



New house owners' satisfaction with their builder in 2019

Most owners continue to rate their builder highly, according to the 2019 New House Owners' Satisfaction Survey. Quality of previous work and reputation are important factors in decision making - 31% of the owners surveyed visited show homes to inform their choice of builder. Disputes over the final cost decreased significantly, dropping from 23.5% in 2018 to 11% in 2019, and disputes were slightly more common for fixed-price contracts or people who used the lowest quote. The rate of call backs to fix defects increased from 80% to 83% between 2018 and 2019 but decreased in most trades.

Each year, the BRANZ New House Owners' Satisfaction Survey monitors how the owners of new houses thought their builder¹ performed and what they think about the quality of their completed house.

The survey also collects information about the proportion of owners who had to call back their builder, how likely the owner is to recommend their builder to others and what they consider important when choosing their builder. It has been running annually since 2011 and allows BRANZ to monitor trends in the quality of output in the new residential building industry.

For the 2019 survey, a sample of 3,473 new house owners was identified from housing consents issued between March 2018 and April 2019 in 25 territorial authorities across New Zealand. This period was selected to represent houses completed in the 2019 calendar year, assuming that a house typically takes 9-10 months from consent to completion. The

response rate was consistent with previous survey years, with 457 completed surveys returned.

The sample mainly includes owners of detached buildings, although some multi-unit dwellings were included in the 2019 survey. Self-builds, people building more than one house, houses built by family members and speculative builds (built without a specific buyer) are excluded.

If the build involved a house and land package, only owners who were involved from the consent stage onwards were approached. This ensured all survey participants experienced the end-to-end building process.

¹ In this survey, the term 'builder' means all people involved in the building process, including office staff within the building company, the project manager and subcontractors. This means the survey covers the experience of the whole process of the build through to fixing defects after the occupants move in.

People responding to the survey

Most of the people responding to the survey were building a home for the first time. The percentage of people who had built previously has decreased over the course of the survey, from 53% in 2013 to 38% in 2019, suggesting that building a new home is becoming more accessible or more desirable to people building for the first time.

Around 56% used franchise builders in 2019 (companies that build homes to a set design, often available to view before construction). This was an increase of 3 percentage points since last year but well within the trend in previous years, which has remained between 50% and 62% since 2013.

Most survey respondents (79.5%) owned or part-owned their previous property, suggesting that building new is still a significant investment for most people and requires an equivalent asset or that building a house is a progression from owning a property first.

Client satisfaction

The survey asks owners to rate the performance of their builder on a scale of 1-5, with 1 being very dissatisfied and 5 being very satisfied (Figure 1).

Overall satisfaction increased in 2019

Average satisfaction scores have increased for the first time since 2016 and are slightly higher than the result in 2017. Most people rate their builder highly - 66% rated their builder between 4 (fairly satisfied) and 5 (very satisfied). However, 14% of respondents scored their builder less than 3 on average (fairly dissatisfied or very dissatisfied).

The average satisfaction rate across all survey participants for 2019 was 4.15 out of 5. This has increased slightly since 2018 but is still lower than the highest satisfaction rate of 4.36 reported in 2012.

- New house owners were happiest with:
- the overall quality of their home
 - the service provided by their builder during the buying process.

- New house owners were least happy with:
- the fixing of defects after first occupancy - this has decreased slightly from 2018
 - the service provided by their builder after they moved in
 - the level of communication from their builder - this has improved from 2018.

Relatively low ratings around fixing of

defects, communication and level of service after moving in can be partly attributed to high workloads in the industry at present. Improving this would be challenging if workloads remain high, while acknowledging that

the ongoing impact of the COVID-19 pandemic on workloads and the industry is uncertain. Overall, the survey found that the industry is performing well at delivering a house that the client is happy with in terms of quality.

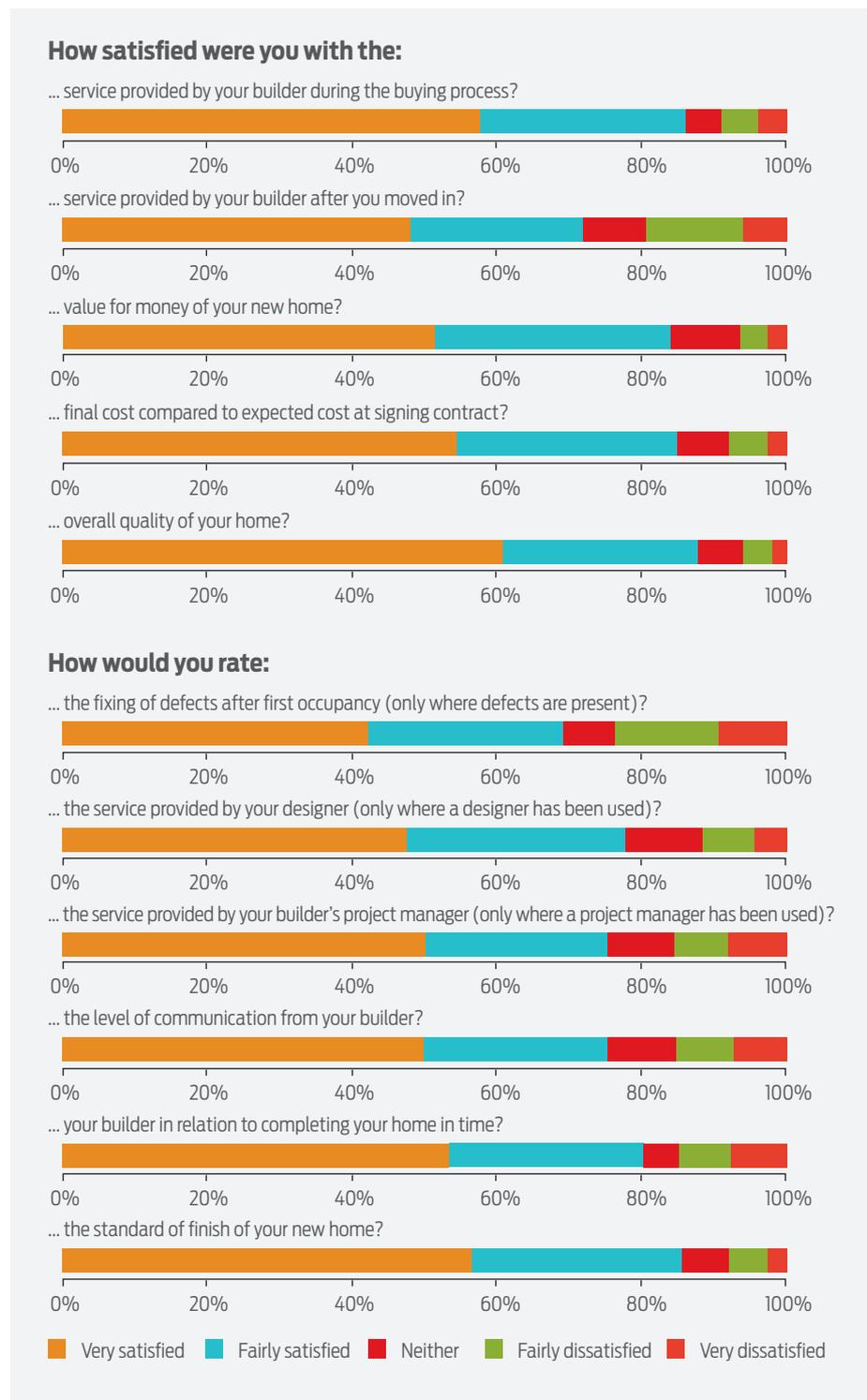


Figure 1. Client satisfaction with and ratings of various aspects of their builder's performance.

Previous ownership makes no different to overall satisfaction

Whether the client had owned, partially owned or rented before building their first home made little difference to their average satisfaction with their builder or the process of the build. Owners and partial owners rated this 4.17 out of 5, people who had previously rented rated this 4.19 and all others rated this 4.12.

Purchasers of house-only packages are generally happier

The percentage of packages including a house only - versus house and land packages - has remained steady after a substantial increase in 2016. During this time, 20% of respondents opted for a house and land package. (In 2014 and 2015, this was closer to 10%.)

All surveys, including the 2019 year, found that those who chose a house-only package were generally happier with their new build than those who chose a house and land package. In 2018 and 2019, the largest difference in satisfaction was in the service provided by their builder after handover, with house-only package owners rating their service noticeably higher. In 2019, owners also experienced better communication from the builder in house-only builds, which is an increase from 2018.

Satisfaction with franchise and independent builders

Independent builders outscored franchise builders across every measure in the 2019 survey, particularly in:

- overall quality of their home
- standard of finish
- level of communication from the builder
- value for money of their new home.

Choosing a builder

The method for choosing a builder was similar for first-time and experienced clients (Figure 2). The use of three common methods all decreased from 2018 to 2019:

- Choosing a builder based on show home (the most popular method) decreased from 39% to 31%.
- Recommendation from friends or family decreased slightly to 27%.
- Choosing from multiple quotes decreased from 15% to 12%.

At the same time, the ‘Other’ category increased. This suggests a growing proportion of clients are finding new ways to choose their builder. This will be explored in future surveys.

Most people said the quality and reputation of their builder was the most important feature in choosing their builder (73%), followed by

fixed-price contract certainty (55%) and looking at the builder’s previous homes (41%). Fixed price and looking at the builder’s previous homes increased in importance each year from 2016 to 2019, while quality/reputation of their builder decreased slightly from 77% in 2018. Clients are placing increasing value on seeing tangible examples of the builder’s work.

The main difference between first-time clients and repeat clients was first-time clients’ focus on pricing as a key factor in choosing the builder. First-time clients placed a higher priority on fixed-price certainty and lowest price offerings.

The survey results suggest clients are more discerning and consider a broader range of factors while assessing and finally choosing their builder.

Disputes over the final cost

Disputes over costing fell significantly in 2019, with only about 11% of respondents having a dispute with their builder over the final cost, falling to the lowest level since the survey began in 2012.

These disputes usually concerned:

- charges for variations
- penalties for not meeting completion dates
- items going beyond the prime-cost sum, particularly when the clients considered these sums to be unrealistically low
- incorrect materials or products used
- additional charges for items believed to be included in the contract.

Disputes over final cost were more common for those who selected their builder for fixed-price certainty (11.3% of disputes) or the lowest price (10.6%) than for all other reasons (10.2%).

Disputes are also more common in lower-cost builds, with 17% of those who built in the under \$250,000 bracket having a dispute compared to 10-11% for higher price brackets. These figures are all a decrease from 2018. Those who built in the \$600,001+ bracket decreased from 27% in 2018 to 10% in 2019. This sharp change shows that continued monitoring is needed to assess where disputes are more likely to occur in future.

Repairing defects

There was a slight increase in the proportion of respondents who had to call back their builder (or other trades) to repair defects between 2018 and 2019 (from 80% to 83%) - a trend still well above 2012 levels (68%).

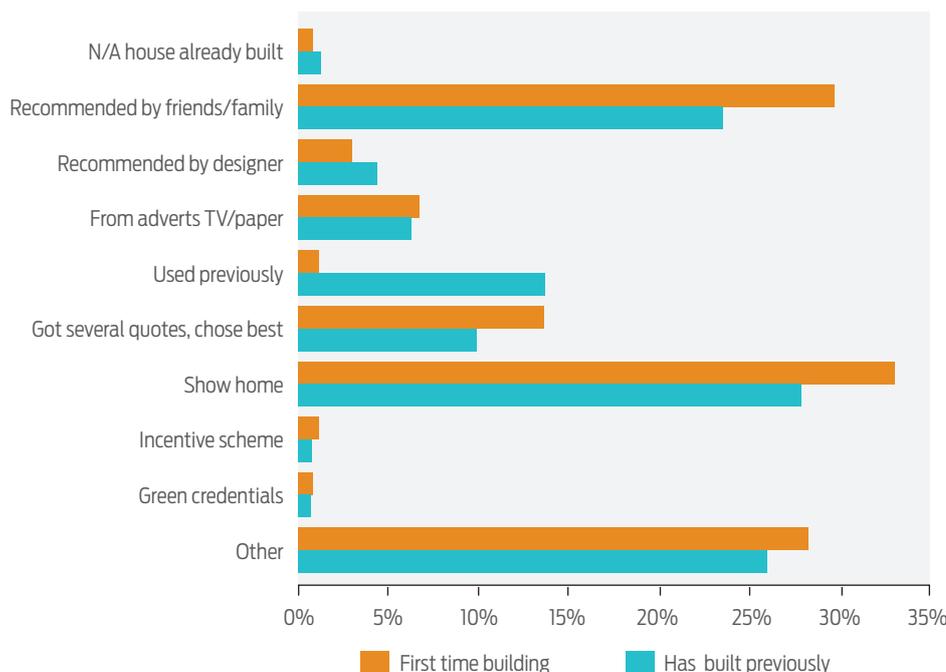


Figure 2. Methods for choosing a builder. Percentages add to more than 100% as respondents were able to select more than one option.

The figures reported differ by region between 2018 and 2019. Auckland and the 'Rest of New Zealand' category have both increased, with call backs in Auckland increasing from 76.5% in 2018 to 90% in 2019. However, there were a relatively low number of responses from Auckland and may not be statistically significant - this will be monitored in future surveys. Call backs in the Canterbury region decreased in 2019 from 86% to 79.7%

More than 50% of owners were not surprised by the number of defects that occurred in their new build:

- 21% had fewer defects than expected.
- 39% said the number of defects was as expected.
- 15% of respondents expected no defects.
- 25% of respondents found more defects than expected - a decrease from last year's findings.

As with the previous year, the most frequently called back trades were painters, plumbers and electricians. Painters were called back by 58% of owners, plumbers were called back by just under 50% and electricians were called back by 40%. However, painters and plasterers may be called back to repair damage caused by other subcontractors rather than because of defects in their work. While the overall trend is similar to 2018, the percentage of call backs for these trades has decreased from the 2018 survey.

Would new house owners recommend their builder?

Just over 70% of respondents would recommend their builder. This increased slightly between 2018 and 2019. The proportion that would speak critically without being asked decreased from 10.2% in 2018 to 7.7% in 2019.

Negative comments (as with previous years) usually related to service, lack of supervision of subcontractors and communication, disputes over defects and completion time.

In the groups of people who would recommend their builder with or without being asked, there were sizeable differences in their satisfaction with service after moving in, fixing of defects, service from the project manager, level of communication and completion on time. Improvement in these areas is likely to give the greatest improvement in customer satisfaction and increase the chance of unprompted referrals for the builder.

Conclusions

- Overall satisfaction increased in 2019, with 66% rating their builder as fairly or very satisfactory, up from 61% in 2018.
- Disputes with builders over final cost decreased significantly, dropping from 23.5% of respondents in 2018 to only 11% in 2019. Disputes were still slightly more common for those who selected their builder due to fixed-price contract certainty or chose the lowest price.
- Owners were least happy with fixing of defects after the building was first occupied, first occupancy, communication from the builder and service after moving in, but opinion on all these categories has improved since 2018. Service after moving in continues to be an area for improvement for the industry.
- The proportion of survey respondents who are building for the first time continues to increase, reaching 62% in 2019.
- Most people stated that an important feature in choosing their builder was their quality or reputation. However, like 2018, the number of respondents who opted for a builder that offered a fixed price also increased.
- 31% of respondents chose their builder based on the quality of the builder's show home - a significant decrease from 39% in 2018. 27% of respondents chose their builder based on recommendations from friends and family. 27% percent of respondents chose their builder through other methods outside of the survey options.
- The call-back rate to fix defects has increased slightly to 83%. The rate decreased in most trades, with only painters being called back over 50% of the time.

More information

BRANZ Study Report SR449 *New House Owners' Satisfaction Survey 2019*