

The greatest negative impact on the likelihood of buying again from the same homebuilder came not from finding faults or problems, but from poor construction – while only 10% of buyers rated construction as poor, 88% of these were unlikely to buy again; those who regarded the finishing, or pre- or after-sales service as poor, were also less likely to buy again.

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