

WHY BUY NEW?

# HOME BUYER INTENTIONS AND OPINIONS



HOME BUILDERS FEDERATION & YOUNG





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## EXECUTIVE SUMMARY

The **'Why buy new? Home Buyer intentions and opinions'** survey of 2,000 people throughout Britain demonstrates the continuing aspirations of people to own their own home. But it also highlights the challenges they face in turning their dreams into reality.

House prices and mortgage deposit requirements combine to make affordability the biggest issue for prospective home buyers - despite a very high level of awareness of Government schemes aimed at assisting first time buyers in particular to buy a new home.

Whilst the Help to Buy equity loan scheme has now helped over 75,000 people buy a new home, and in turn contribute significantly to the big increase in house building production levels - that itself will help address affordability - many remain frustrated in their attempts to buy.

In addition to affordability, the home buying process itself remains a clear deterrent to many. Stresses about the overall complexity of the process, with concerns in particular about dealing with estate agents and managing the home moving chain, conspire to put people off buying a home.

The survey also gives an interesting insight into the changing approaches and concerns of younger buyers today. Individuals in the 18 - 34 age bracket are much more concerned by the likely ongoing running costs of a home. Unsurprisingly, location and price are the top considerations when buying a home, for younger people utility bills pose a greater concern than whether the home has a garden.

The survey also shows just how much home owners spend on their properties once they move in. Homeowners routinely spend tens of thousands of pounds upgrading their new homes. New build homes come with brand new kitchens and bathrooms, including appliances; are double glazed throughout with the latest energy efficient and secure doors and windows; have brand new heating systems, including energy efficient boilers - all reducing the amount new build homes owners have to spend; not forgetting the amount of stress induced by DIY or finding a reliable builder to carry out improvement works.

However, despite this the general perception of new build homes - whilst much improved on similar surveys of a decade or so ago - still remains relatively low. It shows the challenge the new homes industry faces convincing the general public - many of whom have never set foot in a new build home - of the high quality homes now being delivered by developers, particularly when compared with the generally very positive views of those with direct experience of new build homes.

The industry also faces a challenge ensuring people are aware of the many benefits of new build homes, particularly their affordability. Many purchasers of a new build home require just a 5% deposit, making the first step of buying a home a far more realistic prospect.

Buying a new build home is also much more straight forward than when purchasing a second hand home, with no onward chains to contend with, no concerns of last-minute price changes, and help on hand from trained sales staff at all stages.

The running costs of a new build home are also very low when compared to an existing property, thanks to high energy efficiency ratings, very little maintenance to carry out, and their high build quality thanks to rigorous building regulations and regular inspections. Added to this is the further benefit of a 10 year warranty that protects buyers from unforeseen problems with their home.

OUR RESEARCH FOUND THAT:

**Only 1% of** home owners said that they didn't have to spend money to make improvements when moving house, with 21% saying they spend £1,000 - £5,000 and 13% admitting to spending more than £40,000.

**34% of** people have never visited a home built in the past 5 years or a show home; whilst a further 27% hadn't done so for between 5 and 20 years.

**84% of 18 – 34 year olds** that don't already own their own home aspire to do so.

**The main obstacles** for first time buyers trying to get on to the property ladder are saving for a deposit (73%), property prices (69%) and getting a mortgage (53%). Similarly, the main put-offs to buying a home (for the first time or otherwise) are saving for the deposit (72%) and needing to get a mortgage (60%).

**33% of** people surveyed said they would consider buying a new build home with 46% saying it was unlikely.

**When buying a new home**, the most important factors house hunters consider are price (80%) and location (80%). However a greater proportion of younger house hunters – 67% of 18 – 24 year olds – take into consideration the running costs of a property, compared to 55% across all age groups.

**Among 18 – 24 year olds** 55% say they would be likely to consider buying a new build home, and only 10 per cent saying 'not at all likely'. Compare that to over 55s, where 42% would be 'not at all likely' to buy a new build home, and a further 15% saying it would be "not very likely".

**When moving home,** the majority of people buying a second hand home have to make improvements to both their kitchen (51%) and bathrooms (52%), with 70% saying that they also have to redecorate.





## INTRODUCTION

For thousands of people across the country, housing remains a major concern. Whether that's how to go about saving for a deposit, the affordability of a mortgage, or, more generally, the price of homes seeming to put the prospect of homeownership out of reach. And with house price growth, according to the ONS, currently running at about 8% year on year<sup>1</sup>, it can appear to be an increasingly unrealisable dream.

While the house building sector is often misunderstood, it remains the only realistic solution for addressing the UK's housing crisis; and thanks to buyer support schemes from the government such as Help to Buy equity loan, house building production levels have increased massively over the last couple of years.

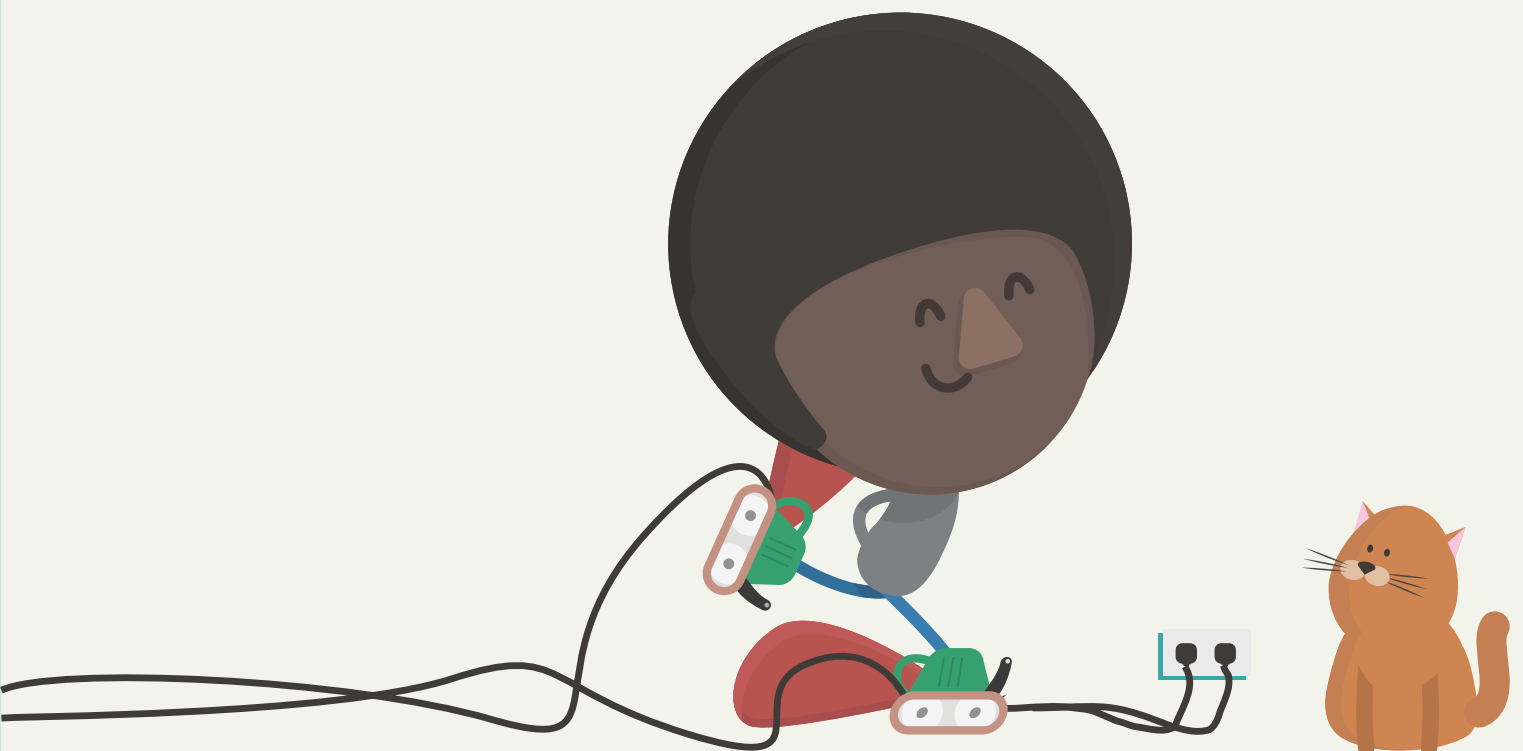
The combination of excellent purchase assistance schemes, competitive pricing, attractive incentives for potential customers (such as payments towards stamp duty, moving or legal costs), and the high quality build and finish of new build homes has resulted in thousands of people every month choosing to buy a new home.

The success of the industry, though, does not mean we should stand still. With over 1 million homes being sold every year<sup>2</sup>, the housing market is both a busy and competitive environment in which to operate.

Understanding what house hunters deem to be important when looking to move home and knowing what concerns them about the current market is vital if the industry is to continue to attract new customers.

The report was published to launch New Homes Week 2016, an industry-backed initiative that looks to promote the benefits of new build homes to consumers across the country.

This major study of customer behaviours and attitudes about new homes sought to examine these attitudes and assess opinions of the industry to help further our knowledge of customers and potential customers across the country.



1 House Price Index, Office for National Statistics, available at: <http://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/feb2016>

2 UK property transaction statistics, HM Revenue and Customs, available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/517464/UK\\_Tables\\_Apr\\_2016\\_cir.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517464/UK_Tables_Apr_2016_cir.pdf)

## MAIN SURVEY FINDINGS

### ASPIRATION

The survey results demonstrate an overwhelming continued aspiration amongst young people to own a home. 84% of 18 - 34 year olds who currently do not own a home aspire to do so.

This follows the long term trend of past such surveys in Britain that people in this country want to own a home.

### AFFORDABILITY

In spite of the continued level of interest in actually owning a home, in recent years, this ambition, largely achieved by previous generations, has become an increasingly daunting prospect. The price of housing and the associated costs of purchasing and moving weigh heavily on the minds of prospective purchasers.

The deposit required to secure a mortgage remains first time homes buyers' biggest concern, with 73% highlighting it as an obstacle. However, conversely, there is a very high level of awareness amongst the public of Government schemes to assist prospective first time buyers to save for a deposit for a new home (66% of people are aware of the Government Help to Buy ISA savings scheme); and an even higher number of people, 77%, are aware of the Help to Buy equity loan scheme that allows first time buyers to purchase a new build homes with just a 5% deposit. 34% are aware of the proposed Starter Homes scheme that will see first time buyers get a 20% reduction on the cost of a new build, even in advance of homes being built.

The actual cost of a home is also a significant concern with 69% of people saying property prices are an obstacle. In London, not surprisingly this figure rises to 77% whereas in the Midlands it is 58%.

It is widely agreed that a critical component to preventing house price acceleration is increased housing output and whilst housing output is increasing – latest figures showing over 180,000 homes were added to the housing stock in 2014/15, supply is still well short of demand which is estimated at around 230,000 per year.

Stamp duty and tax (45% / 20%) are key issues for new home buyers, which combined with saving for a mortgage deposit, present a challenge for people looking to get onto the property ladder, despite recent changes to the rules aimed at helping first time buyers in particular.

**“THE DEPOSIT REQUIRED TO SECURE A MORTGAGE REMAINS ASPIRING HOMES OWNERS’ BIGGEST CONCERN, WITH 73% HIGHLIGHTING IT AS AN OBSTACLE.”**





## UPGRADING A HOME

Over a third of homeowners surveyed who made home improvements, 34%, spend £10,000 - £40,000 upgrading their recently purchased home, with 13% reporting that they spend over £40,000. Over half of people did the kitchen (51%), or the bathroom (52%).

7 in 10 British homeowners said that they repainted or re-wallpapered their new home; 40% of people have to upgrade the heating system/plumbing and 39% have to install double glazed windows, both costly endeavours that help to make new build homes highly energy efficient.

However, recent figures show that the cost of upgrading a second hand home to the standard of a new build homes is around £45,000<sup>3</sup>. This is because new build homes come with brand new kitchens and bathrooms, including appliances; are double glazed throughout with the latest energy efficient and secure doors and windows; have brand new heating systems, including energy efficient boilers - all reducing the amount new build homes owners have to spend; not forgetting the amount of stress induced by DIY or finding a reliable builder to carry out improvement works.



## NEW BUILD AS AN OPTION

A third of people (33%) surveyed would be likely to consider buying a new build home. Whilst this number has doubled since similar surveys were done a decade ago it still underlines the marketing challenge the industry faces getting consumers to appreciate the high quality homes now being built in the UK.

This aligns with those who have seen first-hand the quality of homes available; just over a quarter of those who don't already live in new build homes say they have actually visited a new build home or a show home in the past 5 years; with over a third, 34% saying they have never been in a new build home, meaning many will be basing their perceptions on very out of date experiences or misconceptions.

When those who were unlikely to consider buying a new build home were asked to provide a reason, 41% of people cite build quality, despite stringent building regulations,

**“21% OF THOSE SURVEYED PERCEIVE THERE WOULD BE A LACK OF SOUND PROOFING WHEN TODAY’S NEW HOMES ARE BUILT TO SOUND INSULATION STANDARDS THAT ARE HIGHER THAN AT ANY TIME PREVIOUSLY.”**

regular inspections, and a 10 year warranty protecting customers and ensuring high quality building standards. Furthermore, industry surveys show very high levels of satisfaction amongst new build home owners. 21% of those surveyed perceive there would be a lack of sound proofing when today's new homes are built to sound insulation standards that are higher than at any time previously.

The survey highlights the challenge the new build industry faces in closing the gap between consumer perception and reality in terms of build quality and customer service.

## MAIN SURVEY FINDINGS

### RUNNING COSTS – YOUNG PEOPLE MORE AWARE.

With utility bills continuing to rise, more and more people are citing energy and water bills as a consideration when buying a new home. Young people in particular, faced with totting up outgoings inflated by their mortgage payments, often saddled with student loan debt and only benefiting from low wage inflation, are factoring in what they will spend on their home each month.

67% of 18 - 24 year olds take into consideration the running costs of a property when looking to buy a home. This contrasts with 55% of people overall. The 18 - 24 year old age bracket was the only one that considers energy prices more of an issue than whether the property has a garden.

Only the property location and price were considered more important general factors when looking for a property.

On average new homes built today are 65% more energy efficient than a Victorian home of the same style.

This is achieved through a combination of design and the modern materials available, for example installing boilers that only give you hot water when you need it, fitting modern double glazing throughout, using quality insulation in the roof and walls, and by creating sophisticated water drainage systems.

As a result new homes currently built in the UK are roughly 50% cheaper to run per year than the equivalent Victorian house. That could mean an annual saving of £440 for a 1-bed ground floor flat, or £1,410 for a 4-bed detached house.

In addition, new homes use a series of innovative designs that mean on average they use 30% less water than older properties. This saves the average home owner £54 on their water bill every year.



**“67% OF 18 - 24 YEAR OLDS TAKE INTO CONSIDERATION THE RUNNING COSTS OF A PROPERTY WHEN LOOKING TO BUY A HOME. THIS CONTRASTS WITH 55% OF PEOPLE OVERALL.”**



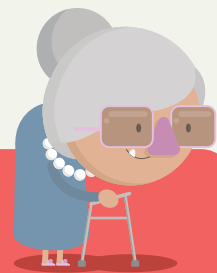
## THE BUYING PROCESS

The survey highlights the worries people have about the home buying and moving process generally. As well as the well documented challenges people face in terms of affordability and securing a mortgage, the survey makes clear the concerns people have about the wider process.

More than a third - 36% - of people said that the general stress of buying a house could put them off actually doing so; whilst 21% list having to deal with an estate agent as a reason that would put them off buying a home; managing a chain (of buyers and sellers) would put 24% of people off.

The new build industry has invested heavily in its customer service processes to help address these issues for new build buyers. Housebuilders and new home sites have a team of highly trained customer service staff able to help buyers through the process, whilst new builds of course have the benefit of being without a chain. Many companies also now offer a part exchange facility so the selling part of the process is as straight forward as the buying part for new build customers.

### ABOUT THE SURVEY



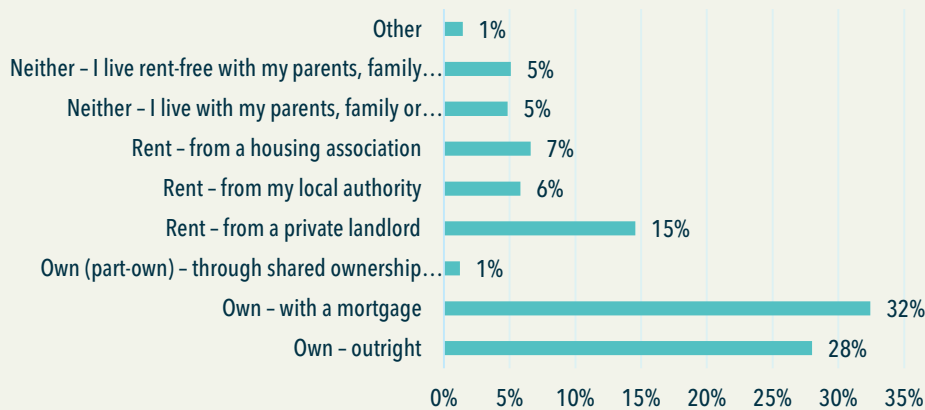
All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,017 adults. Fieldwork was undertaken between 7th - 8th April 2016. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

## SURVEY RESULTS BREAKDOWN

N.B. A full breakdown of the survey results is available upon request.

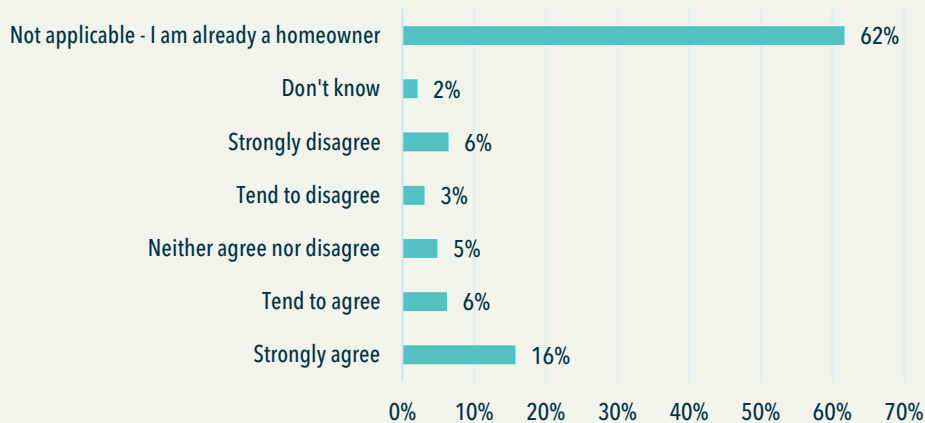
**Q1: HOUSE TENURE OF RESPONDENTS.** [Unweighted base: All GB adults 2,017]

### HOUSE TENURE OF RESPONDENTS



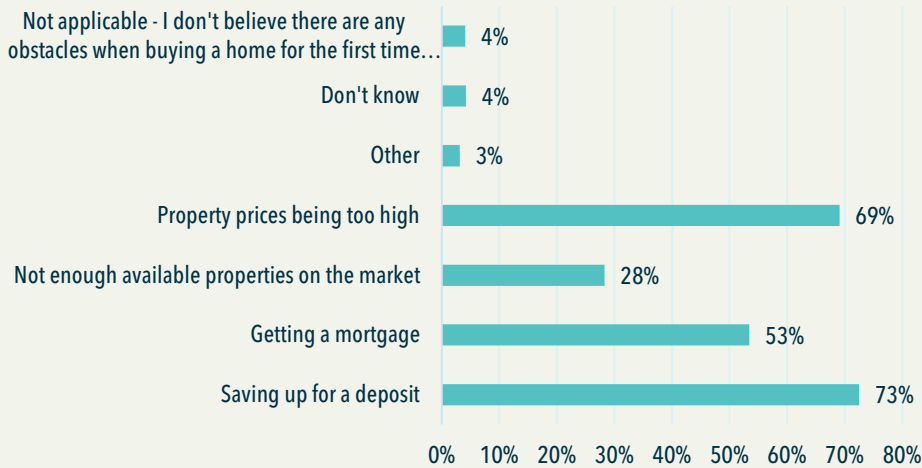
**Q2: TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENT: "I ASPIRE TO OWN MY OWN HOME IN THE FUTURE"?** [Unweighted base: All GB adults 2,017]

### ASPIRATIONS TO OWN...



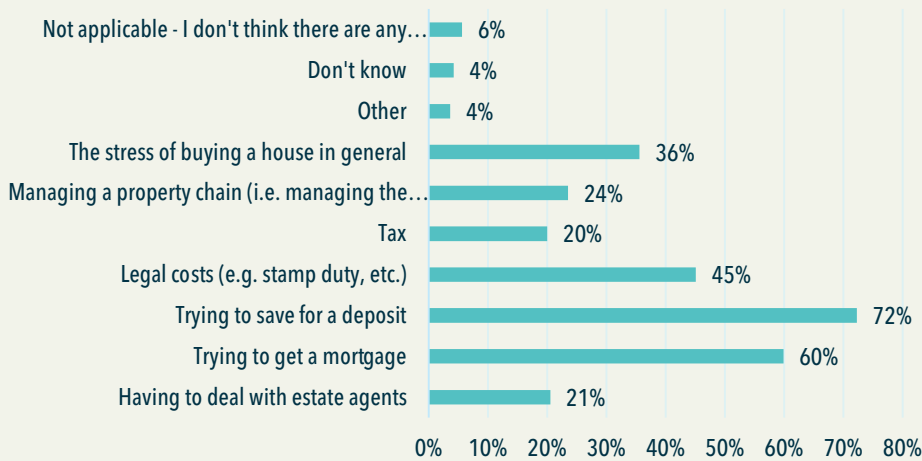
**Q3: WHICH, IF ANY, OF THE FOLLOWING DO YOU THINK ARE OBSTACLES FOR FIRST TIME BUYERS LOOKING TO GET ON THE PROPERTY LADDER THESE DAYS?** [Unweighted base: All GB adults 2,017]

**OBSTACLES FOR FIRST TIME BUYERS**



**Q4: WHICH, IF ANY, OF THE FOLLOWING DO YOU THINK ARE REASONS WHY SOMEONE WOULD BE PUT OFF BUYING A PROPERTY?** [Unweighted base: All GB adults 2,017]

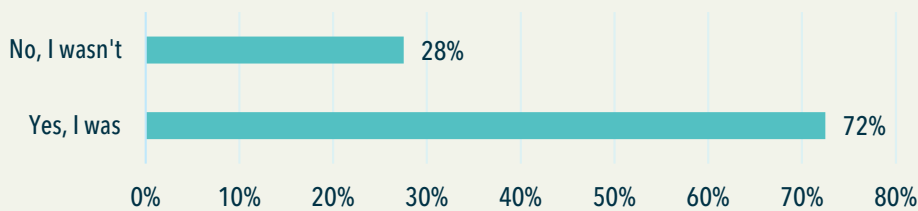
**PUT OFF BUYING A PROPERTY...**



## SURVEY RESULTS BREAKDOWN

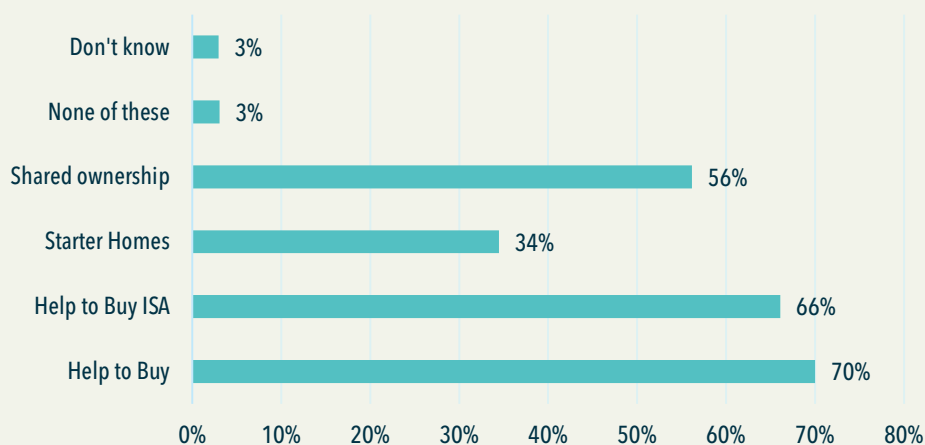
**Q5: BEFORE TAKING THIS SURVEY, WERE YOU AWARE THAT THE GOVERNMENT CAN OFFER FINANCIAL SUPPORT IN ORDER TO HELP YOU BUY A HOME?** [Unweighted base: All GB adults 2,017]

### AWARENESS OF FINANCIAL HELP FROM GOVT...



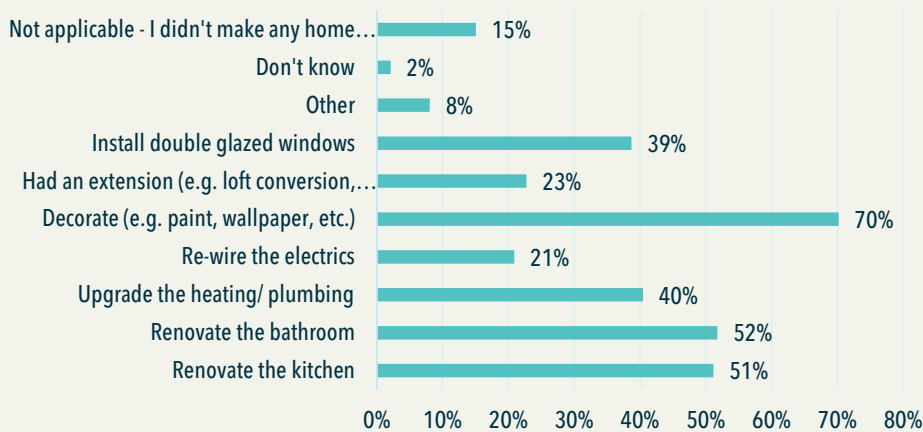
**Q6 (IF ANSWERED "YES" TO Q5): BEFORE TAKING THIS SURVEY, WHICH, IF ANY, OF THE FOLLOWING GOVERNMENT SCHEMES THAT HELP PEOPLE TO BUY A HOME WERE YOU AWARE OF?** [Unweighted base: All GB adults 1,502]

### GOVT SCHEMES AVAILABLE...



**Q7: THINKING ABOUT THE MOST RECENT TIME YOU MOVED INTO A PROPERTY WHICH YOU HAVE PURCHASED, WHICH, IF ANY, OF THE FOLLOWING HOME IMPROVEMENTS DID YOU MAKE/ ARE YOU PLANNING ON MAKING TO THIS PROPERTY?** [Unweighted base: All GB homeowners 1,328]

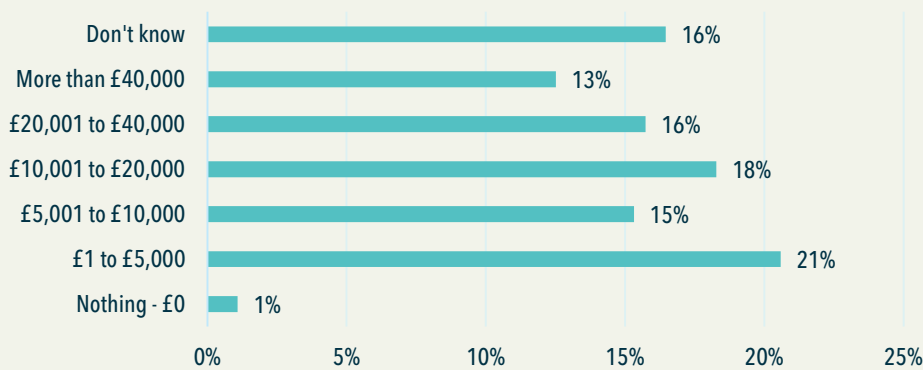
**HOME IMPROVEMENT INTENTIONS....**



**Q8: THINKING ABOUT THE MOST RECENT TIME YOU MOVED INTO A PROPERTY WHICH YOU HAVE PURCHASED, APPROXIMATELY HOW MUCH MONEY, IF ANYTHING, DID YOU SPEND IN TOTAL ON HOME IMPROVEMENTS?**

[Unweighted base: All GB homeowners who have made/ planning to make home improvements 1,142]

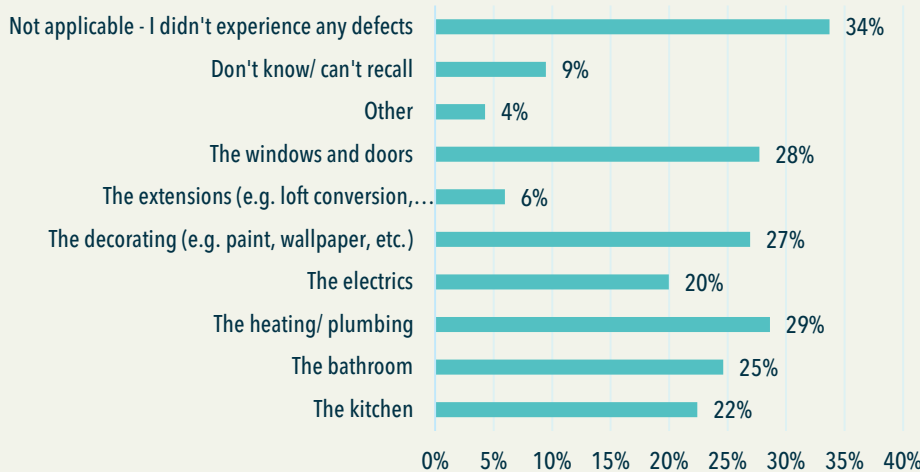
**HOME IMPROVEMENT SPEND...**



## SURVEY RESULTS BREAKDOWN

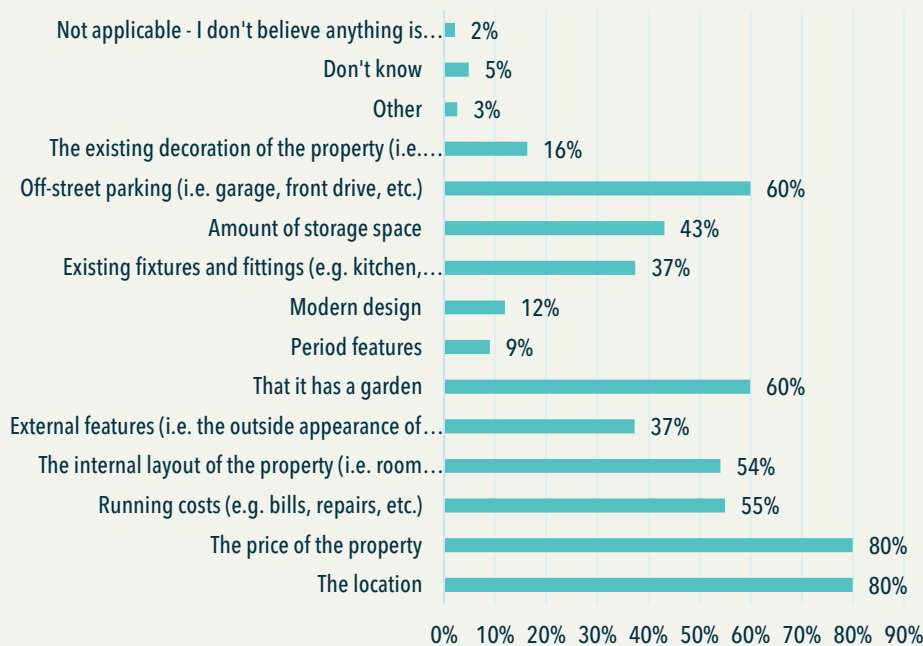
**Q9: THINKING ABOUT THE MOST RECENT TIME YOU MOVED INTO A PROPERTY WHICH YOU HAVE PURCHASED, WHICH, IF ANY, OF THE FOLLOWING DID YOU EXPERIENCE DEFECTS WITH IN YOUR PROPERTY?** [Unweighted base: All GB homeowners 1,328]

### DEFECTS IN PROPERTY...



**Q10: WHICH, IF ANY, OF THE FOLLOWING DO YOU BELIEVE ARE IMPORTANT FACTORS WHEN LOOKING TO BUY A HOME?** [Unweighted base: All GB adults 2,017]

### IMPORTANT FACTORS WHEN BUYING A HOME...

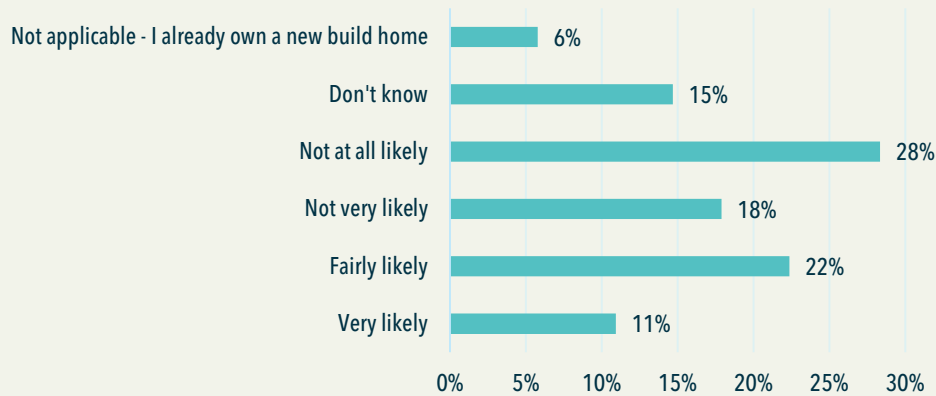




**Q11: HOW LIKELY, IF AT ALL, WOULD YOU BE TO EVER CONSIDER BUYING A NEW BUILD HOME?**

[Unweighted base: All GB adults 2,017]

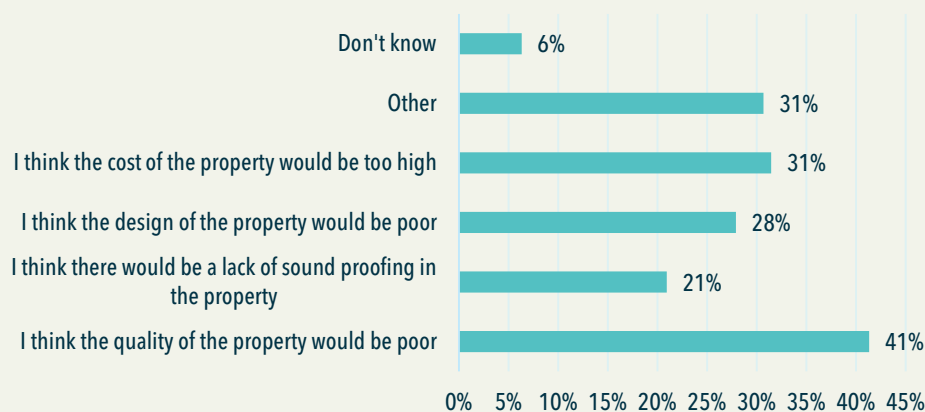
**LIKELIHOOD TO CONSIDER NEW BUILD...**



**Q12: YOU SAID THAT YOU WOULD NOT BE LIKELY TO EVER CONSIDER BUYING A NEW BUILD HOME, WHICH, IF ANY, OF THE FOLLOWING ARE REASONS FOR THIS?**

[Unweighted base: All GB adults who are unlikely to consider a new build home 991]

**REASONS FOR NOT CONSIDERING NEW BUILD...**

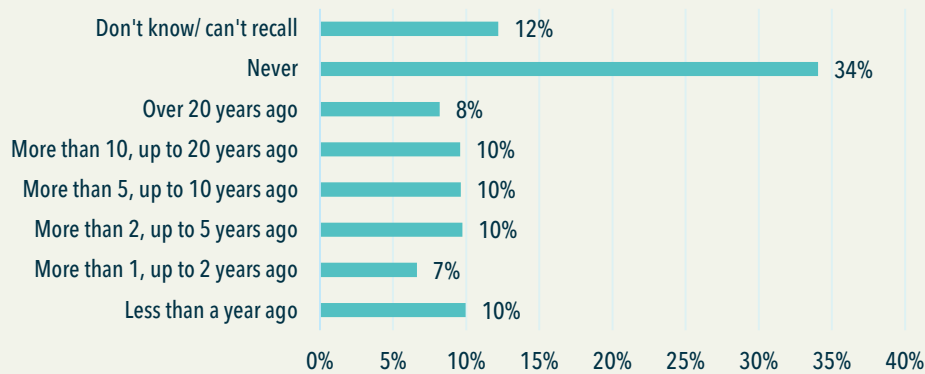


## SURVEY RESULTS BREAKDOWN

### Q13: WHEN, IF AT ALL, WAS THE LAST TIME YOU VISITED A NEW BUILD HOME / SHOW HOME?

[Unweighted base: All GB adults who don't own a new build home 1,897]

#### LAST TIME VISITED NEW BUILD HOME / SHOW HOME...



## **ABOUT HBF**

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. HBF's members' accounts for 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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This report was published to launch New Homes Week 2016, an industry-backed initiative that looks to promote the benefits of new build homes to consumers across the country.

