Study Report SR471 [2022]

New House Owners' Satisfaction Survey 2021

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Preface

This is the 11th in a series of reports on the New House Owners' Satisfaction Survey. The data that makes up this report was obtained through surveying new house owners on the performance of their builder. The purpose of the survey is to add a quality measure to other work on building industry performance. It creates a time series on the performance of the building industry from the owner's perspective.

This report is intended for several audiences, including designers, new house builders and those looking to build a new home. It will also be useful to government in evaluating some of the challenges and opportunities facing the residential construction industry.

Acknowledgements

The Building Research Levy funded this work.

The authors would like to acknowledge Nic Guerrero for his contribution to this project.

The project would not be possible without those new house owners who took the time to fill in our survey. We would like to thank all those people who filled in the survey form and returned it to BRANZ.

New House Owners' Satisfaction Survey 2021

BRANZ Study Report SR471

Authors

Claire Clarke and Orin Lockyer

Reference

Clarke, C. & Lockyer, O. (2022). *New House Owners' Satisfaction Survey 2021.* BRANZ Study Report SR471. Judgeford, New Zealand: BRANZ Ltd.

Abstract

This report presents the results of the 11th annual New House Owners' Satisfaction Survey. The survey looks at how new house owners rate their builder and how satisfied they are with their builder's performance.

The survey covers a sample of New Zealand's housing consents. It excludes spec builds (a house built without a specific committed buyer) and houses built by family members – where they can be identified from consent data.

Results show that, in 2021, house owners' satisfaction with their builder sits at 58%. Owners are rating their builder highly on their ability to deliver a quality home with a high standard of finish. They're also seeing their new house as being good value for money. However, there remains room for improvement in the service provided after handover, particularly around the fixing of defects. Drops in service-related metrics in 2020 have had a bounce back in 2021. While COVID-19-related delays are still an issue and will continue to exacerbate challenges to the industry in delivering satisfactory service, it appears that new owners are more understanding of delays caused by the COVID-19 pandemic in 2021.

Overall, nearly 86% of respondents reported having to call back their builder to fix defects after first occupancy. 53% saw the number of defects for their new house as about what they expected or fewer than expected, and the remaining 47% had more defects than expected or expected none.

Keywords

New houses, builder performance, franchises, independent builders, defects, designers, input into house design, builder, contract, dispute costs, call backs, satisfaction.

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Executive summary

The main findings of this report are as follows:

- Overall satisfaction scores were similar to those seen in 2020. Most respondents rate their builder very highly, with 58% of respondents rating their satisfaction with their builder as fairly or very satisfied. This is very similar to 2020 where 57% of respondents rated their builder in the same range.
- 85% of owners were happiest with the overall quality of their home.
- In 2021, 13.3% of respondents reported they would speak critically of their builder without being asked.
- Categories that new owners were least satisfied with are the 'fixing of defects after first occupancy,' 'communication from the builder' and 'service after moving in.' All these categories have seen a minor improvement from the drop observed in the 2020 report.
- Most respondents identified their builder's quality/reputation as a key reason for choosing their builder. This was followed by 'fixed price certainty' and 'timely completion'.
- About 40% of respondents chose their builder based on the quality of the builder's show home/their previous work, a considerable increase from 29% in 2020. Recommendations from friends/family was the next most common response, with 26% of respondents selecting it in 2021 (up from 18% the previous year).
- Disputes with builders over final cost increased again from 13.5% in 2020 to 14.9% in 2021. Disputes are still a slightly more common occurrence for those who selected their builder due to the lowest price.
- The call-back rate has stayed relatively static at 86% in 2021 compared to 87% in 2020. Of all the trades, painters, plumbers and electricians were called back the most in 2021.
- The impact of COVID-19 according to clients has changed when comparing 2020 with 2021's findings. In 2020, 55.5% respondents said COVID-19 had a moderate or major impact on their build. Only 29% of respondents recorded a moderate to major impact on their build in 2021.
- When respondents were asked why they chose to build, 44% of respondents built because their specific requirements were not catered for by existing housing. This was followed closely by 42% who believed a new house would mean less maintenance.

1. Introduction

The BRANZ New House Owners' Satisfaction Survey has been running annually since 2011. The survey was developed due to a lack of measures to determine quality of output from the industry. It allows us to monitor trends in the quality of output from the new residential building industry.

The New House Owners' Satisfaction Survey aims to find out from the owner of the new house how they thought their builder performed and how they perceived the quality of their completed house. The survey also monitors the proportion of owners that had to call back their builder, how likely the owner is to recommend their builder and important considerations in choosing their builder.

New owners are informed in the letter accompanying the survey form how we define the term 'builder' for this survey. For the purpose of the survey and results presented within this report, the term 'builder' refers to all people involved in the build process. This includes (but is not limited to) any office staff within the building company, the project manager and any subcontractors. This allows us to survey owners about the whole build process, from their dealings with the builder during the buying process through to the fixing of defects after first occupancy.

2. Methodology

The methodology for the BRANZ New House Owners' Satisfaction Survey has remained largely the same over the 11 years that the survey has been running. This allows us to compare results across the survey, benchmark performance and comment on changes over time. The survey has historically been distributed through a posted paper-based questionnaire. However, following a successful trial in 2017, the survey was delivered by postcard invitations, which directed respondents to complete the survey online. In return for completion of the survey, recipients were placed in the draw to win one of several Prezzy cards.

A sample of 4,666 new house owners was identified from consents taken out between March 2020 and April 2021. This period was selected to represent houses that were completed in the 2021 calendar year, assuming that a house typically takes 9–10 months from consent to completion. The sample focuses on detached housing, although some multi-unit dwellings were included.

Consents were removed from the sample when the owner was also listed as the builder of another house in the sample or the builder was listed as the owner. The latter indicates a speculative ('spec') build, where the house is built without a specific committed buyer.

The survey sample consisted of the following territorial authorities:

Auckland	Christchurch	Dunedin	Far North
Gisborne	Hamilton	Hutt City	Invercargill
Kapiti	Marlborough	Napier	New Plymouth
Palmerston North	Porirua	Queenstown Lakes	Rotorua
Tasman	Tauranga	Thames-Coromandel	Waikato
Waimakariri	Waipa	Wellington	Western Bay of Plenty
Whangarei			

BRANZ received 458 returned and completed surveys, which have been used for the analysis represented in this report. The response rate was 10%, which is slightly lower than prior years' surveys. We will continue to assess our current recruitment/incentive strategy and see whether any updates/improvements can be made for the next version of this survey.

3. Results

This section presents the results of the BRANZ New House Owners' Satisfaction Survey 2021.

There are typically several questions in the survey that allow us to get an idea of the composition of the respondents and how that composition changes over time:

- Why did the respondent choose to build?
- Did the respondent use a franchise or an independent builder?
- Has the respondent built previously?
- Did the respondent purchase a house only or a house and land package?

All these aspects have been shown in previous surveys to have an influence on a respondent's satisfaction levels and likelihood of recommending the builder.

Why did the respondents choose to build?

When asked why respondents built instead of buying an existing house, around 44% of respondents built because their specific requirements were not catered for by existing housing (Figure 1). This was followed closely by the 42% who believed a new house would mean less maintenance.

A further 35% said it was cheaper to build than buy, and 31% already had land to build on. These findings are similar to earlier BRANZ work in this space.[1] In a series of interviews, clients identified that the main reason they built instead of bought existing stock was because it was cheaper and of a perceived better quality with less maintenance issues.

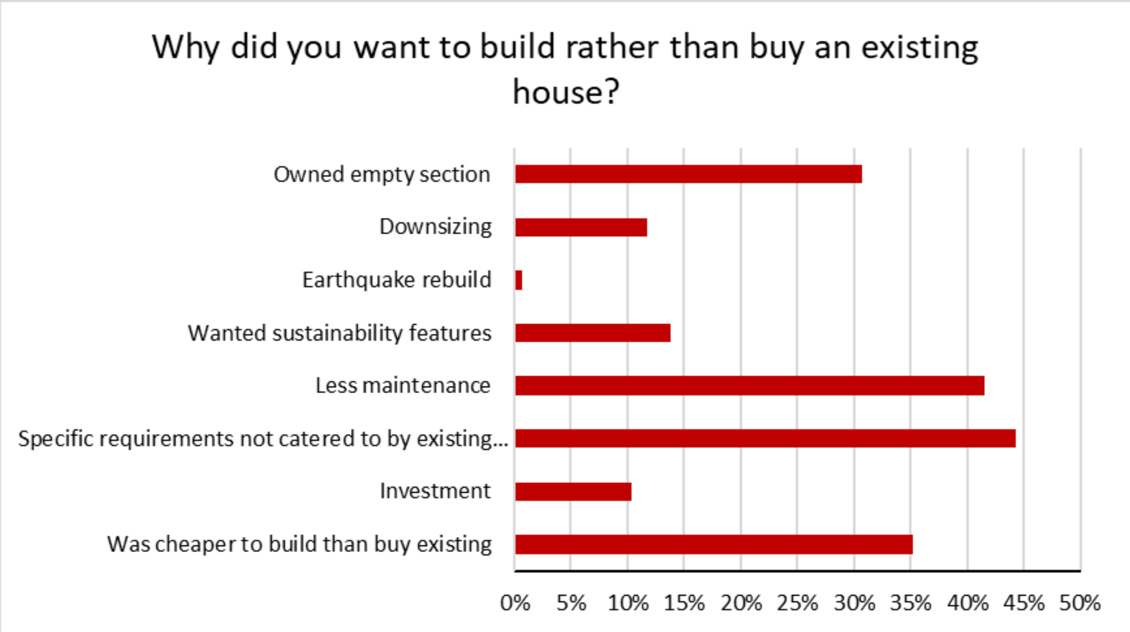


Figure 1. Why new-build clients decide to build.

[1] Lockyer, O. & Marston, G. (2020). *Knowing enough to ask*. BRANZ Study Report SR443. Judgeford, New Zealand: BRANZ Ltd.

How many respondents used franchise builders?

When respondents were asked about the builder they used for their build, around 66% of respondents used franchise builders this year (Figure 2). This is up from 59% in 2020 and continues the upwards trend of our respondents building with franchise builders in the past few years (2018–2021). The most-used franchise builders in this survey were G J Gardner Homes with 24% of people using this franchise. Signature Homes (8%), Golden Homes (6%) and Jennian Homes (6%) were the other most-used franchise builders.

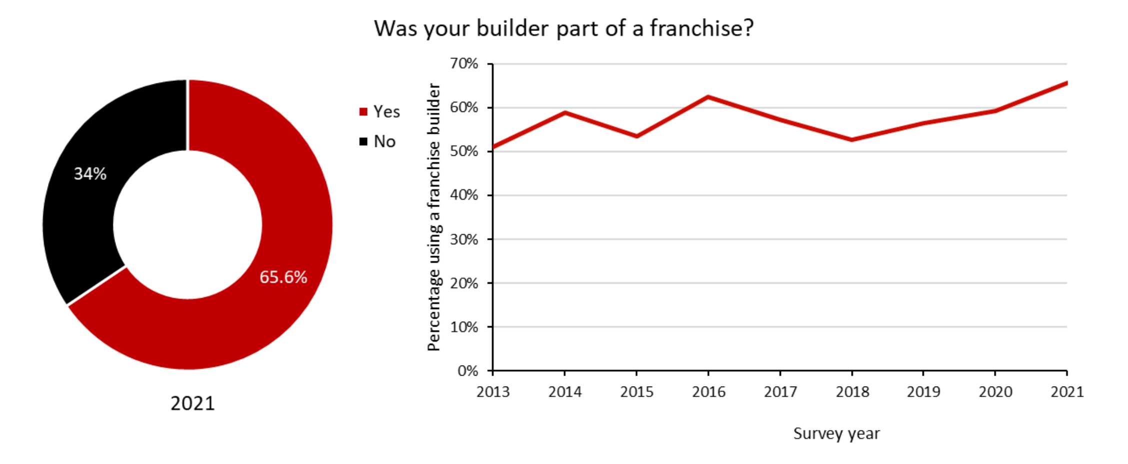


Figure 2. Percentage using a franchise builder.

How many respondents had built previously?

When respondents were asked if they had built previously, only 37% of our sample had previous experience of building, while 63% of respondents were first-time builders (Figure 3). There was a slight increase in the percentage of owners that had previous experience building from the last survey. In 2020, 34% of respondents had built previously. This has gone up 3 percentage points to 37% in 2021.

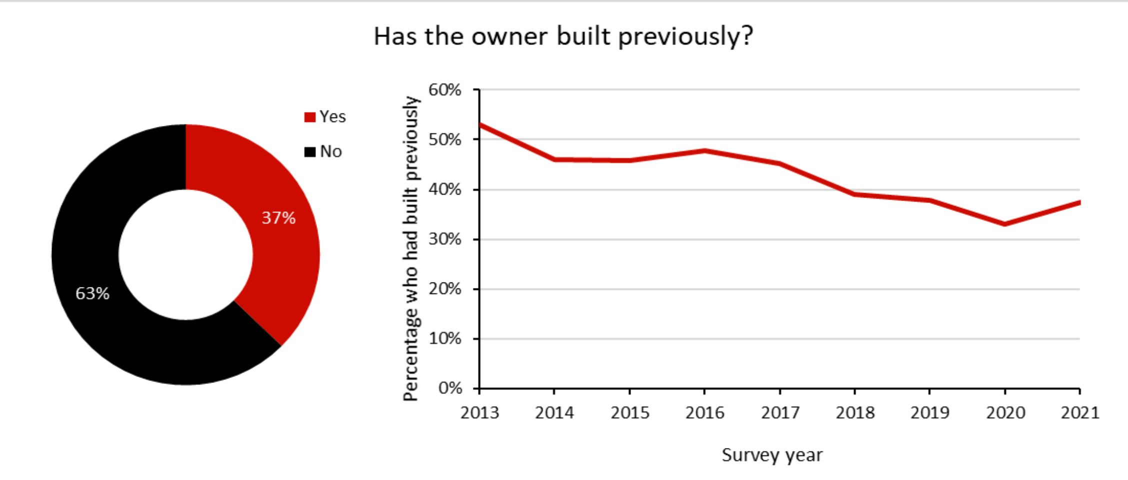


Figure 3. Percentage that had built previously.

Many survey participants owned or partially owned their previous property before beginning the build (

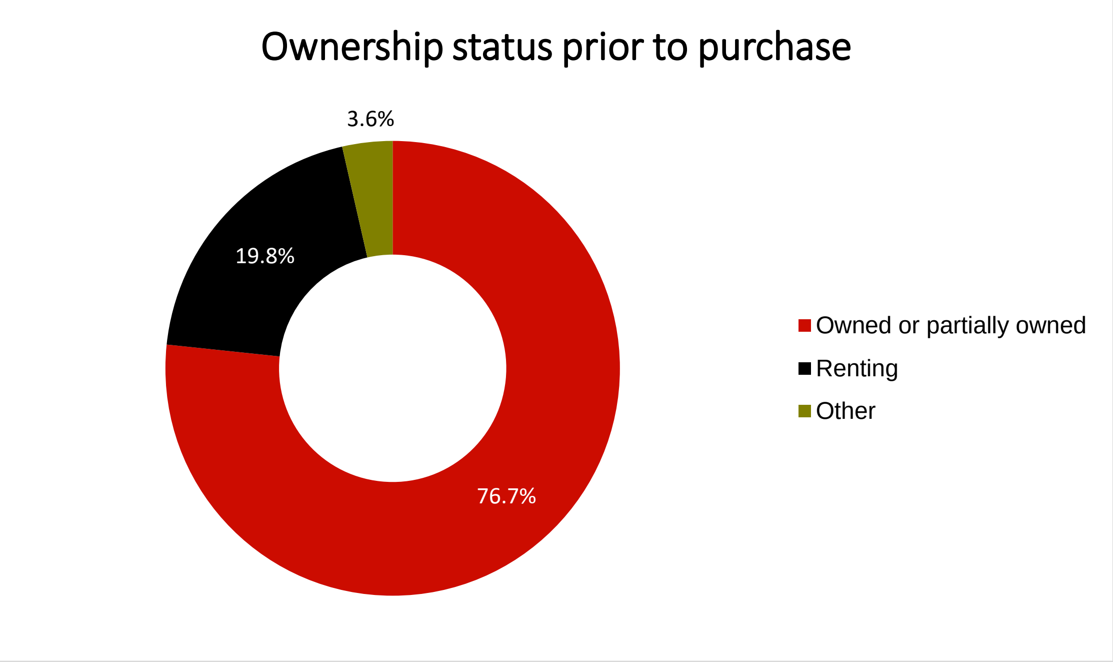


Figure 4). Under 20% of respondents were renting – this has decreased from 25% in 2020. These findings suggest a new build is still a significant investment, which is easier to start when a client already has an equivalent asset.

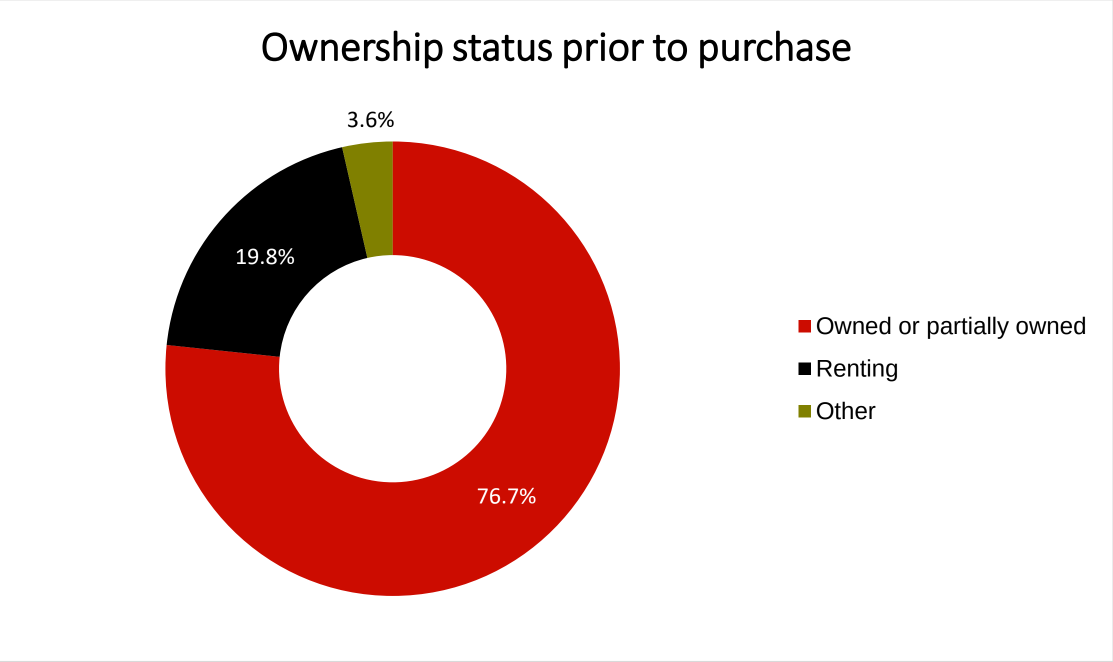


Figure 4. Ownership status prior to purchase.

The proportion of house and land packages decreased in the most recent year after a significant increase in 2020 (Figure 5). While the proportion of house and land packages are lower than 2020, they are still higher than any other year since 2014. It is worth noting that the house and land package group of respondents only contains those who were involved in the new build from the consent stage. Clients who chose a house and land package after the consent was issued (i.e. a spec build) are deliberately excluded from our survey sample to capture the end-to-end building process.

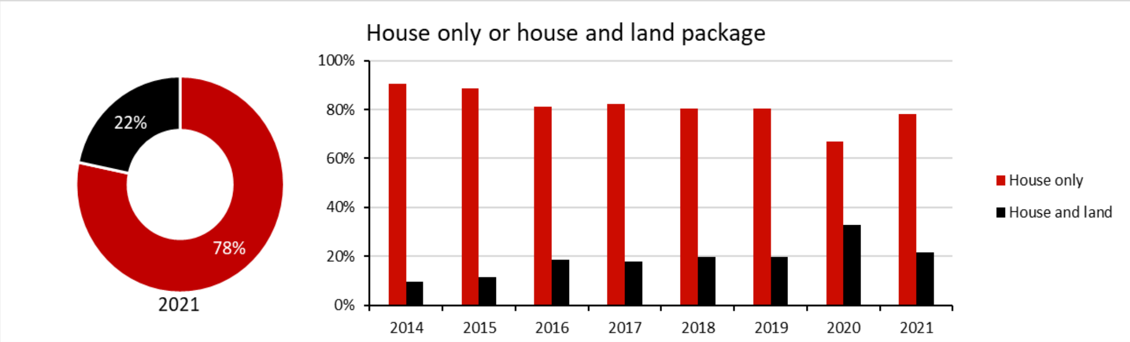


Figure 5. House package.

Did the owner have a written contract with their builder?

Since 2015, having a written contract with your builder has been a requirement for all work that will cost more than $30,000.[2] The fixed price contract type has increased from 37% in 2020 to 47% in 2021 (Figure 6). House and land contracts have decreased from 31% in 2020 to 22%.

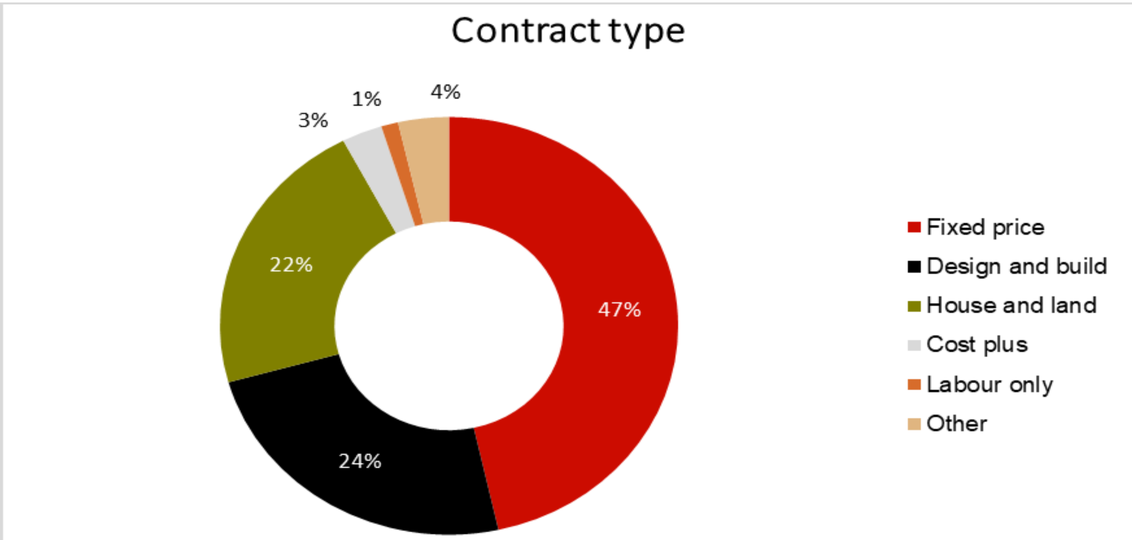


Figure 6. Contract type.

Value of the build

As in 2019, very few respondents spent less than $250,000 on their build. Most of these were house-only contracts. Most respondents that bought a house and land package spent $400,001–600,000 on their new build (Table 1). The number of new builds in the $250,001–400,000 range has decreased to 31% from 2019 (34%).

Table 1. New-build value.

New-build value	Number of responses	Percentage
Under $250,000	9	2%
$250,001–400,000	127	31%

[2] www.building.govt.nz/projects-and-consents/why-contracts-are-valuable

$400,001–600,000	172	41%
$600,001+	108	26%

The majority of respondents with contracts in the $400,0001–600,000 range utilised franchise builders (Figure 7).

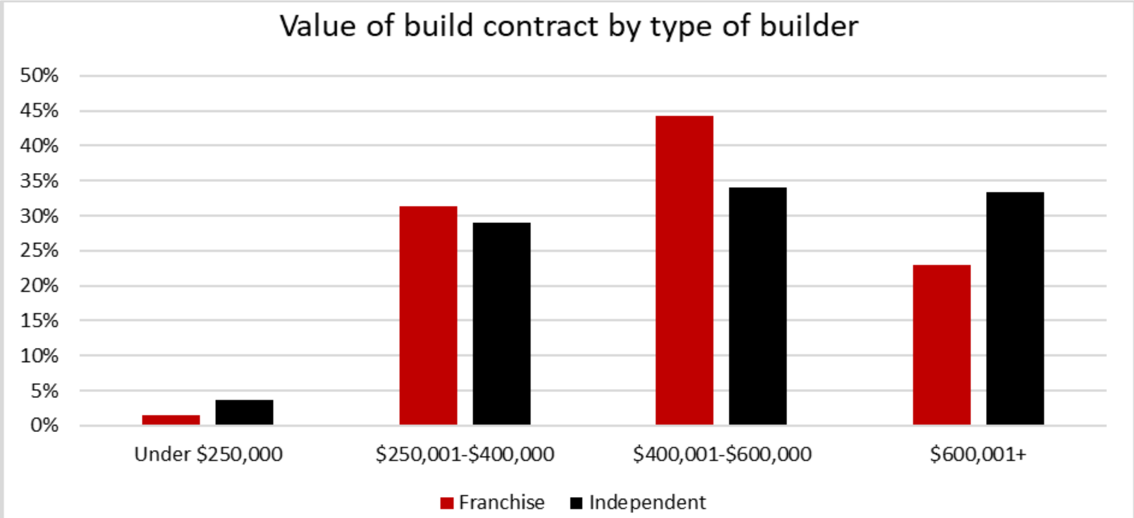


Figure 7. Value of build contract by type of builder

On the other hand, respondents with contracts in the under $250,000 or $600,000+ ranges were more likely to utilise independent builders. Independent builders are being used consistently across the higher three brackets, whereas franchise builders are peaking in the $400,000–600,000 bracket. Very few projects have been recorded under $250,000.

3.1 Overall satisfaction

The researchers used a 5-point scale to measure overall satisfaction of new-build clients. New-build clients could score their satisfaction from very dissatisfied (1) through to very satisfied (5) (Figure 8).

Most respondents rate their builder very highly, with 58% of respondents rating their builder on average between fairly satisfied (4) and very satisfied (5). This is very similar to 2020 where 57% of respondents rated their builder in the same range. 16% of respondents scored their builder on average less than 3 – a 3 percentage point decrease from 19% in the previous year.

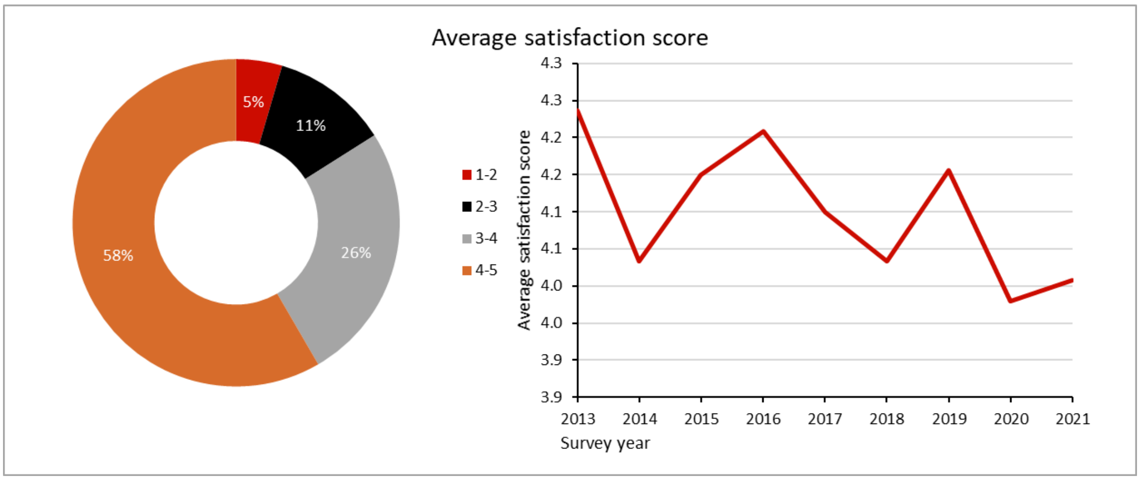


Figure 8. Average satisfaction score.

Respondents were asked how satisfied they were with the build across a broad number of categories related to the build process (Figure 9).

Most respondents rated their satisfaction with their builder as fairly satisfied or very satisfied across these categories. The bullet points below represent the combined percentages of those respondents who rated their satisfaction with their builder as fairly or very satisfied. New house owners were most satisfied with:

- value for money of their new home – this increased from 81% in 2020 to 87% in 2021
- overall quality of their home – this has increased from 83% in 2020 to 85% in 2021
- final cost compared to the expected cost at contract signing – increased from 81% to 85%.

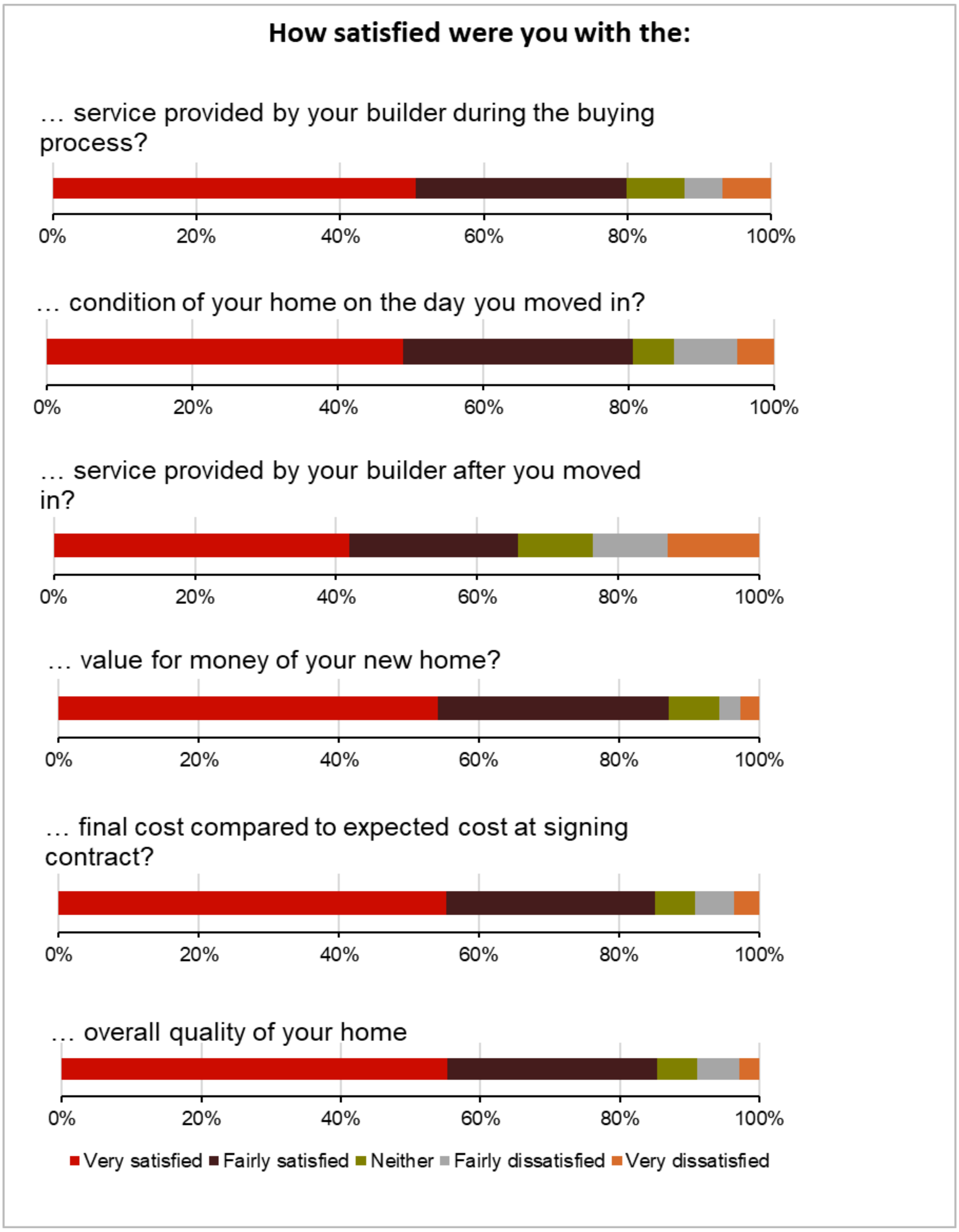


Figure 9. Satisfaction levels.

Overall, the building and construction industry performs well across the metrics measured in this survey. The percentage of those respondents who rated their satisfaction with their builder as dissatisfied has decreased slightly when compared to 2020. However, there are a few areas of improvement. Respondents were either fairly dissatisfied or very dissatisfied in a few key areas (Figure 10).

The bullet points below represent the combined percentages of those respondents who rated their satisfaction with their builder's performance as dissatisfied in certain areas. These new house owners were least happy with:

- fixing of defects after first occupancy – 25% of respondents rated their satisfaction with the service of their builder as dissatisfied in 2021
- level of communication from their builder – 23% of respondents rated their satisfaction with the service of their builder as dissatisfied
- service provided by their builder after they moved in – 24% of respondents rated their satisfaction with the service of their builder as dissatisfied .

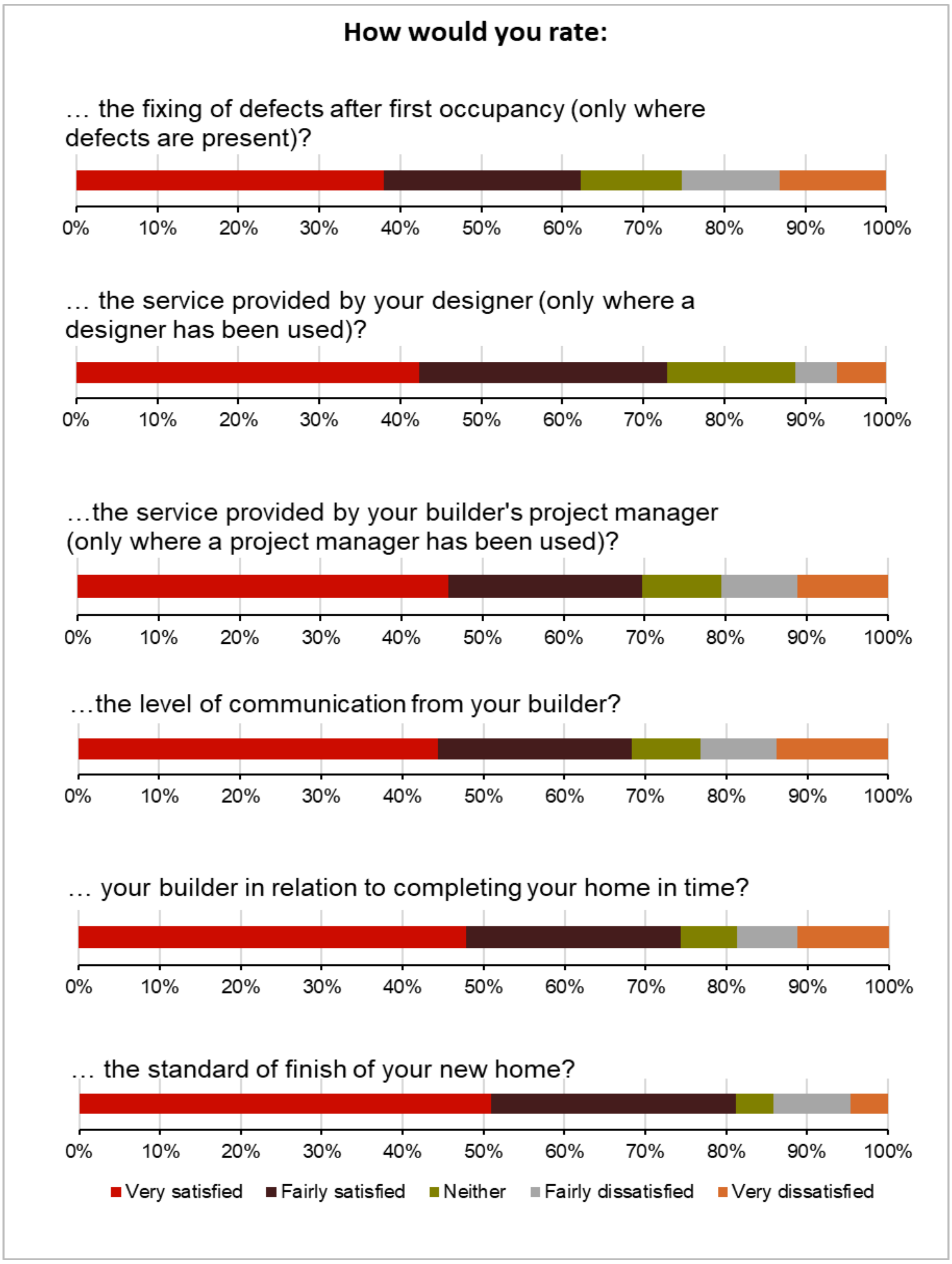


Figure 10. Ratings.

To better understand client satisfaction, questions were added to understand how respondents felt their home performed on handover (Figure 11). Nearly all respondents felt that the performance of their home met their expectations. The highest-rated categories were usually related to comfort such as how warm the house was during the day and how much light and space the house provided for the occupants.

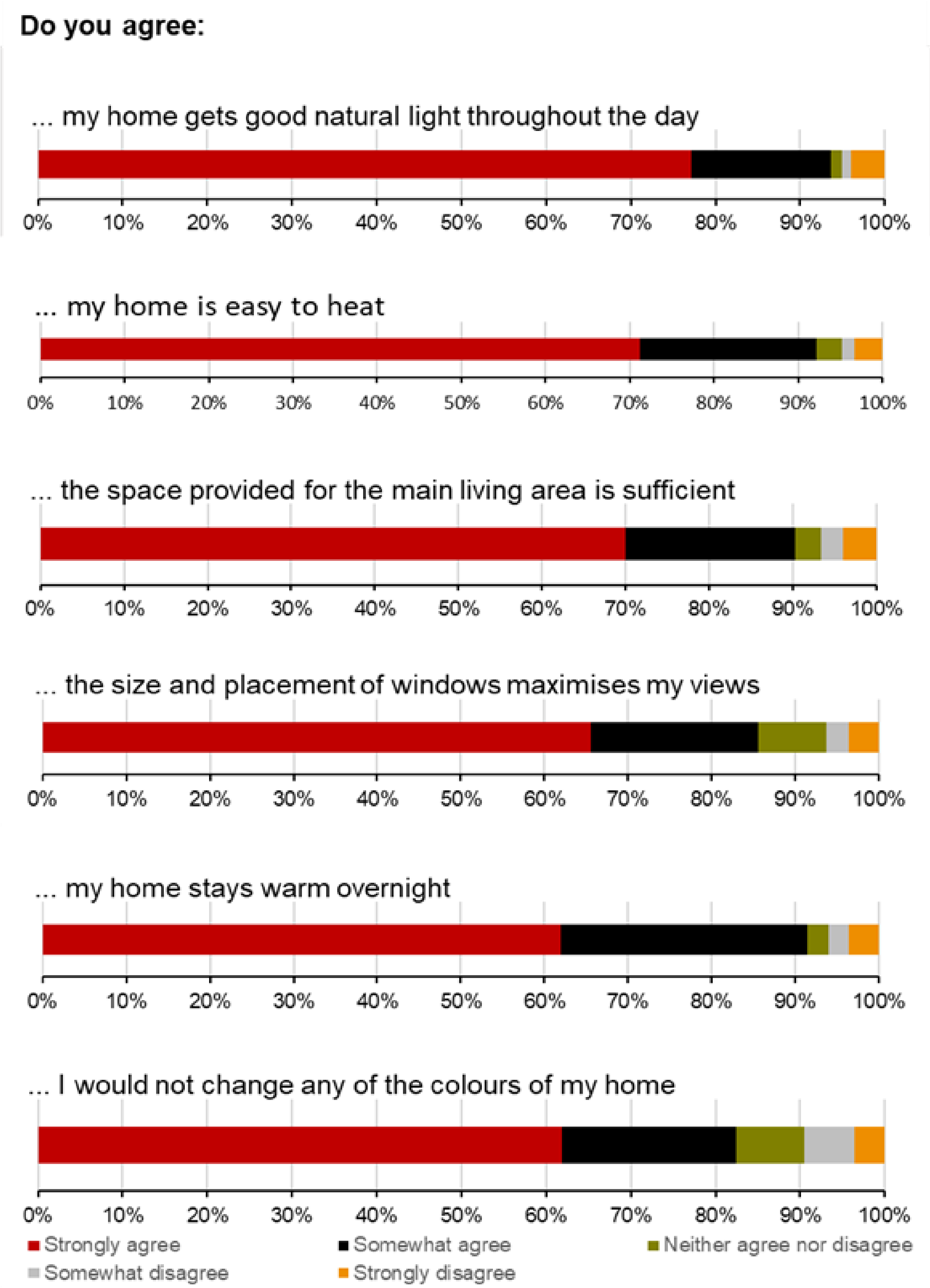


Figure 11. Ratings – performance after handover.

The percentages in the bullet points below are the combination of respondents who either somewhat agreed or strongly agreed to each of these statements:

- My home gets good natural light throughout the day – 94% of respondents agreed with this statement.
- My home is easy to heat – 92% of respondents agreed with this statement.
- The space provided for the main living area is sufficient – 90% agreed with this statement.
- My home stays warm at night – 91% agreed with this statement.

While all the scores for builders were relatively high regarding performance of the new home, a few areas were somewhat more prone to mixed/negative feedback (Figure 12).

Even with the categories where builders scored less strongly, respondents tended to be more neutral than they were negative about that aspect of their home.

The percentages in the bullet points below are the combination of respondents who were either neutral or disagreed with each statement:

- The landscaping/outdoor improvements provided by my builder met my needs – 42% indicated they were neutral on this aspect of the build, with 20% either disagreeing or strongly disagreeing.
- The internal paint finish is what I was expecting – respondents were less neutral in response to this statement. 19% of respondents disagreed with this statement. 75% agreed with this statement and only 6% were neutral.
- My electricity bills are lower than I expected – 18% of respondents disagreed with this statement, while the majority was neutral at 40%.

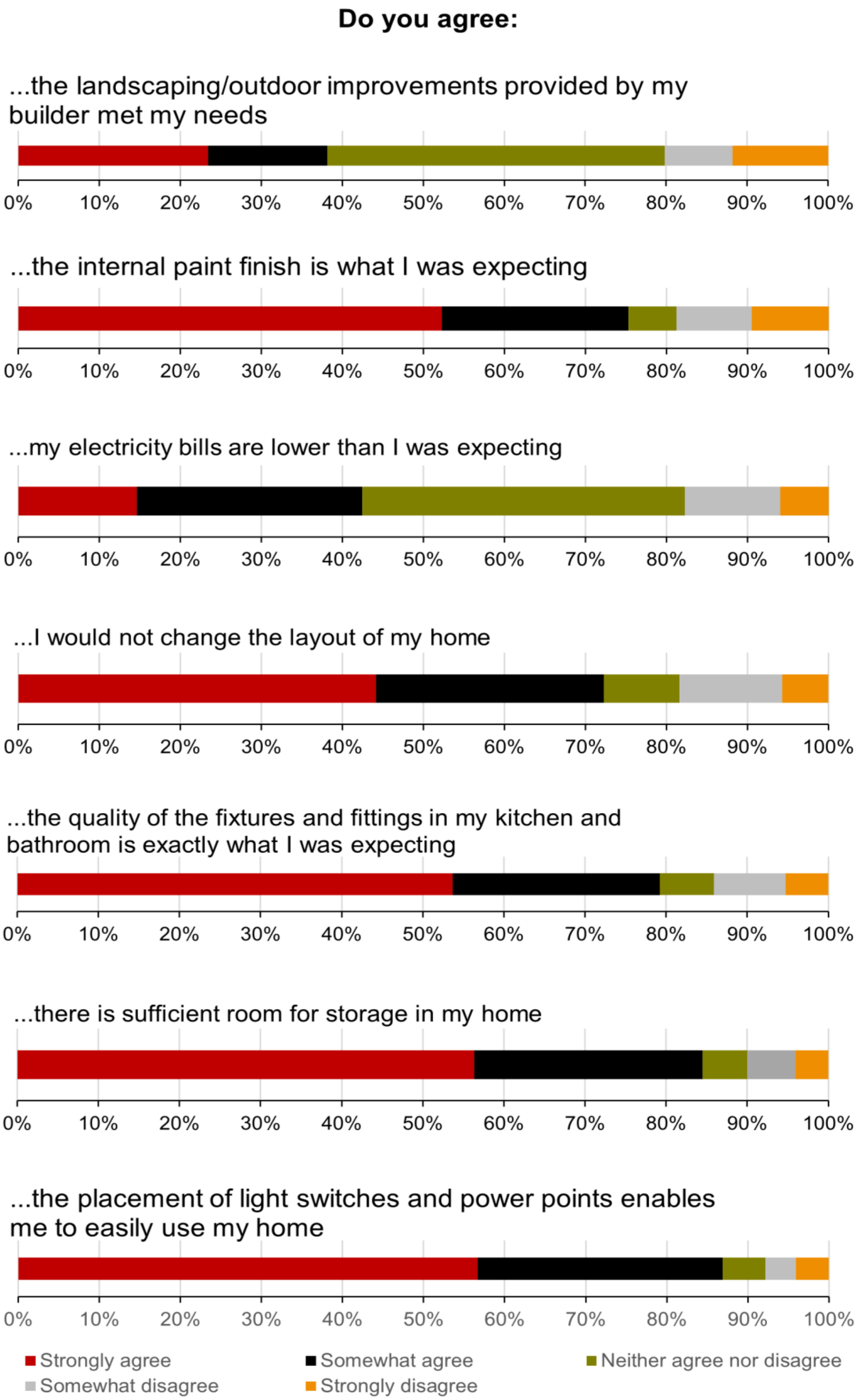
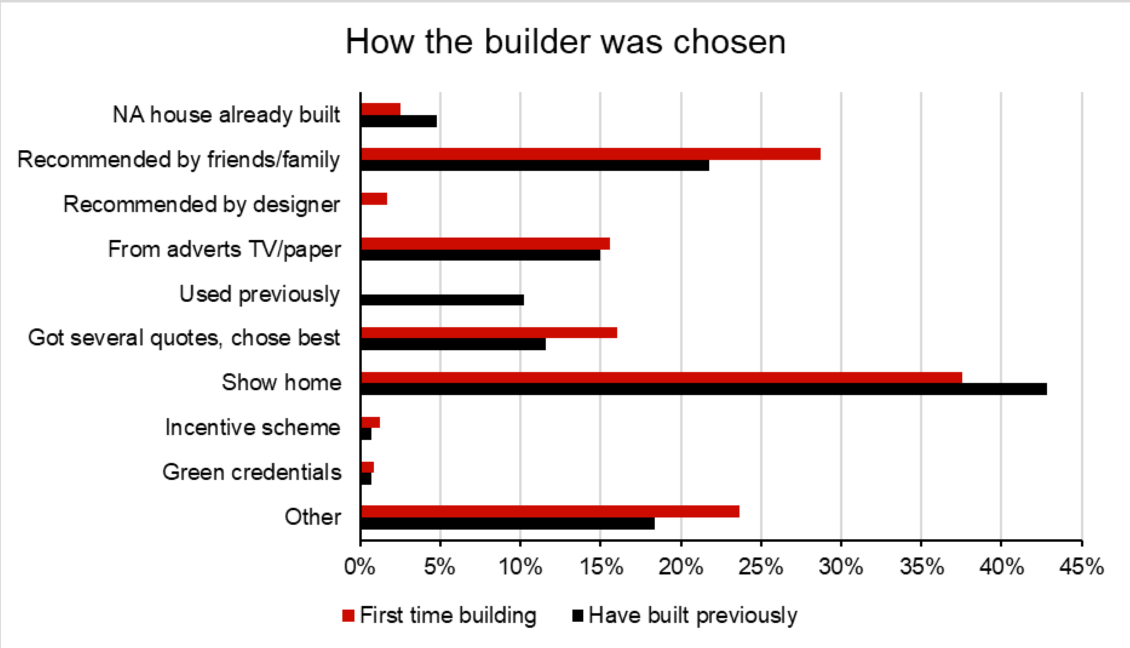


Figure 12. Ratings – performance after handover – mixed/negative feedback.

3.2 How builders were chosen

This year, both first time and repeat clients used similar channels to choose their builder (Figure 13). The only areas of difference were in the 'got several quotes, chose best' category, where 12% of respondents who had built before got quotes compared to 16% of first-time new house owners. Choosing a builder based on their show home was the most common method for both, used on average by 40% of respondents – up from only 29% in 2020. The second most popular method chosen was the 'recommended by friends/family' category, used by an average of 26%.

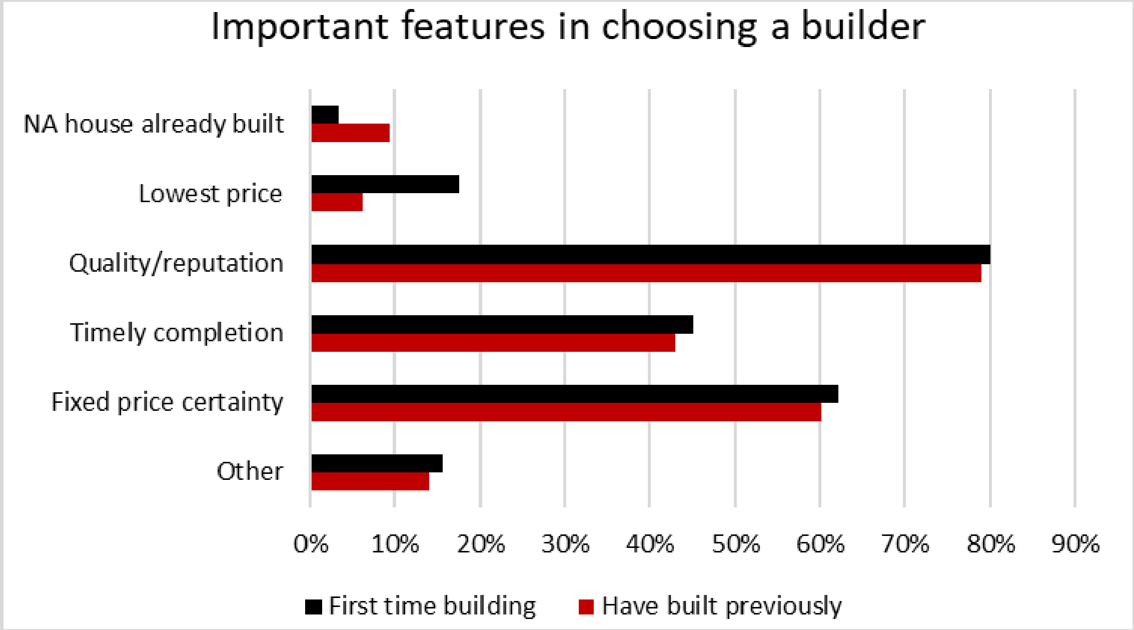


Percentages add to more than 100% as respondents were able to select more than one option.

Figure 13. How the builder was chosen.

The proportion of respondents who chose the 'other' category, while smaller than 2020, suggests that some further tweaking will be required of the survey options to better reflect new house owner decision making when choosing a builder. When analysing the comments respondents left, the themes were like those in 2020. We found that clients were choosing their builder based on internet advertisements, through Trade Me or through their chosen builders' website. The salesperson was also an integral part of a client's decision to choose a builder. Some clients did not have a choice of builder because the type of land, developer or franchise had already selected them. There were also clients who referenced a professional recommendation from someone in industry or a real estate agent who helped them choose their builder. Respondents have a more nuanced understanding of their choice of builder that has not been captured by the categories we provide in the survey. In future, we will need to expand our current categories to consider the varied ways clients decide on their builder.

When it came to important features in choosing a builder for respondents, the majority (80%) stated that the quality/reputation of their builder was the most important feature in choosing them (Figure 14). This has increased significantly from 68% in 2020. Fixed price certainty has remained as the next most selected feature, used by 61% of respondents. Third most popular was the timely completion of their build, which was selected by 44% of the survey participants.



Percentages add to more than 100% as respondents were able to select more than one option.

Figure 14. Important features in choosing a builder.

3.3 How new house owners would speak about their house builder

Most respondents to this year's survey reported that they would speak positively about their builder (Figure 15). Over 60% of respondents would recommend their builder, with the majority of those respondents stating they would do so without being asked (the highest rating possible). Since 2019, there has been a slight increase in the proportion of respondents that would speak critically of their builder. In 2019, only 8% of respondents would speak critically of their builder. However, in 2020, 13% reported they would speak critically without being asked. In 2021, these numbers remained steady, with 13% of respondents reporting they would be critical without being asked.

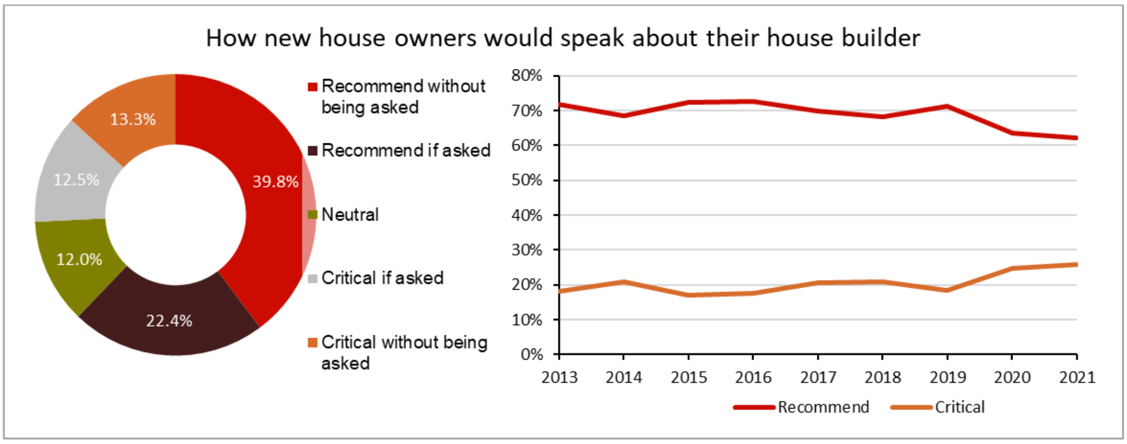


Figure 15. How respondents would speak about their builder.

If we consider both satisfaction and rating scores with how new house owners indicated they would speak about their builder, it can reveal which areas of the new-build process have the greatest impact on the client's view of the builder. In most areas, there is very little difference in the average score between respondents who would recommend their builder and those who would be critical of their builder. However, there are more-notable differences in scores for service after moving in, fixing of defects, service from the project manager, level of communication and completion on time. Throughout the history of the New House Owners' Satisfaction Survey, builders typically score lower in these areas according to our respondents.

Since COVID-19, the survey has tracked further drops in the performance of these problem areas for industry. The increase in those respondents who would be critical without being asked can likely be attributed to the new working conditions under COVID-19. The areas where builders struggle the most (communication, defect remediation, service before and after the build, completion times) are more likely to slip as construction activity increases.

3.4 Impact of COVID-19

In 2020, 56% of our sample indicated that COVID-19 had a moderate to major impact on their build. In 2021, this has decreased, with only 29% indicating that COVID-19 has had a moderate to major impact (Figure 16Figure 16.).

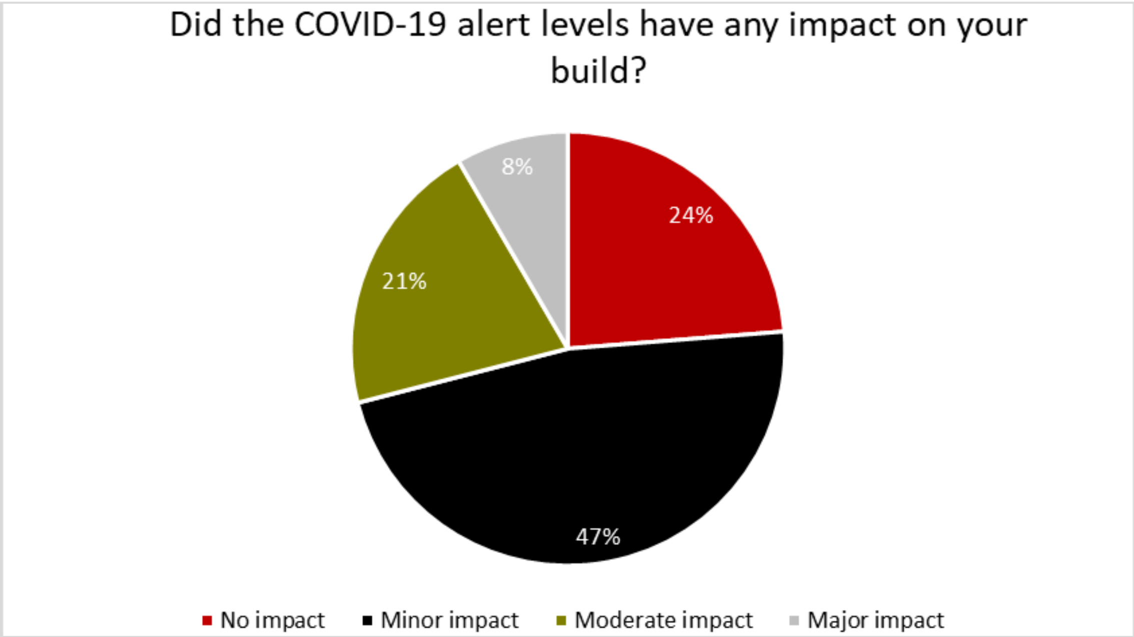


Figure 16. Impact of COVID-19 lockdowns on client houses during build process.

Many respondents described a major impact as relating to delay that went over 3 months. In some of the more extreme cases, there were some clients whose builds were delayed for over a year. The reasons for delay were usually attributed to supply shortages (either labour or materials) or due to COVID-19 protocols and lockdowns. These issues were much the same as those identified in 2020, but how clients have ranked these issues is drastically different. These findings would suggest that, being in the second year of lockdowns, clients have a better reference point for what constitutes a significant delay during COVID-19. What was considered major in 2020 is accepted as more of a minor/common occurrence in 2021 as we continue to operate in a society impacted by COVID-19. These findings tell a similar story to other BRANZ research on clients. In our builder-client relationship research, the key to a good relationship between these two parties is managing expectations with clear communication. Clients are generally very understanding when it comes to delays but only when these had been clearly signposted by their builder.

3.5 Disputes over final cost

Disputes over cost have increased slightly in 2021 – about 15% of respondents reported a dispute with their builder over the final cost (Figure 17).

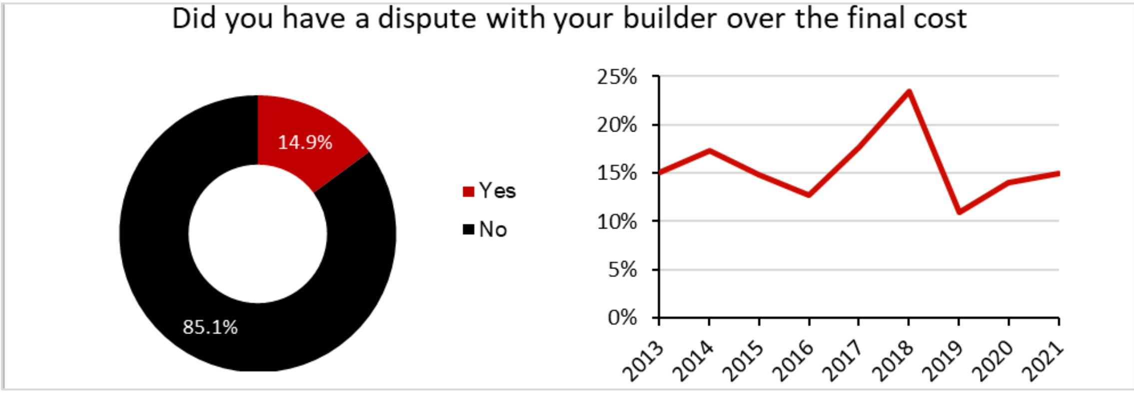


Figure 17. Disputes over final cost.

These disputes tended to focus on:

- charges for variations
- penalties for not meeting completion dates
- items going beyond the prime cost (PC) sum, particularly when the clients considered that PC sums were unrealistically low
- incorrect materials/products used
- additional charges for items believed to be included in the contract
- miscommunication between subcontractors hired by the client and the main contractor
- defects that hadn't been fixed
- the house going past the completion date.

Disputes over final cost were more common for those who selected their builder for the lowest price rather than for fixed price certainty or other reasons (Figure 18).

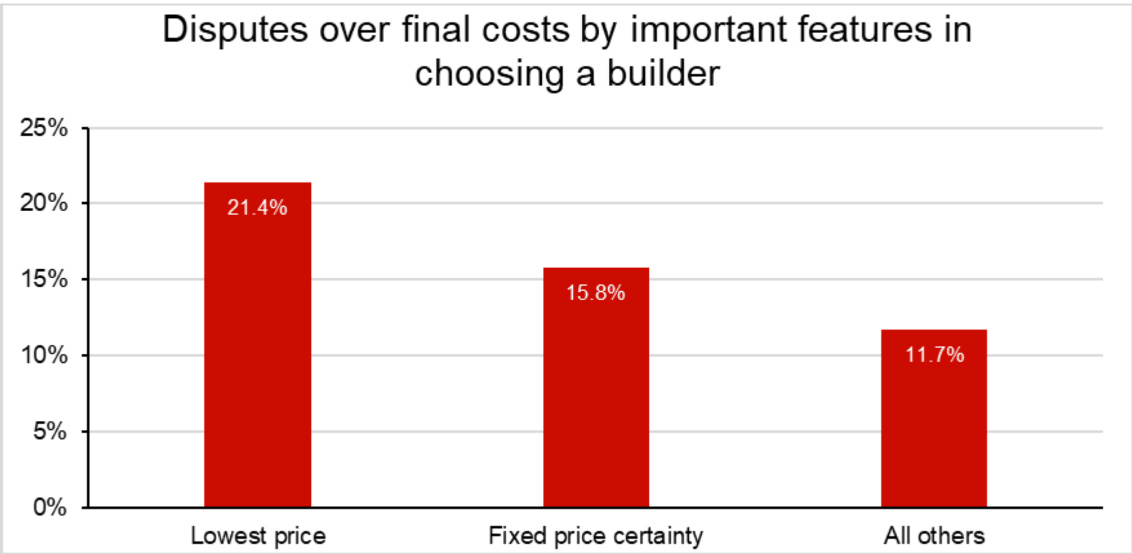


Figure 18. Disputes by important features in choosing builder.

3.6 Call backs

There has been a slight decrease in the proportion of respondents that had to call back their builder in 2021 (Figure 19). In 2020, 88% of respondents called their builder back to fix defects after first occupancy, which decreased to 86% in 2021.

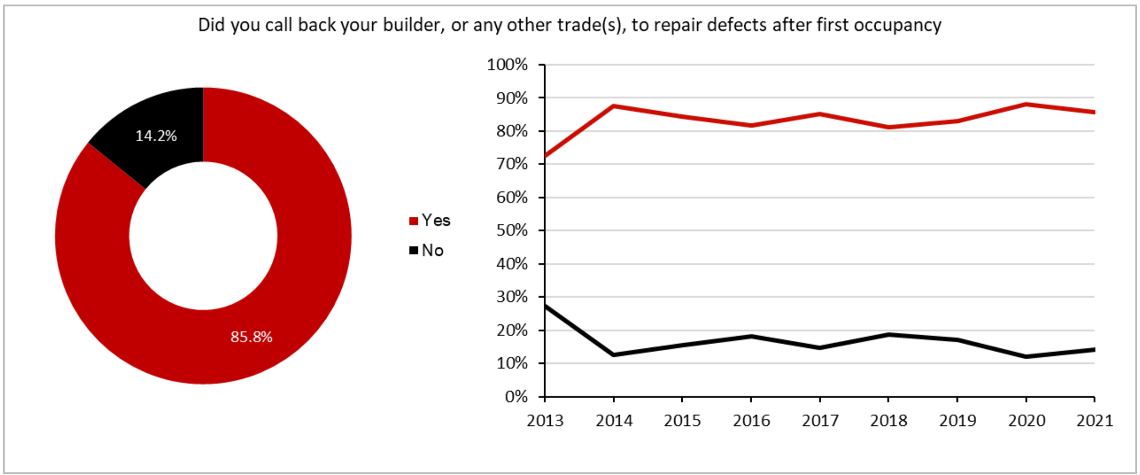


Figure 19. Call backs.

When looking at call backs by region, Auckland increased from 74% in 2020 to 92% in 2021 (Figure 20). The Canterbury region had an increase from 81% to 93%, with the 'Rest of NZ' category decreasing from 90% to 85%.

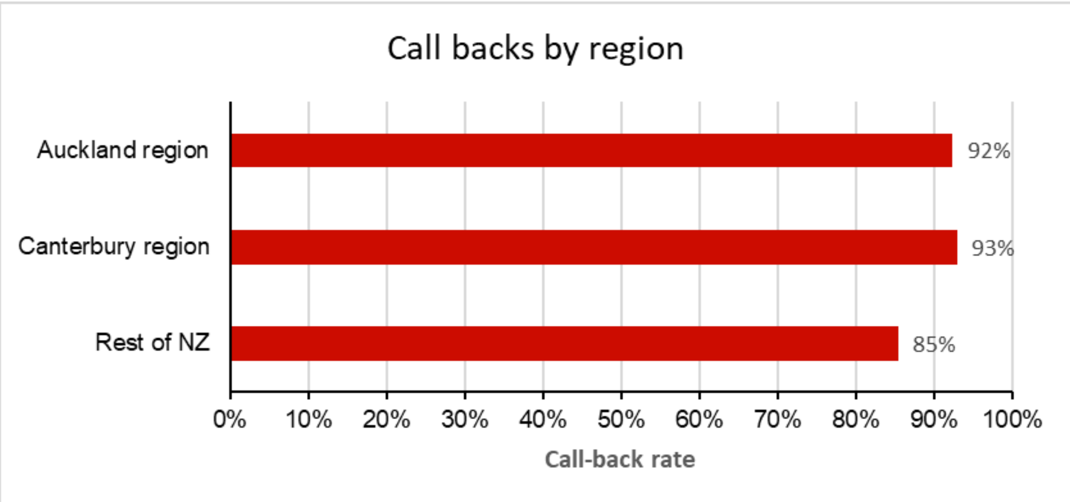


Figure 20. Call backs by region.

There were very little changes compared to the 2020 survey. The most frequently called back trades in 2021 were painters, plumbers and electricians (below). Painters were called back by 57% of respondents and plumbers by 58%. Electricians were called back by 48% of respondents. It should be noted that painters and plasterers may be called back to repair damage caused by other subcontractors rather than because of defects in their work.

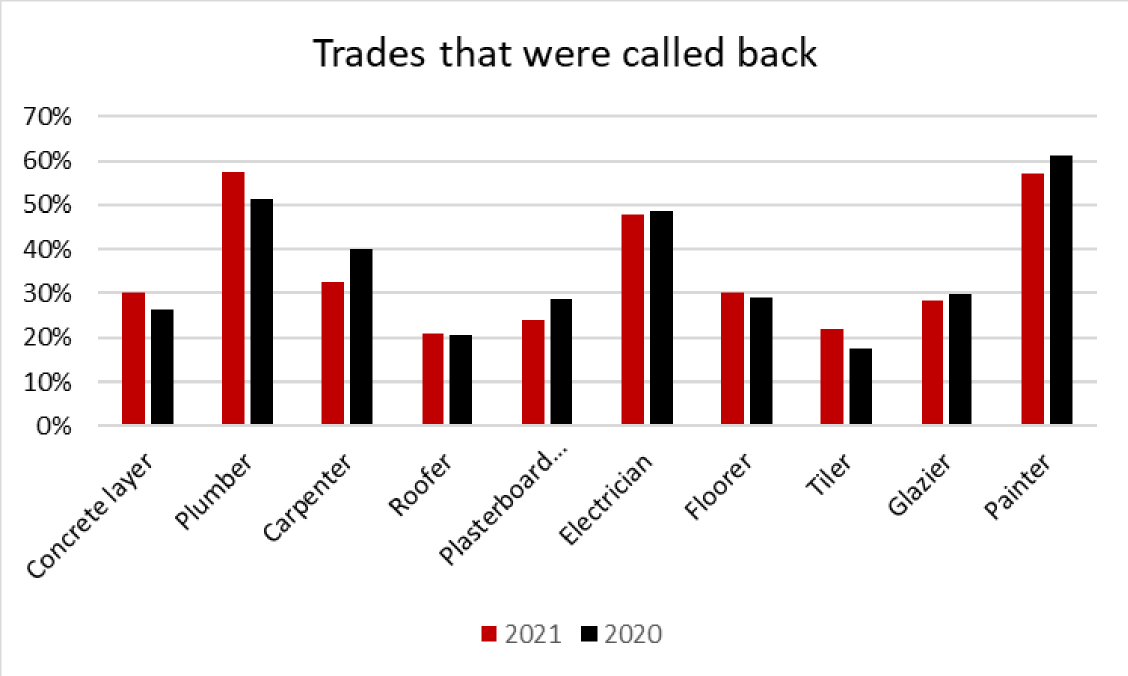


Figure 21. Trades that were called back.

A new addition to 2020's survey was a question around the type of defect encountered by clients. Clients who indicated they had to call back a tradesperson were asked to elaborate on whether it was because of an installer-related defect or a product-related defect or if they were unsure (Figure 22).

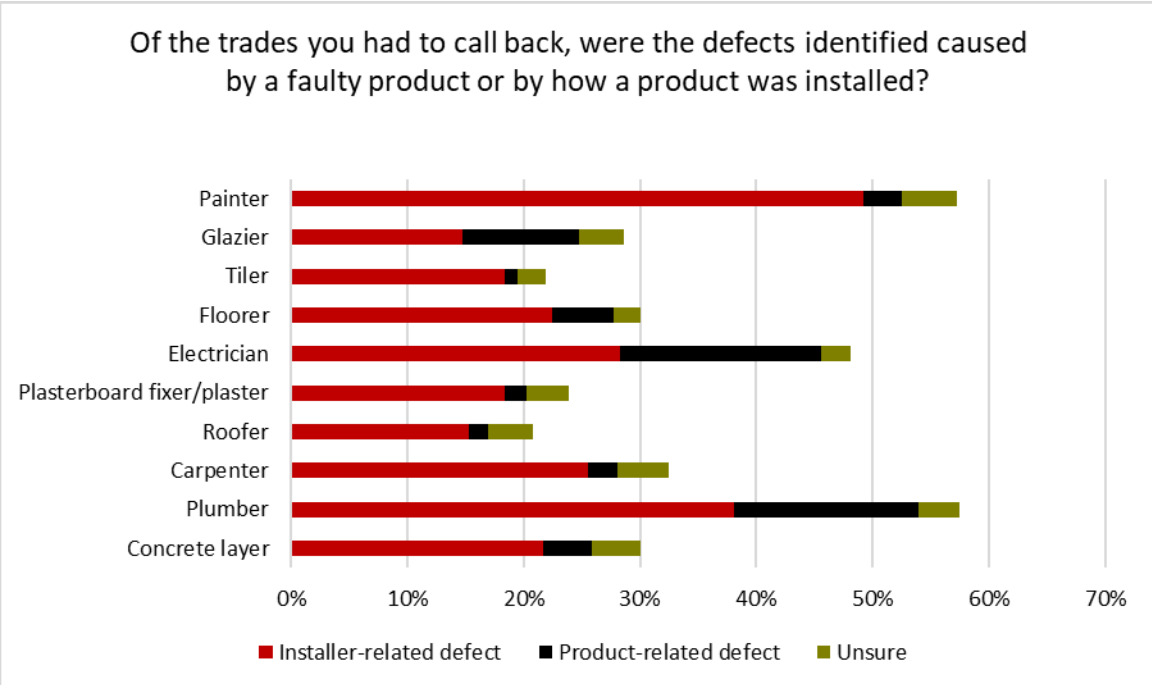


Figure 22. Installer-related or product-related defects.

Painters, electricians, and plumbers had the highest percentage of call backs according to our sample. Many call backs were installer-related defects, but electricians, plumbers and glaziers also had a higher percentage of product-related defects as well as installer related defects.

Around half of owners were not surprised by the number of defects that occurred in their new build (Figure 23). About a fifth (21%) of respondents stated that they had fewer defects than expected, and a further 32% stated that the number of defects was as expected (53% in total). 9% of respondents stated that they expected no defects. 38% of respondents stated that they had more defects than expected, a slight decrease from 36% over last year's findings but lower than the 41% in 2018.

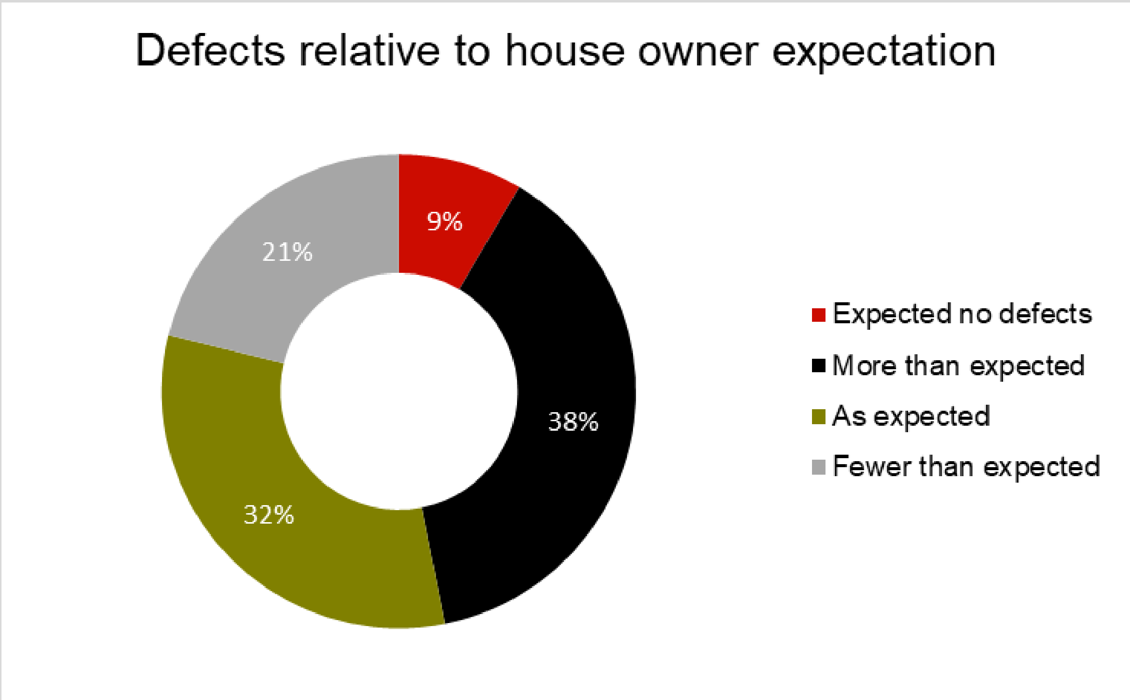


Figure 23. Defects relative to expectations.

3.7 Comparison between franchise and independent builders

Independent builders once again outscored franchise builders across every measure in the 2021 survey (Figure 24).

In 2019, franchise builders had closed the gap on independent builders, but in 2020, the gap increased again.

Higher scores for independent builders were particularly prevalent in the categories related to:

- level of communication from the builder
- service provided by the builder's project manager
- service provided by the builder after the client moved in
- the standard of finish of the new home.

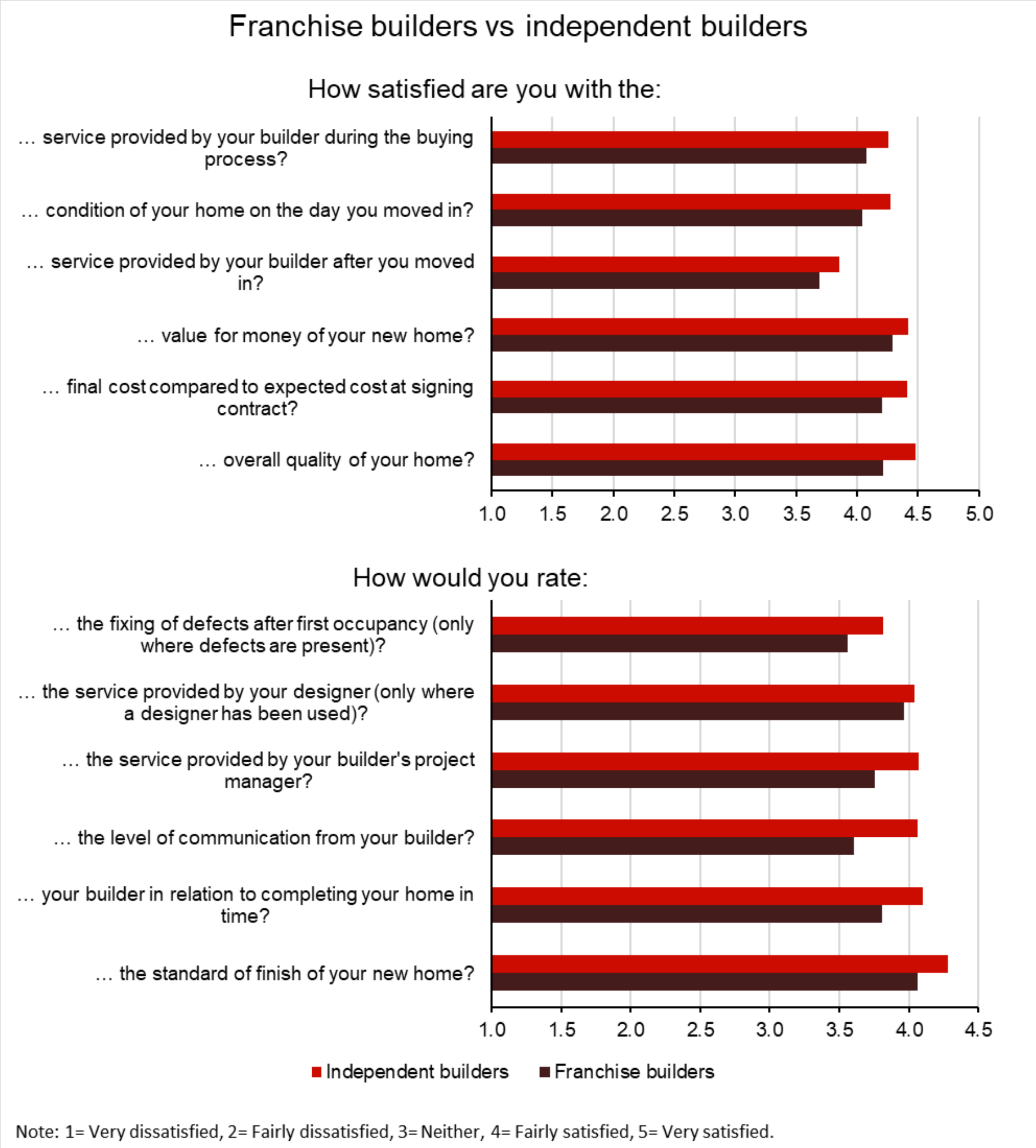


Figure 24. Average scores for franchise and independent builders.

3.8 Comparison by housing package

Unlike in previous surveys, the 2021 survey has found that the satisfaction between those who chose a house-only package and those who chose a house and land package has begun to narrow, with the level of satisfaction an average of 4.04 for house only and 4.08 for house and land (Figure 25). The largest difference in satisfaction was regarding the level of communication from the builder, with those choosing house-only packages rating an average of 3.83 compared to 3.45 for house and land packages. There was also a reasonable difference between the fixing of defects after first occupancy (only where defects are present) with house-only packages scoring 3.67 out of 5 and house and land packages 3.37 out of 5.

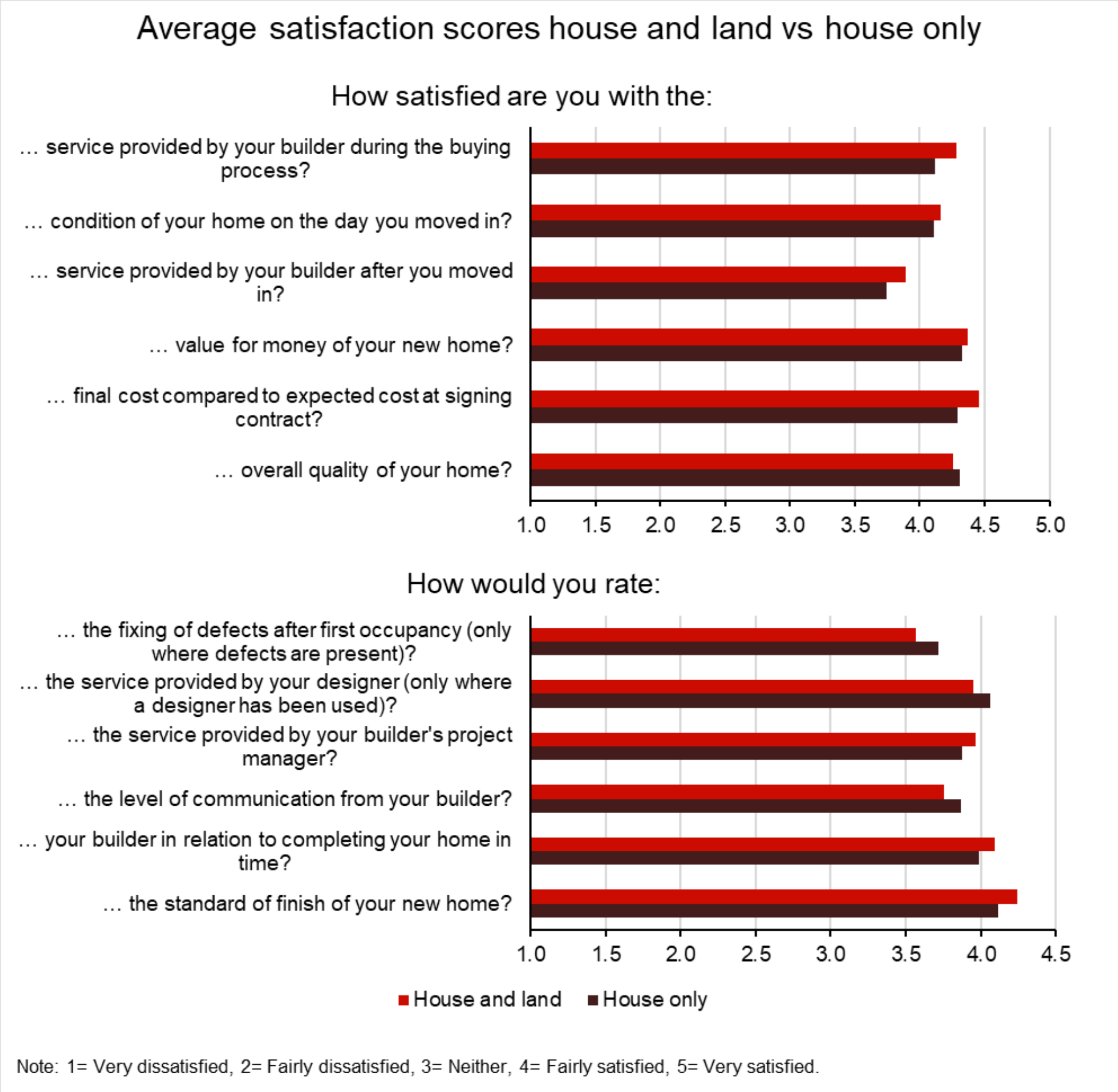


Figure 25. Average scores for house and land package versus house only.

4. Conclusion

2021 has led to a small bounce back across the categories measured in this survey, none more so than our new measures on COVID-19. In 2020, COVID-19 had a significant effect on the New House Owners' Satisfaction Survey. Over half of our sample (55%) reported that COVID-19 had a moderate to major impact on their build. In 2021, only 29% of our sample reported the same impact.

A new addition to the survey this year asked respondents why they chose to build a house. Almost 45% of respondents built because their specific requirements were not catered for by existing housing. This was followed closely by 42% who believed a new house would mean less maintenance. A following 35% said it was cheaper to build than buy, and 31% already had land to build. These findings suggest that the main reason for clients to build is because of the perceived poor value/quality of the existing housing stock on the market (especially if you already own an existing section).

Call backs stayed the same this year – 86% of respondents had to get a call back to fix defects. The types of trades and the types of defects (installer versus product related) remained steady from 2020, except for plumbers who saw a 6 percentage point increase from 2020 on their call-back rates.

Owners that have built a house still tend to have a better building experience, which suggests that there is an increasingly important role for builders in setting client expectations. As the industry is facing many first-time clients (63% according to this survey), this will continue to weigh on satisfaction levels if expectations are not managed.

Clients still cite that the builder's quality/reputation is the most important feature in choosing their builder. One of the biggest indicators of that quality is still the show home, which 40% of respondents used as a factor in choosing their builder. In addition, clients appear to be placing greater emphasis on fixed price certainty (61%) when choosing their builder and less on choosing the best quote. The ability to see both the show home and the builder's previous work potentially gives consumers more peace of mind around the expected quality before signing a fixed-price contract.

Overall, 2021's report saw a minor improvement over the scores in the 2020 report. However, while most scores were up, other areas of the survey still show some of the potentially negative consequences of COVID-19 on respondent feedback. More specifically, when we look at whether respondents would recommend their builder, while 62% would recommend their builder, 26% reported being critical of their builder. The number of clients that would recommend their builder has dropped for the third straight year now

Our respondents might be becoming more understanding of some COVID-19-related delays such as lockdowns but are less understanding when other delays such as labour or material shortages caused by COVID-19 aren't clearly signposted and discussed with new-build clients. As the pandemic continues and pressures on the supply chain and workloads increase, it will continue to be difficult to meet the expectations of new-build clients without improving communication and service offered to clients during this time.