

## Why do people buy new-build housing?

Little is known about the relative importance house buyers attach to price, location and property size nor how they trade them off to arrive at a final choice of property. Even less is known about how people value and trade off more detailed aspects of the design of housing or estates as a whole.

Research by a team at Heriot-Watt University has found that:

-  Many people buy new-build housing for practical reasons, particularly the certainty of entry date and price, avoiding competitive bidding (in Scotland) or the potential complexities involved in forming part of a chain of second-hand buyers. The research uncovered little evidence that new-build buyers are attracted primarily by the quality or 'newness'.
-  New-build house buyers are a relatively small proportion of all house buyers. Most are more attracted to low-density suburban housing, probably for family and life-cycle reasons.
-  Most buyers experienced minor construction defects ('snagging'), not all of which were dealt with efficiently. Many buyers had negative comments about aspects of the quality or design of their new home which they had not appreciated when buying, but were finding irksome to live with.
-  New houses can be quite small, and the smallest bedrooms very small. Buyers continue to favour more bedrooms, because they believe that market values are higher, even while disliking the cramped spaces.
-  Both internal and external design are important factors to many purchasers. Preferences concerning internal layout are individualistic, and suggest that the best way for builders to respond might be to offer maximum flexibility and choice of internal layouts. Buyers generally prefer estates where there is a greater variety of design.
-  Based on the findings, the researchers suggest that more larger properties could be built at higher densities. The challenge for the government and the house building industry might be to create the conditions in which fewer of these buyers will tend towards a suburban, rather than an urban, housing choice.

## Background

Relatively little is known about the extent to which newly built housing meets people's needs, as there has been limited research examining purchasers' needs, preferences and trade-offs.

Most previous studies consider the individual importance of listed factors thought to influence housing choice. Interactions or trade-offs between factors are rarely examined. Previous studies based on a simple survey approach tend to confirm the importance of price, location and property type to most house buyers. Few studies consider the more detailed aspects of housing choice but those that do tend to suggest that detailed factors are also important drivers of choice. Examples include garden provision, room sizes and proximity to local amenities. The success of the government's 'Sustainable Communities Plan' (ODPM, 2003) agenda will depend on the ability of the house building industry to attract more buyers to the new-build sector. Yet the problems identified with new build quality and standards suggest it may be difficult at present to broaden its appeal considerably. ODPM research suggests that 36 per cent of people would consider buying a newly built home.

## The project

One of the key objectives of the study was to use more detailed data than available to previous studies of households' preferences, trade-offs and choices in order to improve the understanding of these processes. The research is based on a series of focus groups involving new-build house and flat buyers and interviews with actual and prospective new-build buyers.

The project also involved analysis of data collected from new-build buyers during a household survey. This survey was designed to exploit a new analytical technique – conjoint analysis – that allows researchers to understand better the detailed trade-offs made in complex choice situations. It also uses descriptive and statistical analysis of house prices and data on new-build housing and estate characteristics collected from planning departments.

## Key drivers of housing choice

The study found that many people buy new-build housing for practical reasons, particularly the certainty of entry date and price, avoiding competitive bidding (in Scotland only) or the

potential complexities involved in forming part of a chain of second-hand buyers. The research uncovered little evidence that new-build buyers are attracted primarily by the quality or 'newness'.

The study identified four types of buyers or 'consumer groups', which vary in terms of their preferences for housing and neighbourhood factors as well as price. The groups differ in terms of their socio-economic and demographic make-up. For example, two of the consumer groups are dominated by single people or younger, mainly childless, couples, while another two groups primarily represent families. Income or wealth also differ between the groups.

- Two of the four groups considered location to be the most important attribute of housing. One group revealed location as a strongly dominant factor while, for the other, property type was equally significant.
- A third group was influenced by price, property type and internal room layout, but none of these factors in isolation.
- A fourth group was motivated primarily by location, property type and garden provision – again, none dominated in isolation.

The research found that a strong preference for houses – detached if possible – combined with the moderate incomes of many new-build buyers means that many buyers will inevitably be drawn to the new-build housing on offer in suburban and out-of-town locations rather than in urban centres.

Buyers in three of the four consumer groups were drawn to suburban or out-of-town locations either because of an inherent preference for these locations or because of a strong preference for the pricing and property types found there. These three consumer groups contain a large majority of the survey respondents who have children and those on middle incomes.

## Innovation, 'build' quality and customer care

Some of the findings echo conclusions of other recent studies, namely that many buyers express considerable dissatisfaction with quality and customer care.

"There have been lots of ... things that were wrong that should never have been in a new house."  
(Purchaser at upper end of the market, Glasgow)

The interview evidence suggests that some buyers are more accepting about the occurrence of minor construction defects and remedial work:

"Because we got in early, all the tradesmen are still on site, so you get to phone the site agent and ask them for things ... if they didn't do it right, you get the site agent to get them back..."  
(Another purchaser at the upper end of the market, Glasgow)

Overall, the study finds that a gap exists between buyers' and builders' expectations of construction standards and customer care:

"The show house we went to see was what we were led to believe that we were buying ... There were things there that weren't in the house that had been built for us."  
(Purchaser at the lower end of the market, Edinburgh)

**Satisfaction with bedrooms and sizes**

This study found dissatisfaction with bedroom sizes amongst buyers and prospective buyers. Despite this, it also finds that the *number* of bedrooms, rather than bedroom size, is an important driver in determining the market price of housing.

The study found that houses can be quite small, and the smallest bedrooms very small. Bedrooms in new-build housing are smaller than found in a previous study (Karn, V. and Sheridan, L. (1994) *New Homes in the 1990s. A Study of Design, Space and Amenity in Housing Association and Private Sector Production*).

The current study finds that more than 13 per cent of properties examined are 'two bedroom/four bed-space' properties (following the NHBC definition). Karn and Sheridan found that 6 per cent of private properties were classified as such. There are similar reductions in bedroom standards with respect to other property types and sizes, as shown in Table 1.

**Table 1: Number of bed spaces by property size (figures in percentages)**

| Property size      | Karn and Sheridan study (1994) | This study |
|--------------------|--------------------------------|------------|
| <b>1 bedroom:</b>  |                                |            |
| 1 bed space        | 7.9                            | 19.7       |
| 2 bed spaces       | 92.1                           | 80.3       |
| <b>2 bedrooms:</b> |                                |            |
| 2 bed spaces       | 0.0                            | 13.0       |
| 3 bed spaces       | 84.0                           | 58.1       |
| 4 bed spaces       | 16.0                           | 28.9       |
| <b>3 bedrooms:</b> |                                |            |
| 3 bed spaces       | 0.0                            | 4.5        |
| 4 bed spaces       | 53.0                           | 58.9       |
| 5 bed spaces       | 44.6                           | 30.3       |
| 6 bed spaces       | 2.4                            | 6.3        |
| <b>4 bedrooms:</b> |                                |            |
| 4 bed spaces       |                                | 2.7        |
| 5 bed spaces       | 8.0                            | 18.2       |
| 6 bed spaces       | 52.0                           | 52.7       |
| 7 bed spaces       | 28.0                           | 16.2       |
| 8 bed spaces       | 12.0                           | 10.1       |

However, buyers continue to favour more bedrooms, because they believe that market values are higher, even while disliking the cramped spaces. At present, higher housing densities tend to be associated with smaller properties and/or room sizes.

**Internal and external design**

Public room layouts and options are important factors for many buyers. Some internal housing features are consistently valued by new-build house buyers. Examples include *en suite* bathrooms and separate dining rooms.

Preferences for more detailed aspects of internal design are complicated and not readily predictable. Different combinations of kitchen, dining room, utility room and living room space appeal to different consumer groups.

The findings suggest that the best way for builders to respond to variety in buyers' preferences for internal design and layout options is to offer maximum flexibility and choice concerning these

factors. House builders that are able to offer a range of alternative kitchen/dining/living room layouts (even within a given house type) are much more likely to have a product that appeals to buyers' individual tastes and preferences.

The qualitative and statistical analyses in the study converge to show very consistently that new-build house buyers are concerned about the quality of their external environment and that they value an environment characterised by varied design. Most people want enough external space to have good car parking provision and a reasonably large private garden. Property prices are higher in estates which contain more variety in terms of design and house types.

### Conclusions and recommendations

Based on the findings, the researchers suggest that more larger properties could be built at higher densities. The challenge for the government and the house building industry might be to create the conditions in which fewer of these buyers will tend towards a suburban, rather than an urban, housing choice.

They also suggest that some dissatisfactions could be remedied if builders were more responsive to buyers' preferences for different room configuration options even within a given house type; and if buyers were more aware of their role and responsibilities in the housing procurement process. (Most UK house builders operate neither a bespoke construction service nor a manufacturing process involving production of exact show-home replicas. This suggests that buyers would be well advised to communicate carefully, and frequently, with their house builder to ensure a full understanding of what is and is not being constructed.)

### About the project

This study was carried out by Peter Aspinall, Chris Leishman, Moira Munro and Fran Warren from the School of the Built Environment at Heriot-Watt University. Focus group, interview and survey respondents were recruited from urban and suburban Edinburgh and Glasgow. The City of Edinburgh Council and Glasgow City Council assisted with the collection of data from planning applications.

### How to get further information

More details of the research methods are available in the full report (see details below) and in two associated discussion papers (Aspinall, P., Leishman, C., Munro, M. and Warren, F.J. (2003) **The measurement of households' preferences using conjoint analysis**, and **The measurement of households' preferences using hedonic regression**, School of the Built Environment).

The full report, **Preferences, quality and choice in new-build housing** by Chris Leishman, Peter Aspinall, Moira Munro and Fran J. Warren, is published by the Joseph Rowntree Foundation (ISBN 1 85935 161 1, price £11.95).