Study Report SR467 [2022]

New House Owners' Satisfaction Survey 2020

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Preface

This is the 10th 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.

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 their 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.

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BRANZ Study Report SR467

Authors

Claire Clarke and Orin Lockyer

Reference

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Abstract

This report presents the results of the 10th annual New House Owners' Satisfaction Survey. The survey looks at how new house owners rate their builder and how satisfied they are with the 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.

Results show that, in 2020, house owners' satisfaction with their builders has declined, going from 66% in 2019 to 57% of owners rating their builder as satisfactory in the following year. Owners are rating their builder highly on their ability to deliver a quality home with a high standard of finish. However, there remains room for improvement in the service provided after handover, particularly around the fixing of defects. Disputes over cost remain prevalent. Drops in service-related metrics can be attributed to COVID-19 and the delays created by the various alert level restrictions. These COVID-19-related delays only exacerbate challenges to the industry in delivering satisfactory service while overloaded with activity.

Overall, 87% of respondents reported having to call back their builder to fix defects after first occupancy, an increase of about 4% from 2019. Respondents were split down the middle in relation to the number of defects – 53% saw as many defects as expected or fewer than expected, and the remaining 47% had more defects than expected or expected none. It is possible that clients are becoming more discerning around defects or that defects are higher than usual because of the ongoing impact of COVID-19.

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 decreased in 2020, with 57% rating their builder as fairly or very satisfactory, down from 66% in 2019.
- Owners were still happiest with the overall quality of their home and the standard of finish. This shows that the industry is still performing well at delivering houses that the client is happy with.
- Categories that indicated the least amount of owner satisfaction were 'fixing of defects after first occupancy,' 'communication from the builder' and 'service after moving in.' All these categories have seen builders collectively score worse compared to 2019.
- The proportion of survey respondents that are building for the first time has continued to increase, reaching 67% in 2020.
- Most respondents stated that an important feature in choosing their builder was their quality/reputation. This was followed by fixed price certainty.
- 29% of respondents chose their builder based on the quality of the builder's show home, a slight decrease from 31% in 2019. 28% of respondents did so based on the 'other' category with responses such as internet/Google searches, Trade Me, or emailing specific building companies. 18% of respondents (down from 27% the previous year) chose their builder via recommendations by friends/family.
- Disputes with builders over final cost increased from 11% in 2019 to 13.5% in 2020. Disputes are still a slightly more common occurrence for those who selected their builder due to the lowest price.
- The call-back rate has increased to 87% – another increase from 2019. In contrast, the percentage of trades called back decreased slightly across all trades, with only painters being called back over 50% of the time. These findings suggest we have seen an increase in call-back rate across trades rather than a significant increase in any particular trade.
- COVID-19 had a significant effect on new house owners in 2020, with 55.5% saying COVID-19 had a moderate to major impact on their build.

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 10 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 4,240 new house owners was identified from consents taken out between March 2019 and April 2020. This period was selected to represent houses that were completed in the 2020 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 383 returned and completed surveys, which have been used for the analysis represented in this report. The response rate was 9%, which is lower than prior years' surveys. We will 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 2020.

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:

- 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.

How many respondents used franchise builders?

Around 59% of respondents used franchise builders this year (

Figure 1). This is up by 3% from 2019.

The most commonly used franchise builders in this survey were G J Gardner Homes, Signature Homes, Golden Homes and Classic Builders.

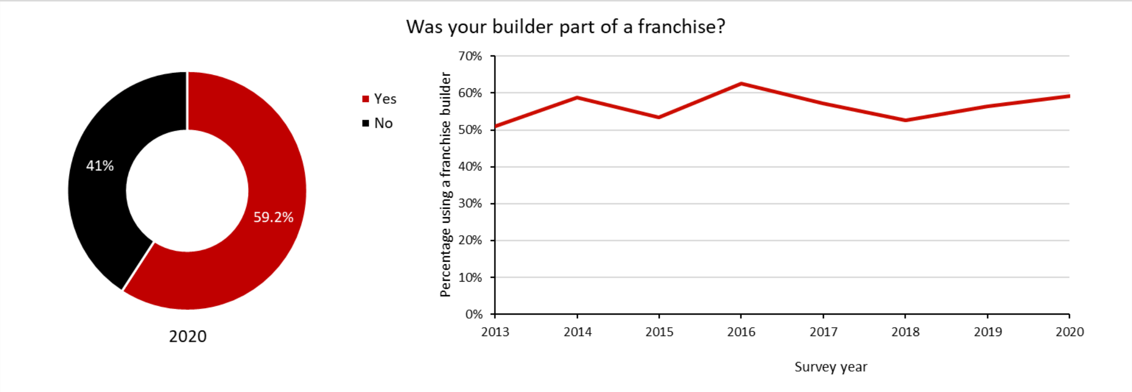

Figure 1. Percentage using a franchise builder.

How many respondents had built previously?

Most respondents to this survey were first-time builders (

Figure 2.). There was a slight decrease in the percentage of owners that had previous experience building from the last survey.

The percentage of respondents that had built previously has continued to decrease over the course of the survey, dropping from 53% in 2013 to 34% in 2020, which is a significant decrease over 7 years.

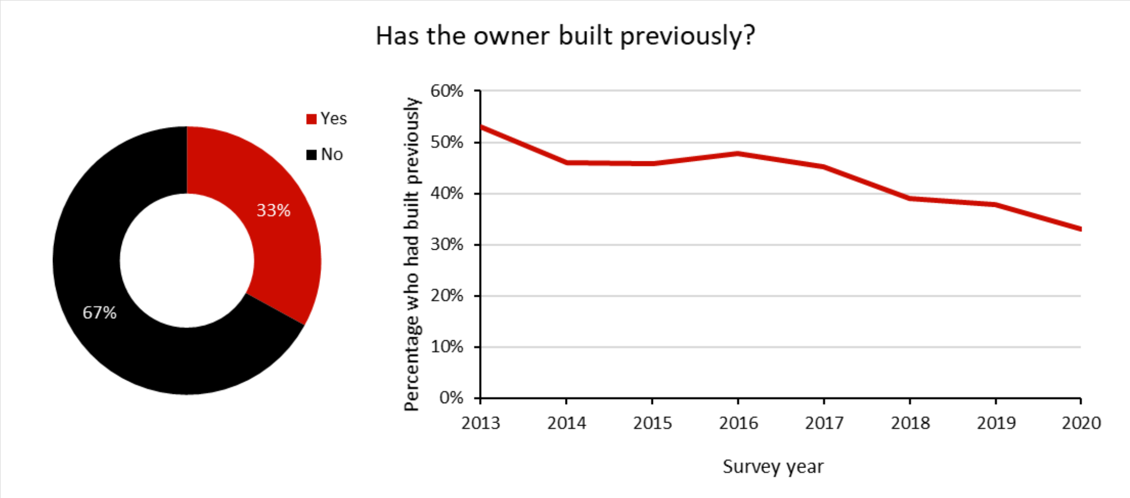

Figure 2. Percentage that had built previously.

The majority of survey participants owned or partially owned their previous property before beginning the build (Figure 3). 24.6% of respondents were renting – this has increased from 17.7% in 2019, which is a trend we will watch carefully in the coming years. It might suggest that it is easier to secure funding for construction as compared to previous years. However, the majority of clients still owned their property before building, which would suggest that building new is still a significant investment, which is easier to start when a client already has a equivalent asset.

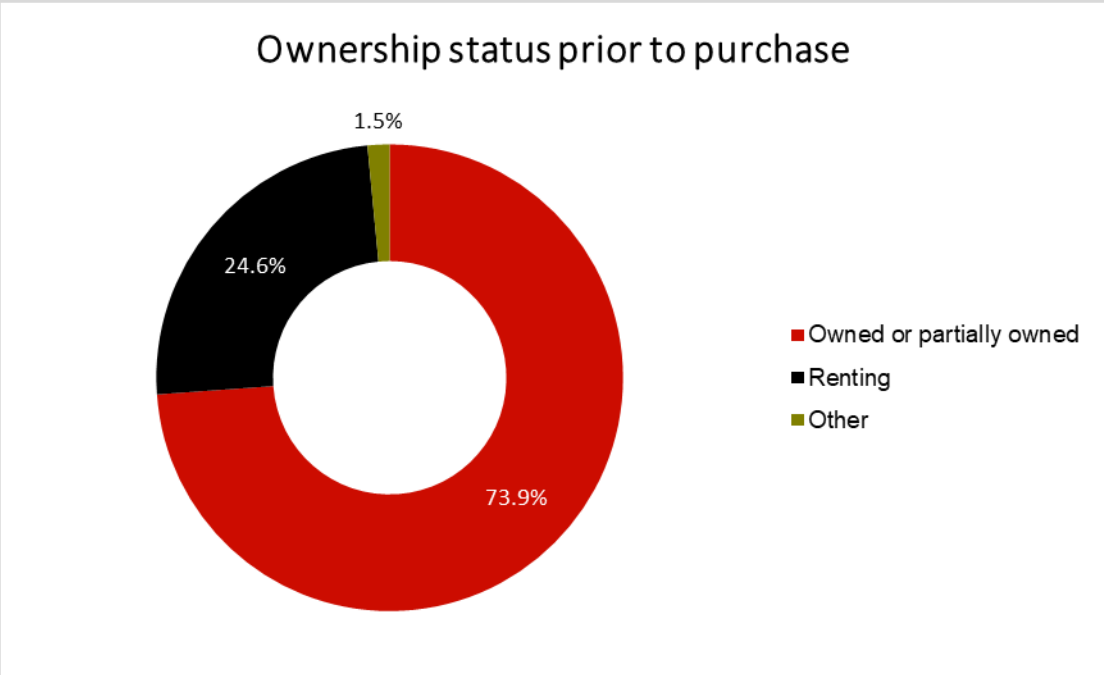

Figure 3. Ownership status prior to purchase.

Comparing the client satisfaction of respondents that had owned or partially owned before building with respondents who had rented shows that there is a small amount of difference in satisfaction. If we average out the scores, those who went from renting rated their builder with an average of 3.93, while it was 4.08 for those who owned or partially owned an asset before the build. The largest difference between the two groups was regarding the level of satisfaction.

The proportion of house-and-land packages increased in the most recent year, having previously remained steady since 2016 (the last significant increase). One-third of respondents are now opting for a house and land package (Figure 4). 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.

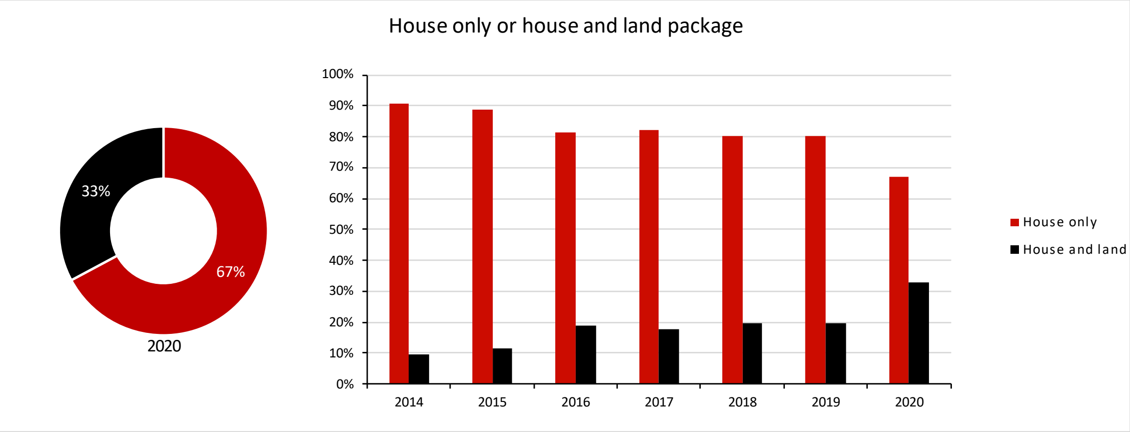

Figure 4. House package.

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.[1] The fixed price contract type has decreased from 45% in 2019 to 37% in 2020 (Figure 5). House and land contracts have increased from 19% to 31% in 2020, which may indicate that these are increasingly offered by building companies.

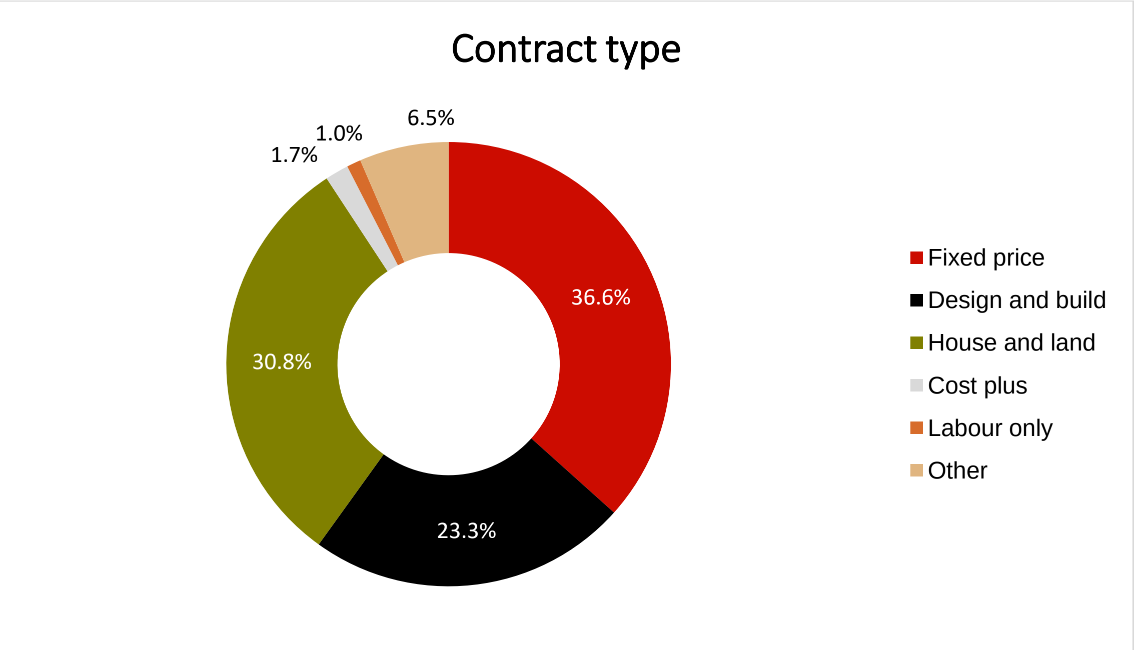

Figure 5. Contract type.

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1 www.building.govt.nz/projects-and-consents/why-contracts-are-valuable

3.1 Overall satisfaction

Average satisfaction scores have decreased to the lowest they have been since the survey started in 2011 (Figure 6). Most respondents rate their builder very highly, with 57% of respondents rating their builder on average between 4 (fairly satisfied) and 5 (very satisfied). This is a significant drop from 2019, where 66% of respondents rated their builder in that top range – a 9 percentage point decrease from 2019. 19% of respondents scored their builder on average less than 3 – a 5 percentage point increase from 14% in the previous year.

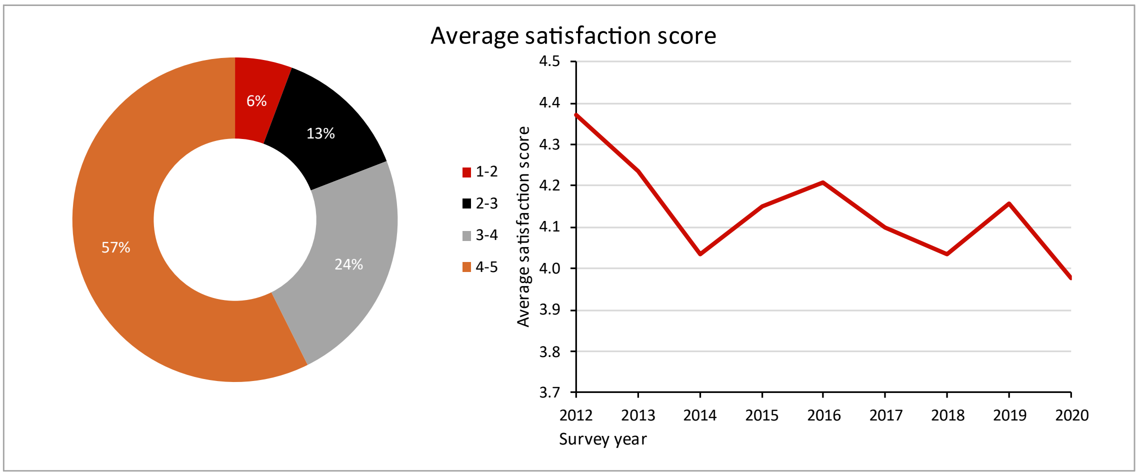


Figure 6. Average satisfaction score.

In Figure 7, percentages indicate the proportion of respondents that selected either fairly satisfied or very satisfied in response to the question. New house owners were happiest with:

- overall quality of their home – this has decreased from 88% in 2019 to 83% in 2020
- condition of their home on the day they moved in – decreased from 85% to 81%
- final cost compared to the expected cost at contract signing – decreased from 85% to 81%
- service provided by their builder during the buying process – decreased from 86% to 80%.

While still highly regarded, we can also recognise a drop in categories that builders usually score well in like the quality and condition of their home. While these are still highly rated by over 80% of clients, these categories will be something to watch in future surveys.

In Figure 8, percentages indicate the proportion of respondents that selected either fairly dissatisfied or very dissatisfied in response to the question. New house owners were least happy with:

- fixing of defects after first occupancy – this has increased from 24% in 2019 to 29% in 2020
- level of communication from their builder – increased from 16% to 24%
- service provided by their builder after they moved in – increased from 19% to 26%.

Many of the improvements in the above areas measured in 2019 have since reversed. Normally, low ratings regarding fixing of defects alongside communication and level of service after move-in can be partly attributed to high workloads in the industry. The lower than usual ratings in this case could be attributed to the ongoing delays caused by COVID-19, alongside the consistently high workloads across industry. Improving this will remain a challenge as workloads are expected to remain high.

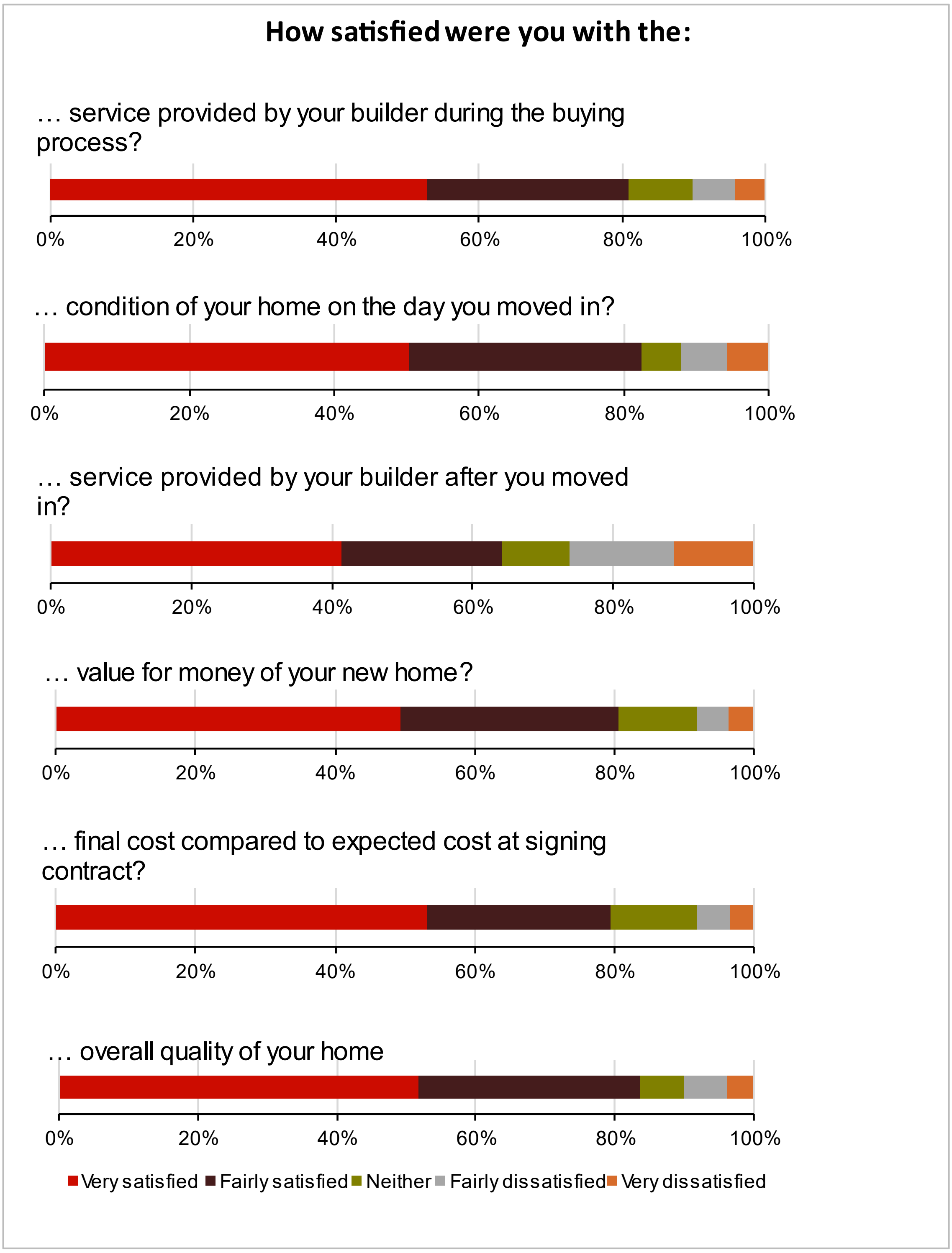


Figure 7. Satisfaction levels.

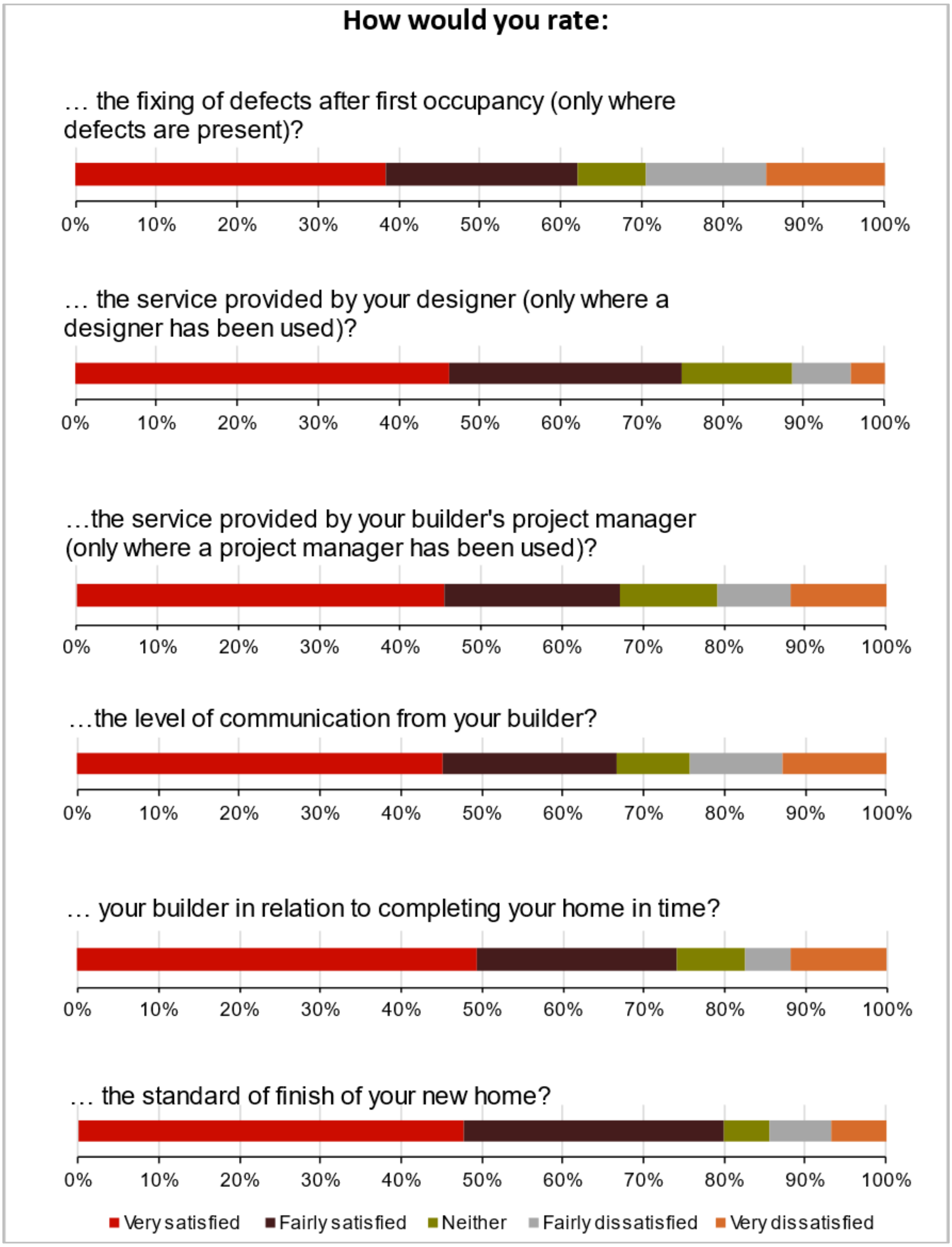


Figure 8. Ratings.

To better understand client satisfaction, new questions were added regarding how clients felt their home performed upon handover. Nearly all clients felt that the performance of their home met their expectations (Figure 9). Builders scored best on:

- my home is easy to heat
- my home stays warm at night
- my home gets good natural light throughout the day
- the space provided for the main living area is sufficient.

To what extent do you agree/disagree with the following statements about your new home?

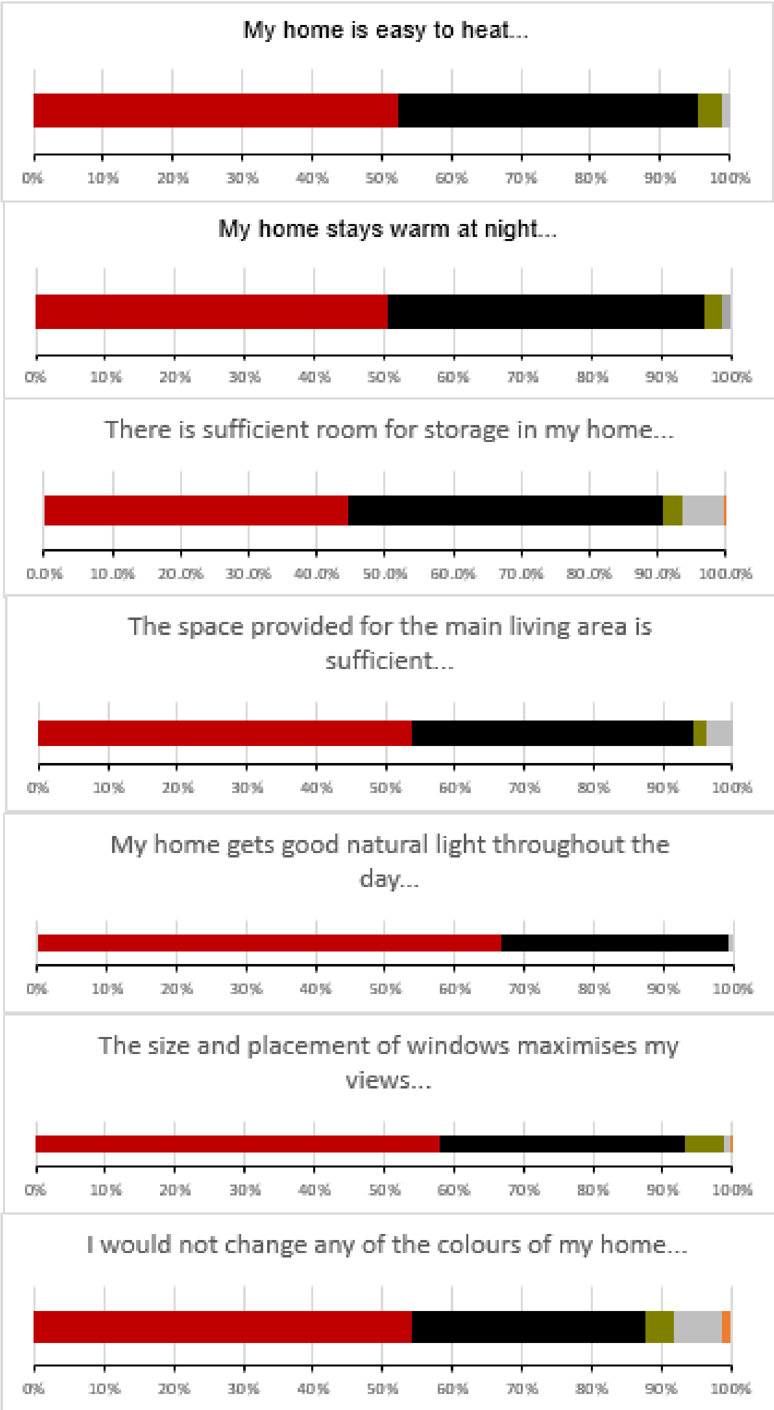


Figure 9. Ratings – performance after handover.

While all the scores for builders were relatively high regarding new home performance, a few areas were somewhat more prone to mixed/negative feedback (Figure 10). These aspects were:

- the landscaping/outdoor improvements provided by my builder met my needs
- my electricity bills are lower than I expected
- the internal paint finish is what I was expecting
- I would not change the layout of my home.

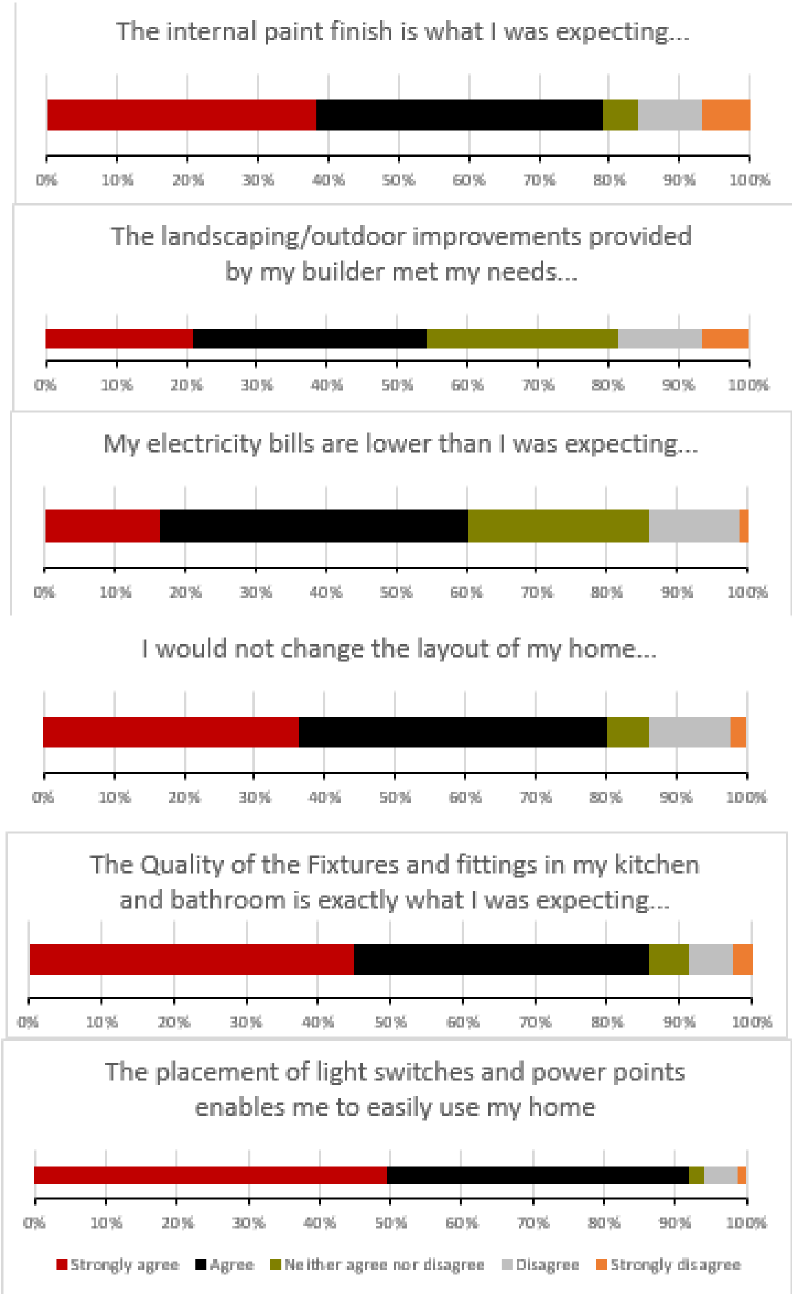
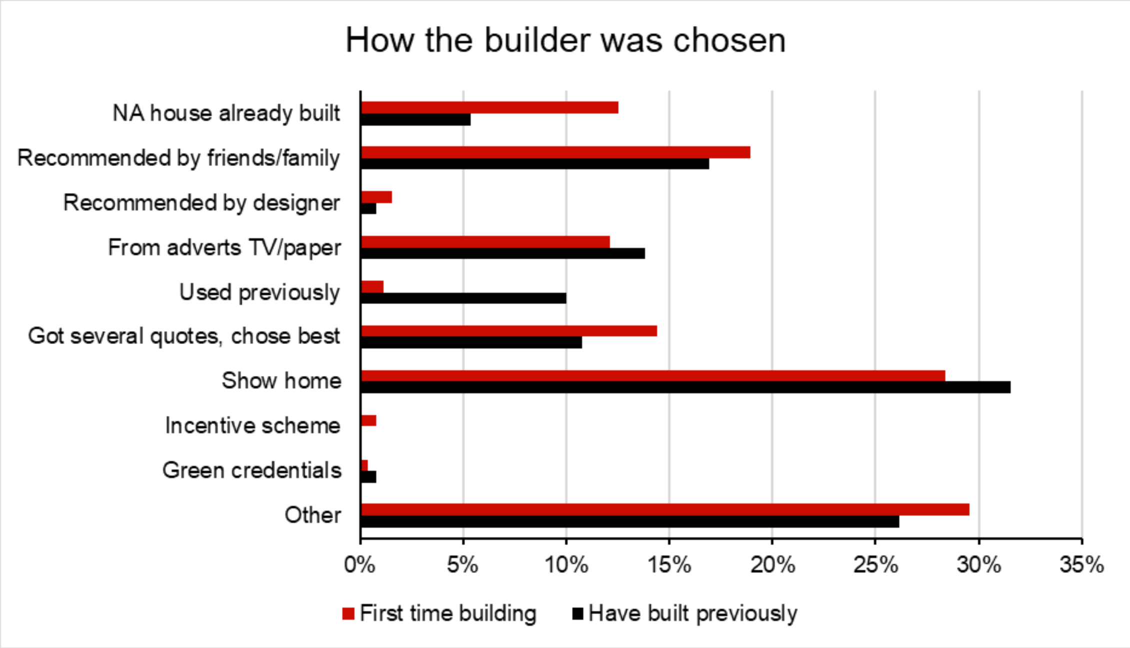


Figure 10. Ratings – performance after handover – mixed/negative feedback.

3.2 How builders were chosen

This year, there seemed to be a greater difference in the methods first-time new house owners chose in selecting a builder compared to those who had built previously (Figure 11). The largest exception was 'got several quotes, chose best'. Only 10% of respondents who had built before got quotes compared to 14% of first-time new house owners. Choosing a builder based on their show home was the most common method, used on average by 29% of respondents – down from 31% in 2019. The second most popular method chosen was the 'other' category, used by an average of 28% – a slight increase from 27% in 2019.



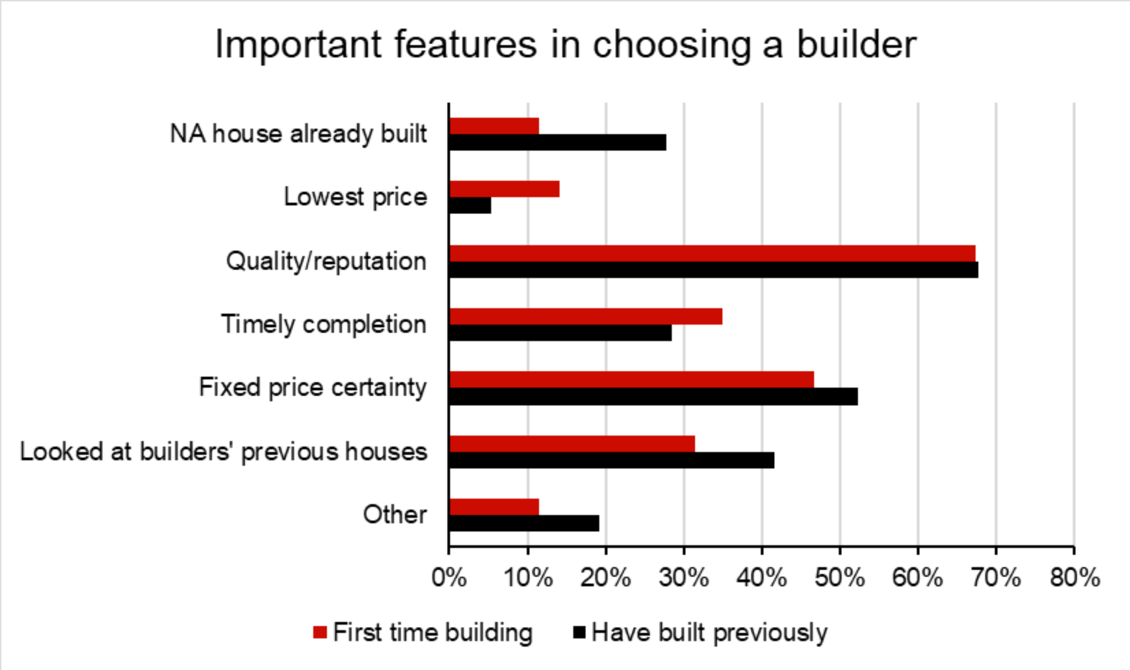
Percentages add to more than 100% as respondents were able to select more than one option.

Figure 11. How the builder was chosen.

The 'other' category has surpassed 'recommended by family and friends,' which would suggest that a growing proportion of clients are finding new ways to choose their builder, alternative to the common means we have identified throughout the course of this work. When analysing the comments respondents left, several themes became apparent. We found that clients were choosing their builder based on internet advertisement, through Trade Me or through their chosen builder's 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. Many of these findings came about because of more-nuanced or expanded responses to the categories we provide in the survey, with respondents listing methods like "getting a recommendation from a work colleague" or "choosing based on the builder's past record of work". The survey options will need to be tweaked to better reflect new house owner decision making when choosing a builder.

The majority (68%) of respondents stated that the quality/reputation of their builder was the most important feature in choosing them (Figure 12). This has decreased slightly from 73% in 2019. Fixed price certainty has remained as the next most selected feature, used by an average of 49% of respondents. Third most popular was looking at the builder's previous homes, which was selected by 37% of the survey participants. The latter two categories decreased in selection for the first time since 2016.

Increased emphasis on show homes and the builder's previous work shows that clients are placing increasing value on tangible examples of the builder's work. The increase in the number of respondents considering fixed price certainty in choosing a builder may be associated with the decrease in clients choosing their builder based on the best quote.



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

Figure 12. Important features in choosing a builder.

Lowest price, fixed priced certainty and timely completion had the most substantial percentage differences between first-time clients and repeat clients. Compared to 2019, these findings have reversed. First-time clients in 2019 were more likely than repeat clients to select based on fixed priced certainty, whereas repeat clients were more inclined to choose based on the same category in 2020.

While the overall trend of the three most important features for respondents is the same as 2019, the percentage of those selected categories is much more mixed across our sample compared with previous years. While the shifts in priority between first-time clients and repeat clients is something to monitor going forward, what is clear is that these categories still suggest clients are becoming more discerning and attempting to incorporate a broader range of measures in assessing and choosing their 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 13). 63% of respondents would recommend their builder, with 41.7% who would do so without being asked. Since 2016, there has been a slight increase in the proportion of respondents that would speak critically of their builder and a slight decrease in those that would recommend them. In 2019, this had started to reverse, with a slight increase in respondents that would recommend their builder and a decrease in those that would be critical without being asked – from 10.2% in 2018 to 7.7% in 2019 for the latter. However, this has dramatically increased again in 2020 with 13% reporting they would speak critically without been asked. Negative comments, as with previous years, were typically focused on deficiencies in service, lack of supervision of subcontractors and communication and disputes over defects and completion time.

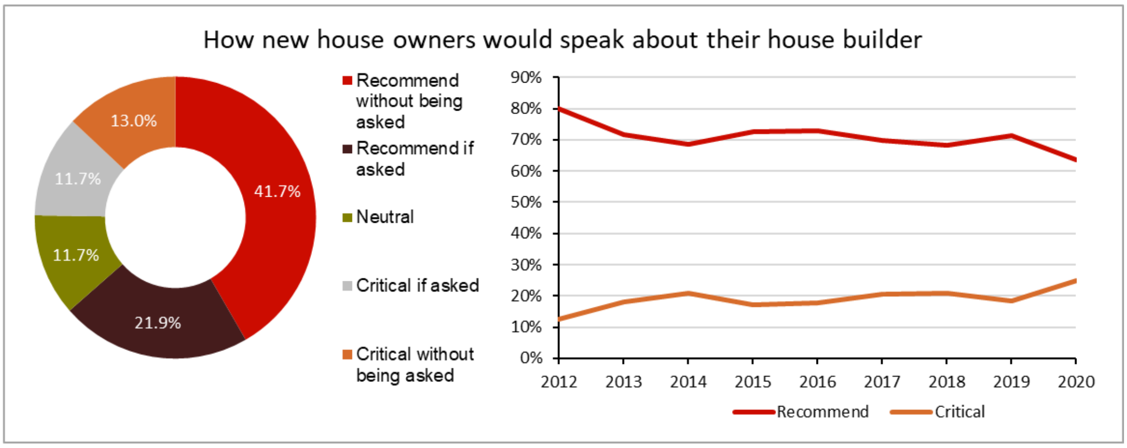


Figure 13. How respondents would speak about their builder.

Comparing satisfaction and rating scores (Figure 7 and Figure 8) with how new house owners indicated they would speak about their builder (Figure 13) can reveal which areas of the new-build process have the greatest impact on the client's view of the builder.

In areas, there is very little difference in average score between those who would recommend their builder without being asked and those who would only recommend if asked. However, between the two levels of recommendation, there are somewhat 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. The drops in these areas can likely be attributed to how busy the industry is at present and the impact COVID-19 has had in creating delays in building activity across New Zealand.

COVID -19 has had a significant impact – 55.5% of our sample indicated that COVID-19 had a moderate to major impact on their build (Figure 14).

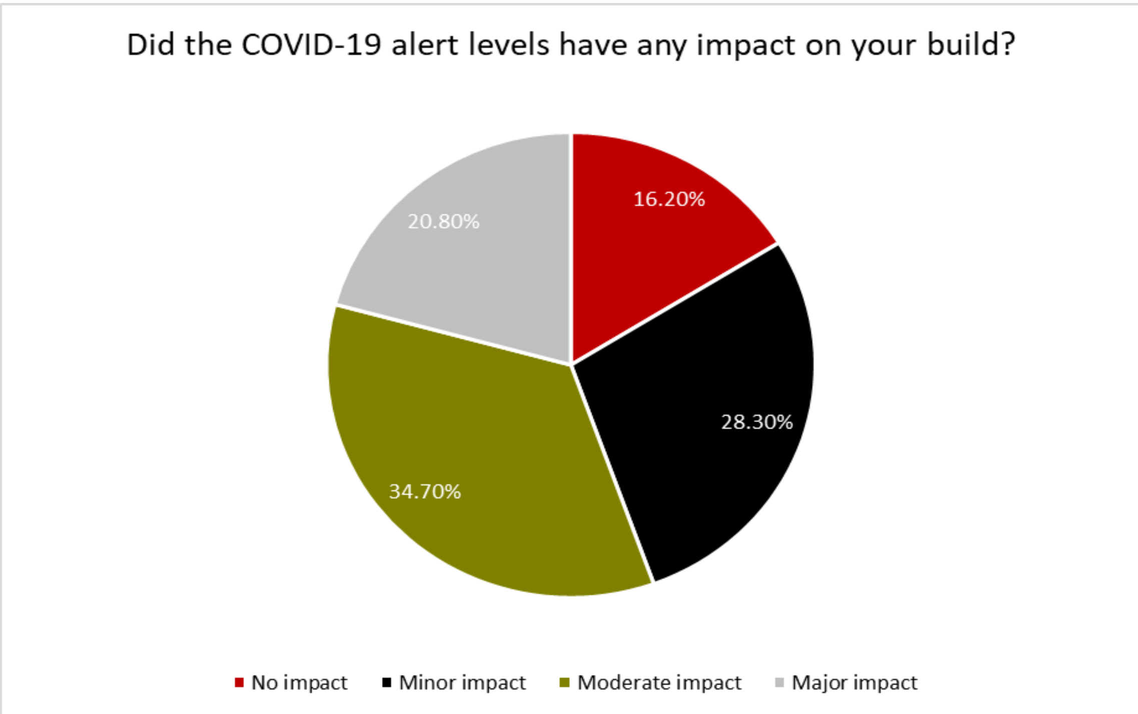


Figure 14. Impact of COVID-19 lockdowns on client houses during build process.

Clients described a minor impact as relating to things like a 4–6-week lockdown that happened to fall on the time of their build. A moderate impact usually meant a longer delay because a COVID-19 lockdown had occurred before the house had been closed in or because they needed to wait for or change materials or tradespeople. A major impact encompassed all of the above but was accompanied by unexplained delays that weren't communicated clearly to clients.

3.4 Disputes over final cost

Disputes over cost have increased again after a significant drop in 2019 – about 13.5% of respondents reported a dispute with their builder over the final cost (Figure 15).

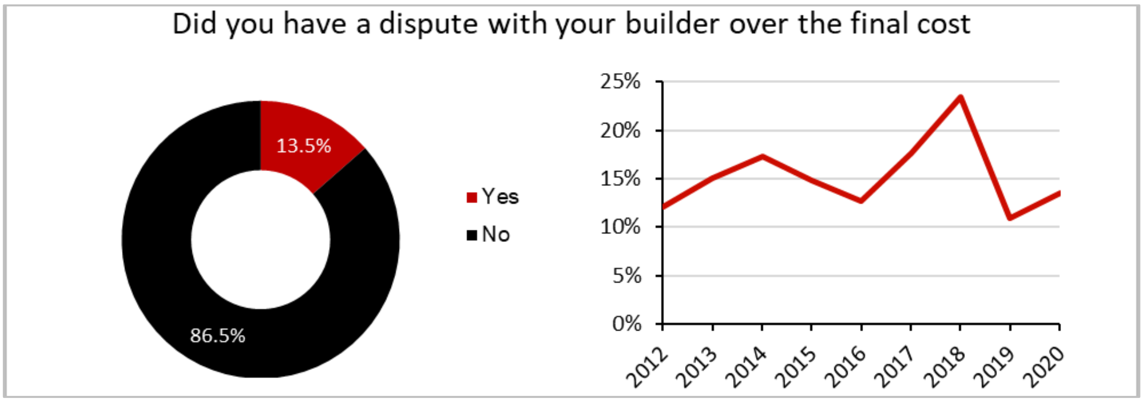


Figure 15. Disputes over final cost.

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.

Disputes over final cost were more common for those who selected their builder for the lowest price than for fixed price certainty or other reasons (Figure 16).

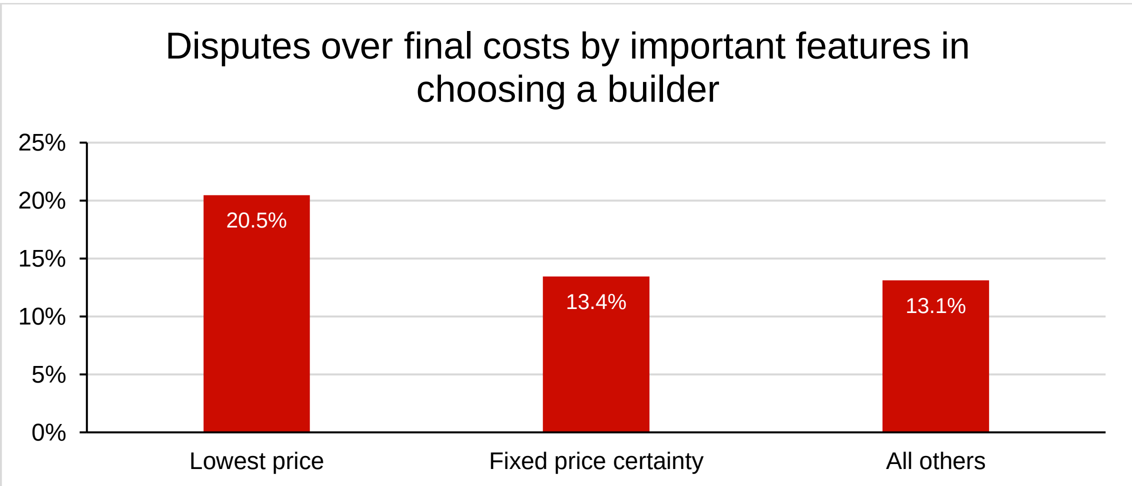


Figure 16. Disputes by important features in choosing builder.

3.5 Call backs

There has been a slight increase in the proportion of respondents that had to call back their builder in 2020 (Figure 17). In 2019, 83% of respondents called their builder back to fix defects after first occupancy, which increased to 87.7% in 2020 – well above the low of 68% in 2012.

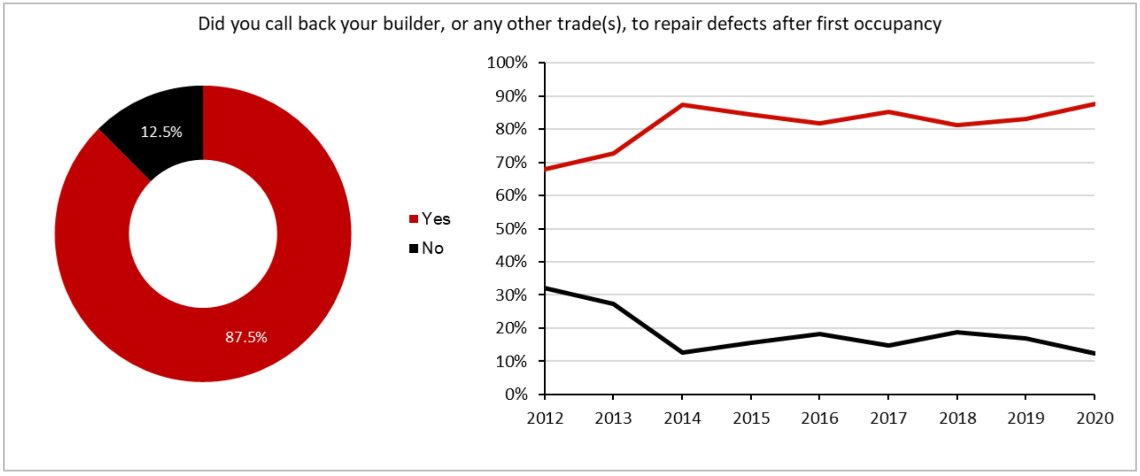


Figure 17. Call backs.

When looking at call backs by region, Auckland decreased from 90% in 2019 to 74% in 2020 (Figure 18). The Canterbury region had a slight increase from 80% to 81%, with the 'Rest of NZ' category increasing from 84% to 90%.

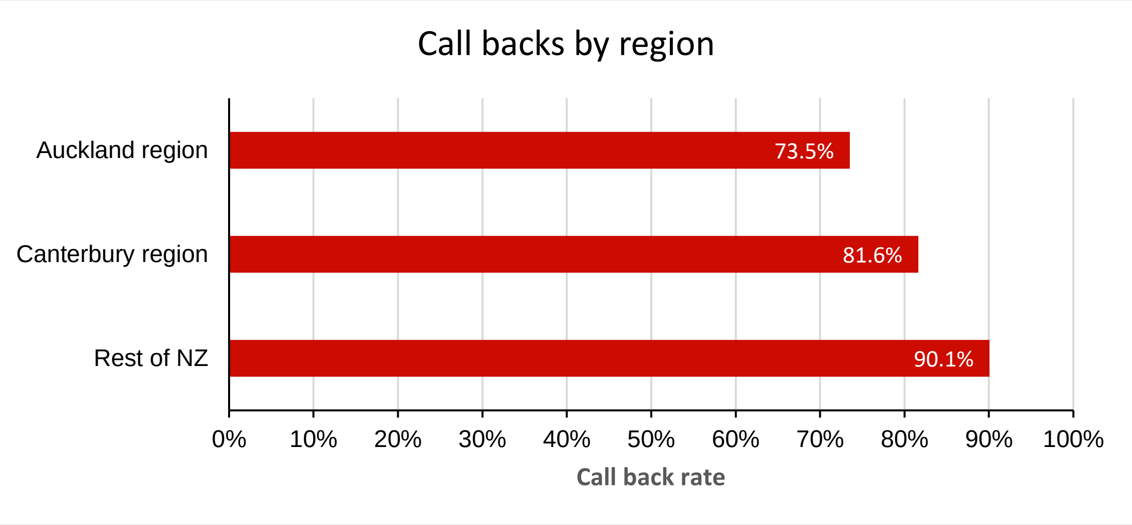


Figure 18. Call backs by region.

As with the previous year, the most frequently called back trades were painters, plumbers and electricians (Figure 19.). Painters were called back by 61% of respondents and plumbers by just over half. Electricians were called back by 49% of respondents. Every trade saw an increase in the percentage of call backs compared to 2019. It should be noted that painters and plasterers in particular 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 the above-mentioned trades has increased for each trade from 2019's survey.

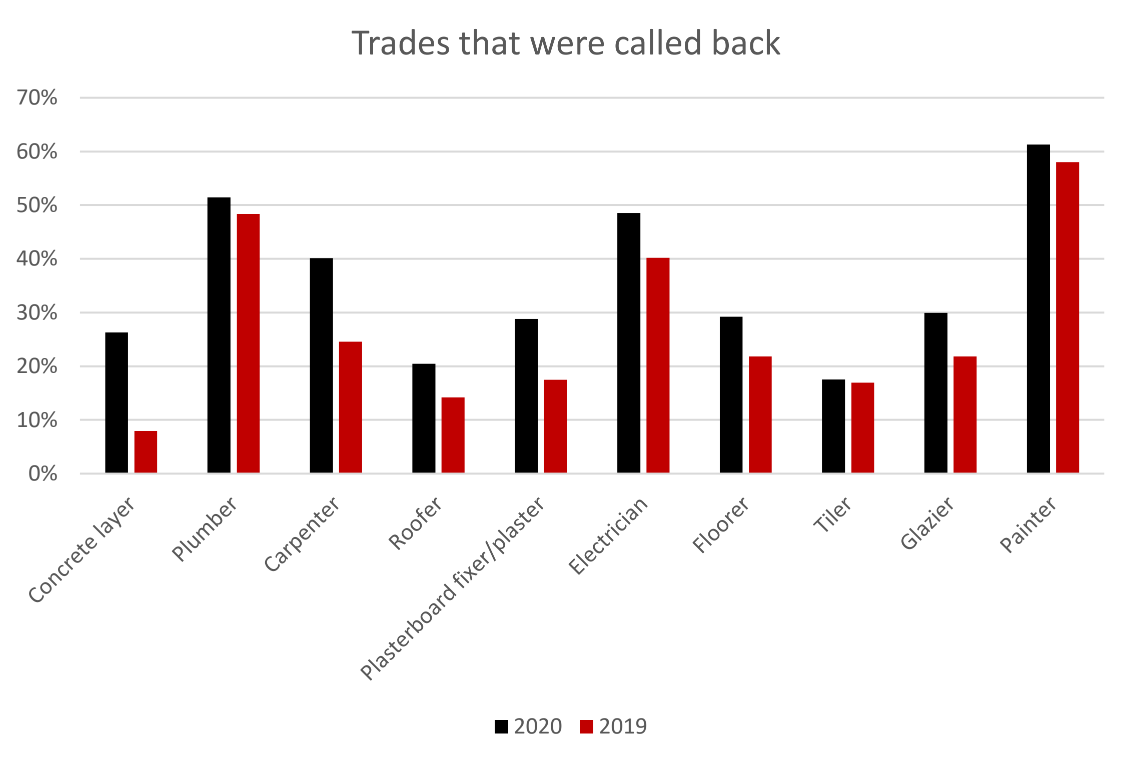


Figure 19. Trades that were called back.

A new addition to this year'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 20).

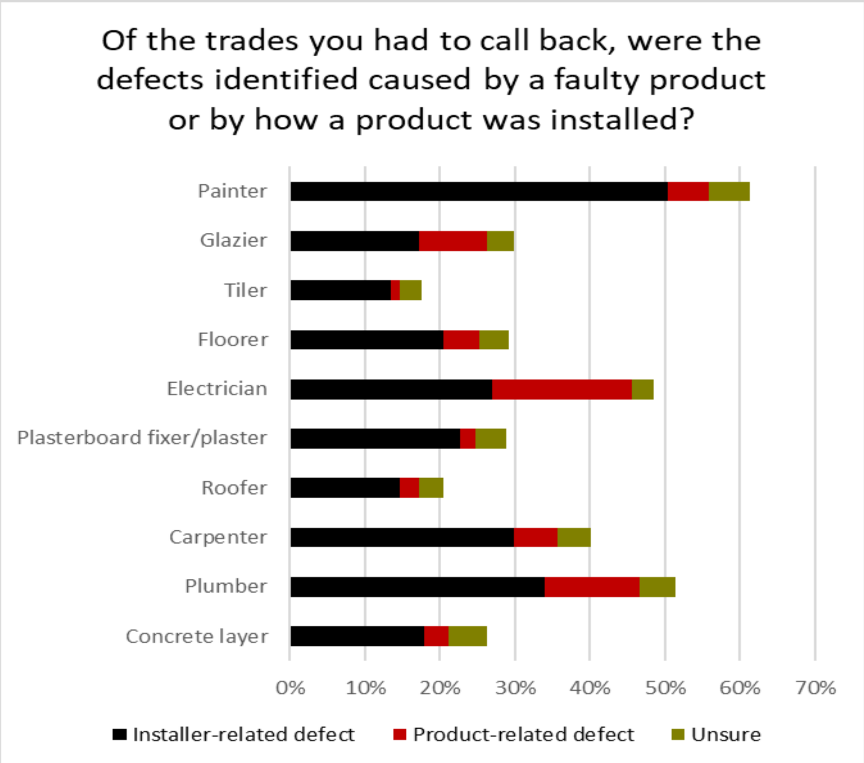


Figure 20. Installer-related or product-related defects.

Many call backs were installer-related defects, but electricians, plumbers and glaziers had a higher percentage of product-related defects for which they were called back by clients.

Over half of owners were not surprised by the number of defects that occurred in their new build (Figure 21). About a fifth (23%) of respondents stated that they had fewer defects than expected, and a further 31% stated that the number of defects was as expected (60% in total). 10% of respondents stated that they expected no defects. 36% of respondents stated that they had more defects than expected, an increase from 25% over last year's findings but lower than the 41% in 2018.

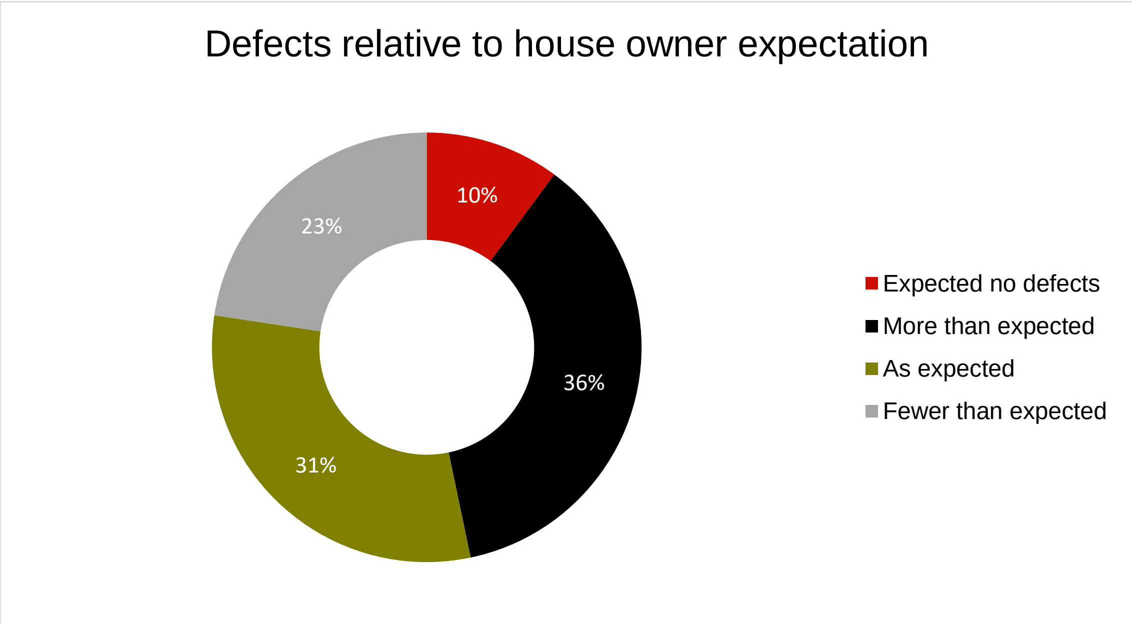
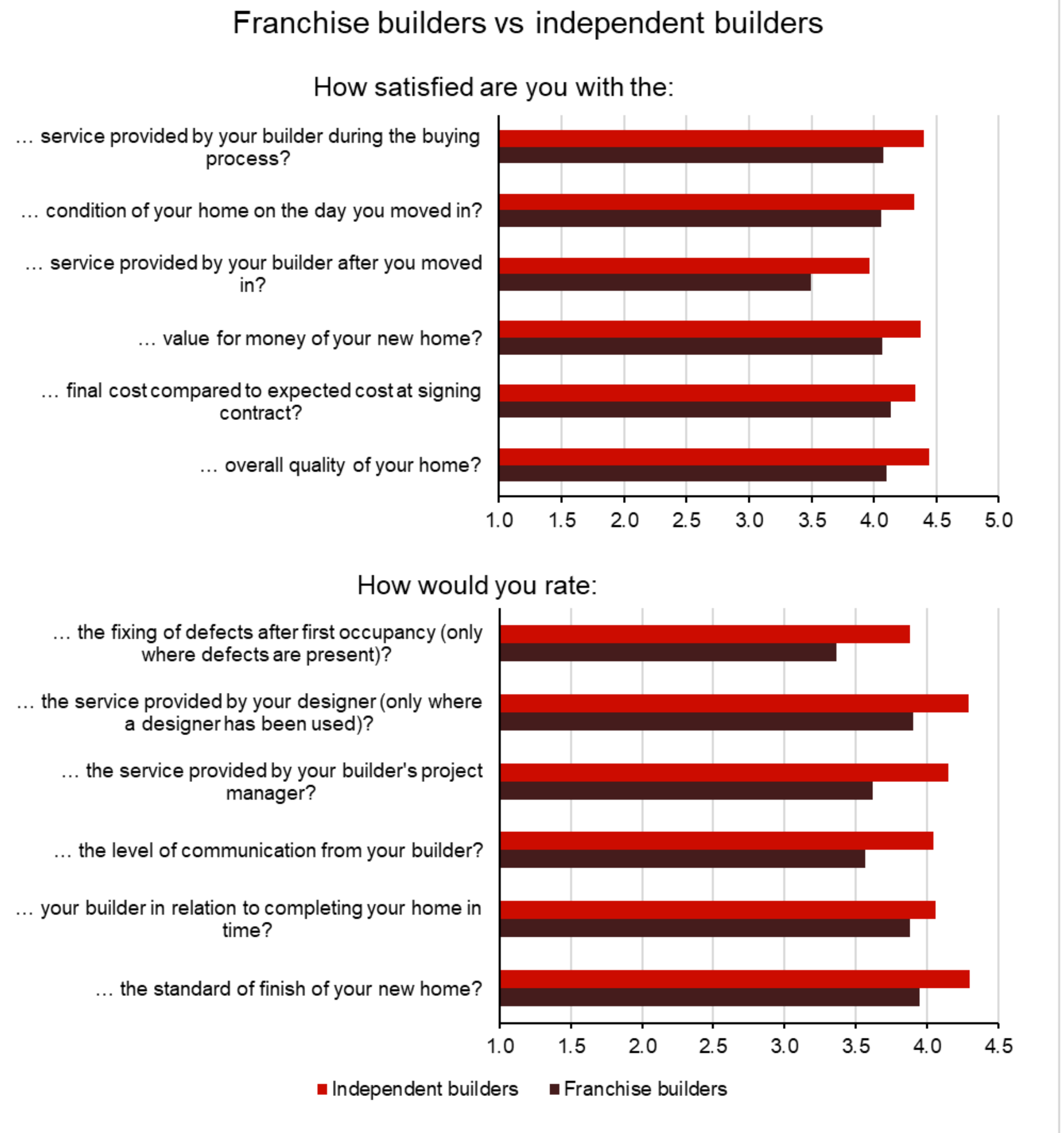


Figure 21. Defects relative to expectations.

3.6 Comparison between franchise and independent builders

Independent builders once again outscored franchise builders across every measure in the 2020 survey (



Note: 1= Very dissatisfied, 2= Fairly dissatisfied, 3= Neither, 4= Fairly satisfied, 5= Very satisfied.

Figure 22).

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:

- fixing of defects after first occupancy (only where defects are present)
- level of communication from the builder
- service provided by the builder's project manager
- service provided by the builder after the client moved in.

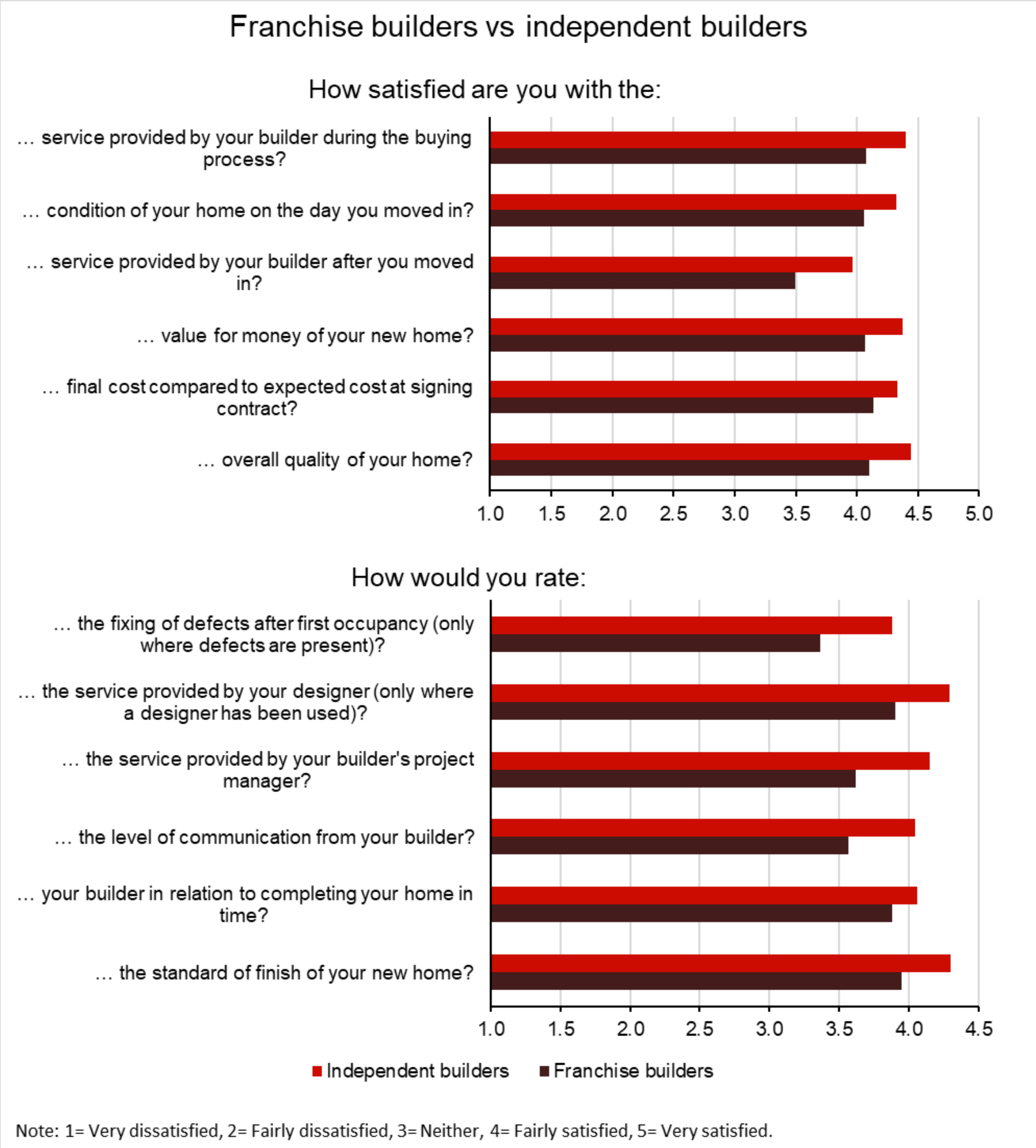


Figure 22. Average scores for franchise and independent builders.

3.7 Comparison by housing package

As in previous surveys, the 2020 survey has 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 (Figure 23). 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.

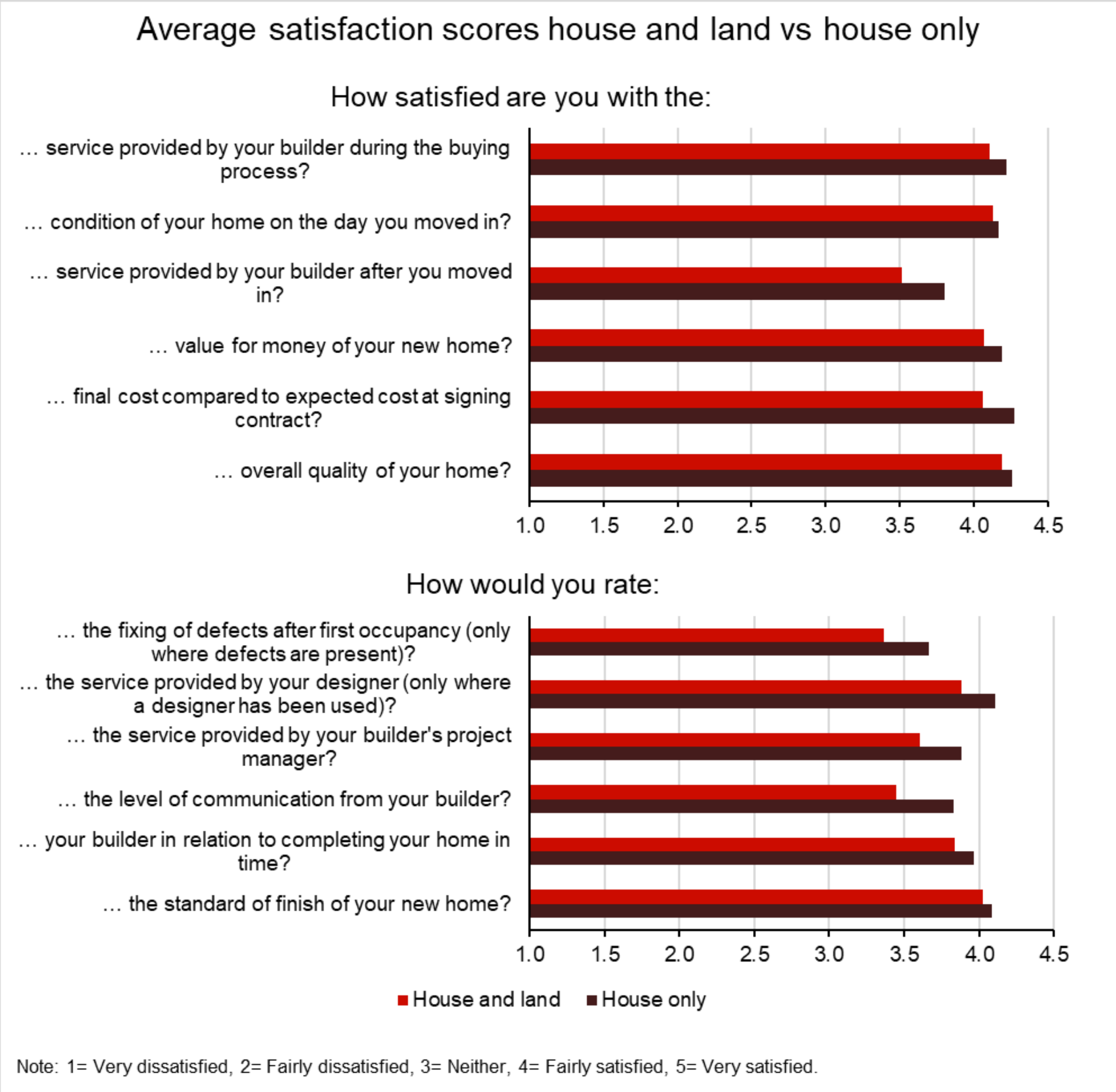


Figure 23. Average scores for house and land package versus house only.

4. Conclusion

COVID-19 has had a significant effect on the New House Owners Satisfaction Survey in 2020. Over half of our sample (55%) reported that COVID-19 had a moderate to major impact on their build. Most of that impact can be seen in the scores relating to the more service-oriented categories in the survey. New house owners have experienced a slight decrease in average house owner satisfaction across all measures. While many clients would recommend their builder, a small but not insignificant number of house owners have been critical of their builder in 2020.

There continues to be a wide range of experiences for new house owners. While 57% were satisfied with their builder, 19% reported dissatisfaction. Owners that have built a house before tended 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 an increasing number of first-time clients (67% according to this survey), this will continue to weigh on satisfaction levels if expectations are not managed.

Call backs increased again this year – 87% of respondents had to get a call back to fix defects. While the overall call backs have increased in 2020, a lower percentage of trades are being called back, with all tradespeople, including painters, plumbers and electricians, being called back by below 50% of respondents.

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 29% of respondents used as a factor in choosing their builder. However, the types of features that clients consider before choosing a builder are diversifying – for example, there is increasing emphasis on looking at the builder's previous houses. In addition, clients appear to be placing greater emphasis on fixed price certainty 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. We are also seeing an increase in responses of clients using mediums like internet/Google searches and Trade Me and emailing companies directly to choose their builder. The 2020 data showed that only 18% percent of respondents chose their builder through recommendations by friends/family – a large drop from 27% the previous year.