Study Report SR421 [2019]

New House Owners' Satisfaction Survey 2018

Nick Brunsdon and Orin Lockyer

Funded from the
Building Research Levy

1222 Moonshine Rd, RD1, Porirua 5381
Private Bag 50 908, Porirua 5240
New Zealand
branz.nz

ISSN: 1179-6197

Preface

This is the eighth 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 Riaan Labuschagne and Patrick O'Neill (Global Research) 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 form. We would like to thank all of those people who filled in the survey form and returned it to BRANZ.

New House Owners' Satisfaction Survey 2018

BRANZ Study Report SR421

Authors

Nick Brunsdon and Orin Lockyer

Reference

Brunsdon, N. & Lockyer, O. (2019). *New House Owners' Satisfaction Survey 2018.* BRANZ Study Report SR421. Judgeford, New Zealand: BRANZ Ltd.

Abstract

This report presents the results of the eighth 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 house owners' satisfaction with their builders has held relatively steady, falling from 62% in 2017 to 61% of owners rating their builder as satisfactory. Owners are rating their builder highly on their ability to deliver a quality home with a good 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.

Overall, 80% of respondents reported having to call back their builder to fix defects after first occupancy. Respondents were split down the middle in relation to the number of defects – 49% saw defects as expected or fewer than expected and the remaining 51% expected no defects or had more defects. This is a possible indication that clients are becoming more discerning around defects or that the industry could look to improve communicating the challenges of building a new home in the current market.

Keywords

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

Contents

Figures

Tables

Executive summary

The main findings of this report are as follows:

- Overall satisfaction scores decreased slightly in 2018, with 61% rating their builder as fairly or very satisfactory, down from 62% in 2017.
- Owners were 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.
- Owners were least happy with the fixing of defects after first occupancy, communication from the builder and service after moving in. Service after moving in continues to be an area for improvement for the industry.
- The proportion of survey respondents that are building for the first time continues to increase, reaching 61% in 2018.
- Most respondents stated that an important feature in choosing their builder was their quality/reputation. However, 46% of respondents opted for a builder that offered a fixed price.
- 39% of respondents chose their builder based on the quality of the builder's show home, while 29% did so based on the recommendations from friends and family. Only 15% of respondents got several quotes and chose the best, down from 33% in 2017.
- Most respondents had a written contract with their builder. However, 11% of those respondents who used an independent builder did not have a written contract.
- About 23.5% of respondents had a dispute with their builder over the final cost, up by 5% from 2017. Disputes were slightly more common for those who selected their builder due to fixed price certainty or the lowest price.
- The call-back rate has fallen from 85% to 80% in 2018. However, the percentage of tradies called back has increased, with painters and plumbers called back in more than 50% of call backs.

1. Introduction

The BRANZ New House Owners' Satisfaction Survey has been running annually since 2011. The survey was developed in response to a lack of measures of quality of output from the industry. It allows us to monitor trends in the quality of output for 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 the 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 their builder during the buying process 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 8 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 4,563 new house owners was identified from consents taken out between March 2017 and April 2018. This period was selected to largely represent houses that were completed in the 2018 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 where the owner was 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 551 returned and completed surveys, which have been used for the analysis represented in this report. A total of 1,103 surveys were returned as they were unable to be delivered due to the house still being incomplete, a change in street name and/or number or the build not progressing past consent stage. After deducting these returns, the response rate was 16%, which is consistent with prior years' surveys that were predominantly delivered through a paper-based questionnaire. This shows that the current approach of postcard invitations directing respondents to an online questionnaire has not impacted the response rate.

3. Results

This section presents the results of the BRANZ New House Owners' Satisfaction Survey 2018.

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

- Did the respondent use a franchise or independent builder?
- Has the respondent built previously?
- Did the respondent purchase a house only or a house and land package?

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

How many respondents used franchise builders?

About 53% of respondents used franchise builders this year (Figure 1). This was down by 5 percentage points from last year's survey. As the survey excludes spec building, it is possible that there has been a shift to spec building by franchise builders.

The most commonly used franchise builders in this survey were G J Gardner Homes, Golden Homes and Jennian Homes. This differs somewhat from other 'top house builder' sources such as BCI[1] because spec builds and multi-unit dwellings are not targeted in this survey.

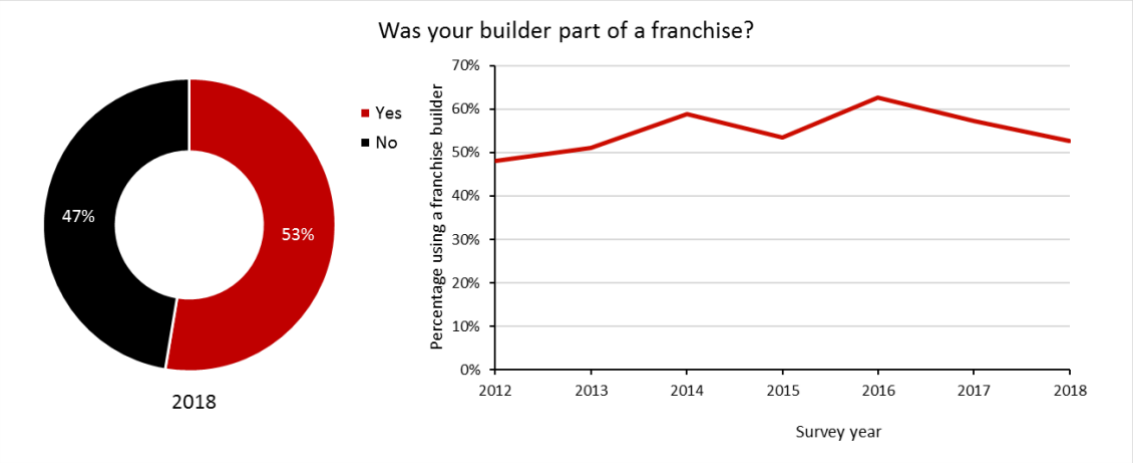


Figure 1. Percentage using a franchise builder.

How many respondents had built previously?

The majority of respondents were first-time builders in this survey (Figure 2). This was a slight decrease in the percentage of owners that had built previously from the last survey.

The percentage of respondents that had built previously has continued to decrease over the course of the survey, meaning that there has been an increase in first-time builders.

[1] www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11913169

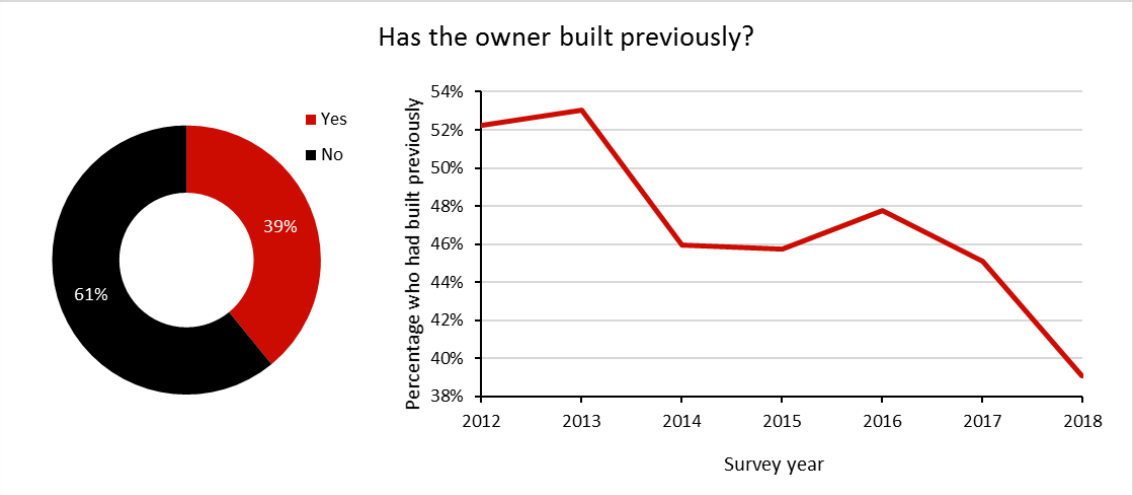


Figure 2. Percentage that had built previously.

Those respondents that chose a house and land package are generally less happy with the performance of their builder than those who bought a house only. House and land packages have become more prevalent in our survey sample over the last 3 years (Figure 3). One-fifth of respondents chose a house and land package in this year's survey.

It is worth noting that the house and land package group only contains those who were involved in the new build from the consent stage. Those 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 in order to capture the end-to-end building process.

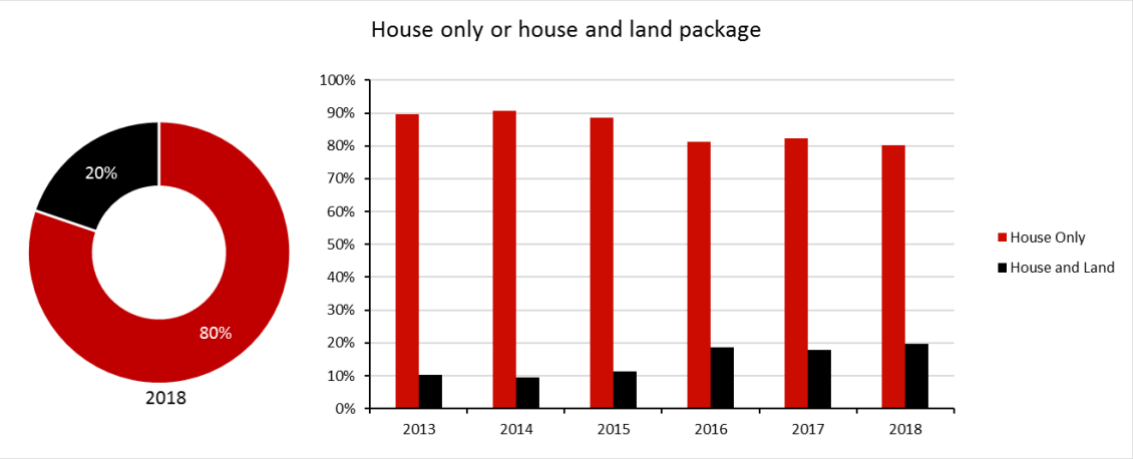


Figure 3. House package.

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] Overall, 93% of respondents reported having a written contract with their builder.

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

Those who used an independent builder were more likely to forego a written contract than those who used a franchise builder. Only 89% of respondents that used an independent builder had a written contract compared to 97% of franchise builders.

Figure 4 shows the type of contract chosen.

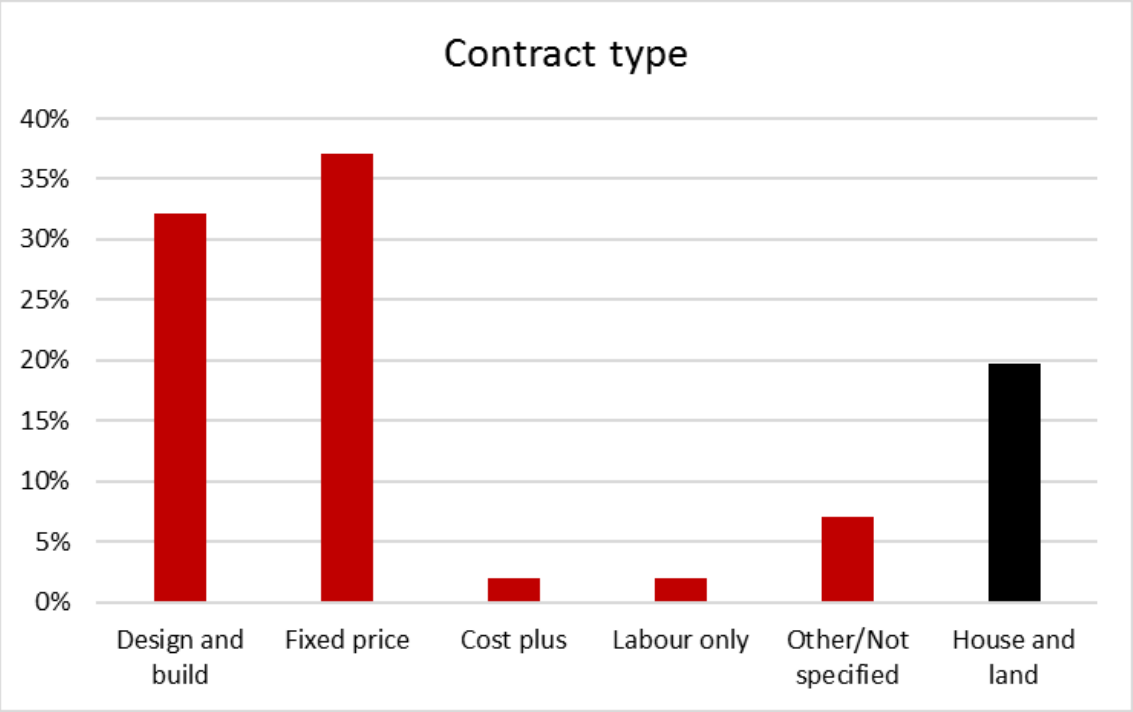


Figure 4. Contract type.

Value of the build

Very few respondents spent less than $250,000 on their build, all of which were house-only contracts. The majority of respondents that bought a house and land package spent $400,001–600,000 on their new build (Table 1).

Unlike previous years of the survey, houses that were part of a house and land package were slightly smaller (averaging 194 m^2) than their house-only counterparts (averaging 208 m^2).

Table 1. New-build value.

New-build value	Number of responses	Percentage
Under $250,000	30	5%
$250,001–400,000	155	28%
$400,001–600,000	213	39%
$600,000+	153	28%

The majority of respondents with contracts in the $250,001–400,000 and $400,0001–600,000 range utilised franchise builders (Figure 5). On the other hand, respondents with contracts in the under $250,000 or $600,000+ ranges were more likely to utilise independent builders.

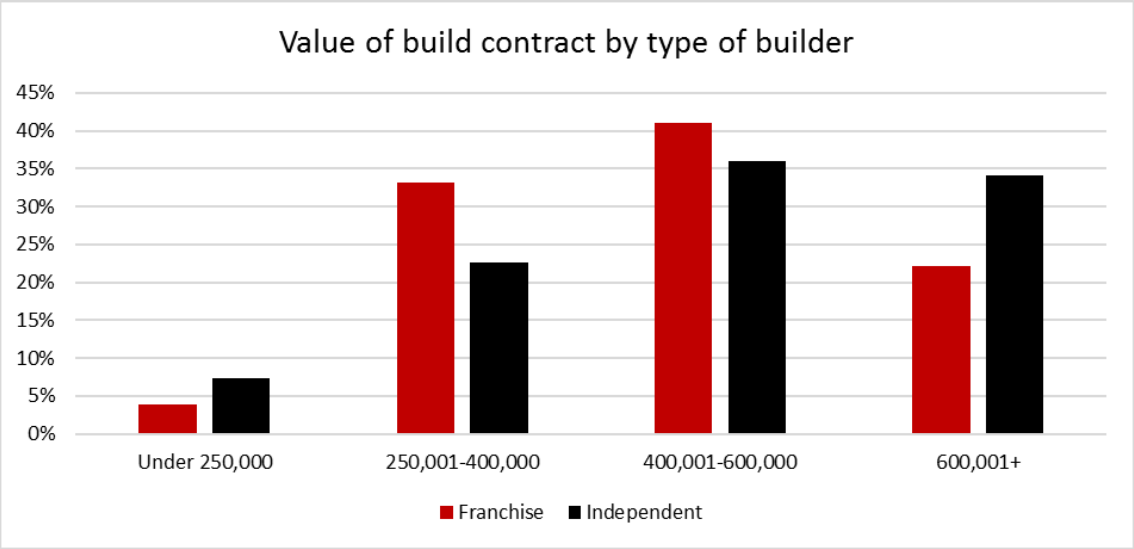


Figure 5. Value of build contract by type of builder.

3.1 Overall satisfaction

Average satisfaction scores have continued to decrease in 2018, dropping to the same level as those surveyed in 2014 (Figure 6).

However, while this drop is a concerning trend, most respondents still rate their builder very highly, with 61% of respondents rating their builder on average between 4 (fairly satisfied) and 5 (very satisfied). Only 18% of respondents scored their builder on average less than 3.

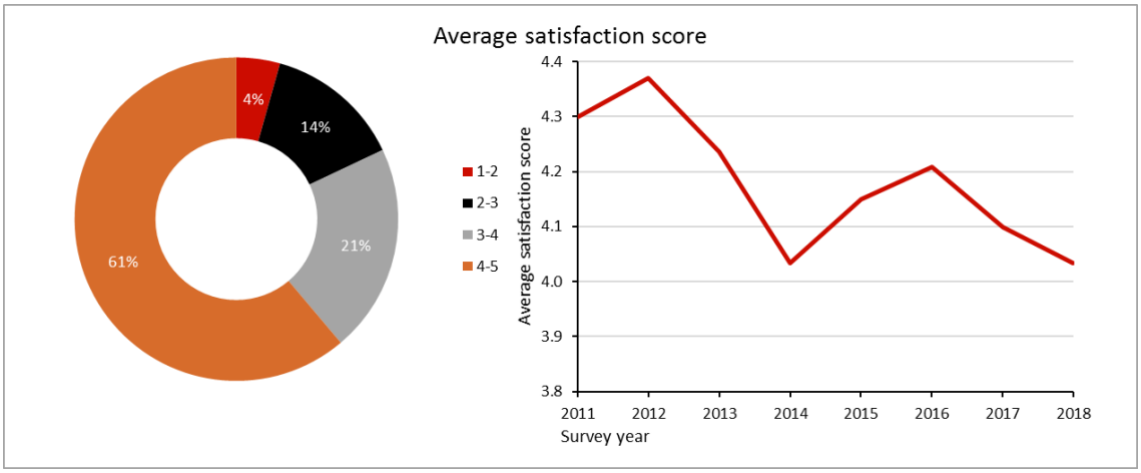


Figure 6. Average satisfaction score.

New house owners were happiest with (Figure 7 and Figure 8)

- the overall quality of their home
- the service provided by your builder during the buying process.

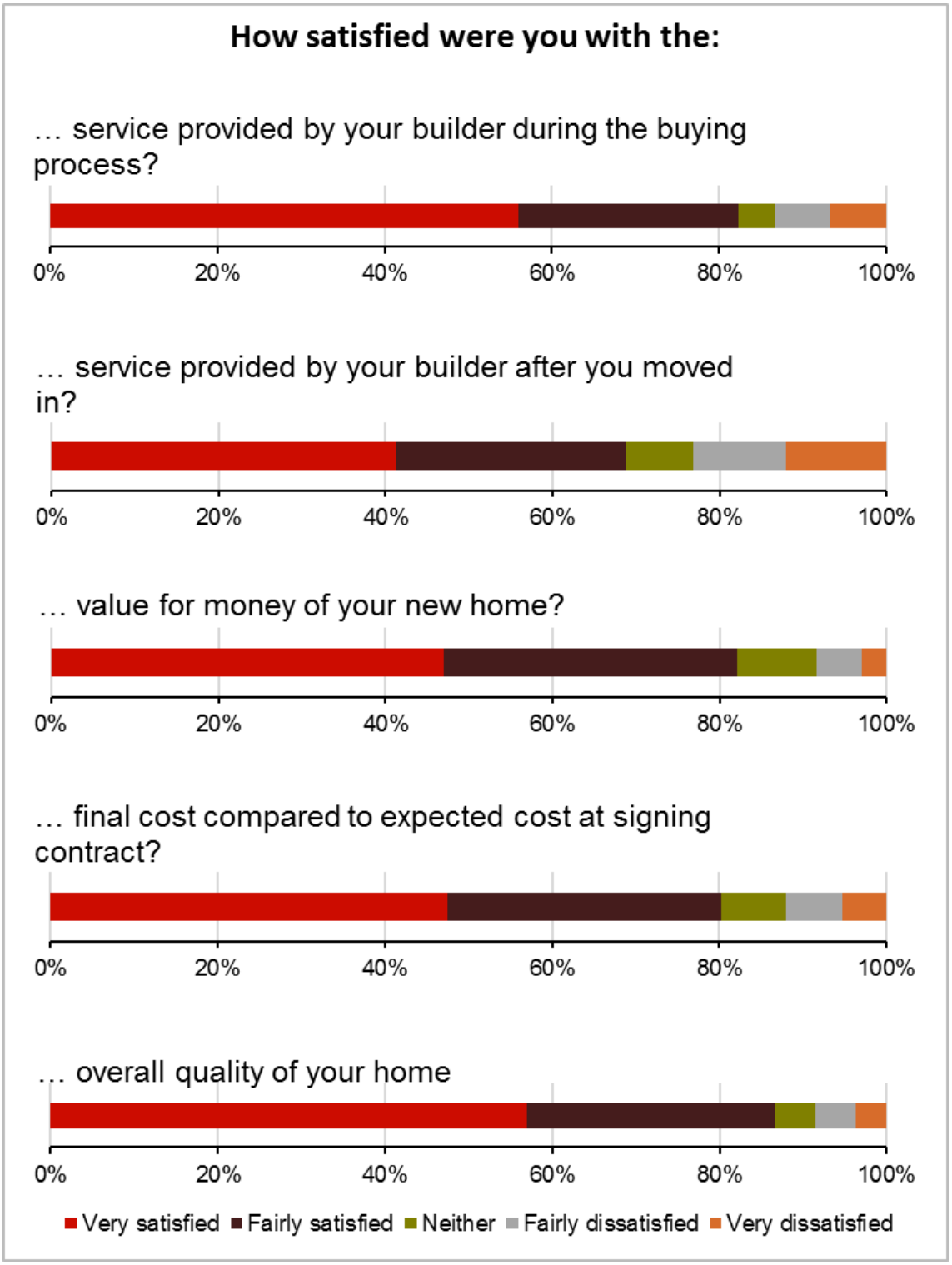


Figure 7. Satisfaction levels.

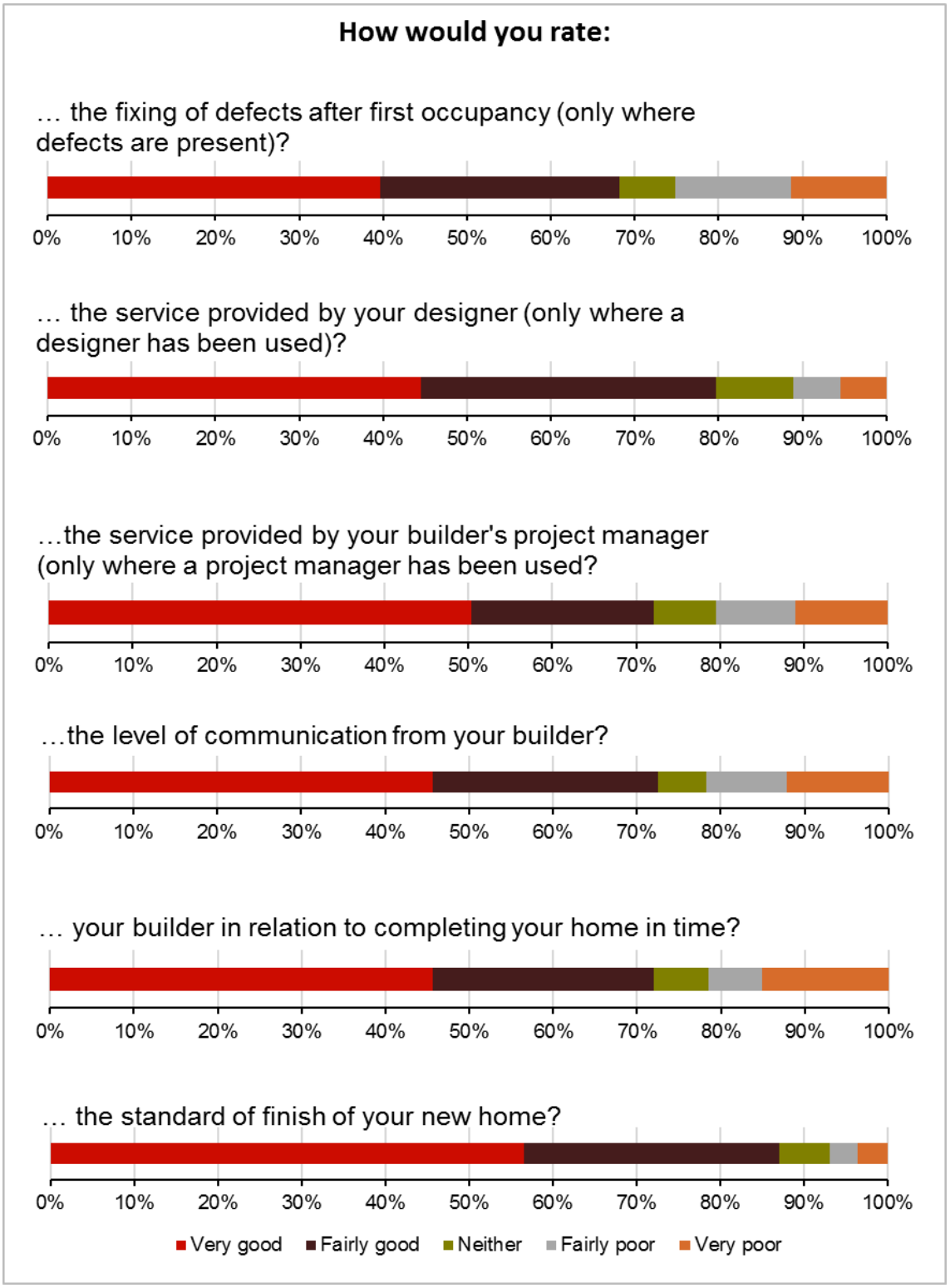


Figure 8. Ratings.

New house owners were least happy with:

- the fixing of defects after first occupancy – this has improved slightly from 2017
- the level of communication from their builder
- the service provided by their builder after they moved in – this has deteriorated slightly compared to 2017.

These results are like those reported in 2017, with satisfaction levels continuing their slow decline since 2016 – an emerging trend to be monitored in future. Despite the slip in service, the industry is performing well at delivering a house the client is happy with in terms of the quality. The level of satisfaction amongst respondents remained steady compared with 2017's responses on the overall quality and standard of finish of their new home.

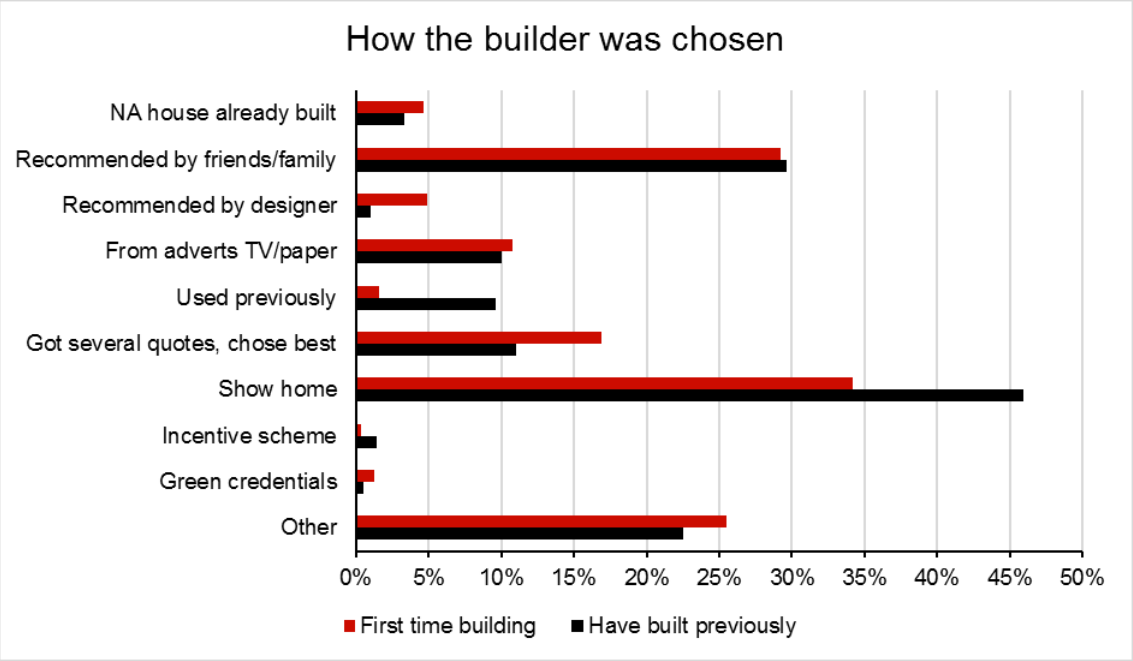
Fixing defects after handover remains an area of improvement for the industry, despite an improvement in good or very good ratings from 65% in 2017 to 68% in 2018. Relatively low ratings around fixing of defects alongside communication and level of service after move-in can be partly attributed to high workloads in the industry at present. Improving this will remain a challenge as workloads are expected to remain high.

3.2 How builders were chosen

Similar methods for choosing a builder were employed by both first-time house builders and those who had built previously (Figure 9). Choosing a builder based on their show home was the most common method, used by 39% – up from 28% in 2017. The second most popular method for our respondents was recommendations from friends or family, used by 29% – a slight increase from 2017.

Using multiple quotes and choosing the best one is down significantly compared to 2017, with only 15% of respondents using this as a method for choosing a builder – down from 33% in 2017.

There were a number of factors outlined in the 'Other' category, but the most common factor identified by one-fifth of responses was that their land purchase obligated them to use a specific builder. This included buying the section from the builder as part of a house and land package or being required by the subdivision developer to use a specific builder.



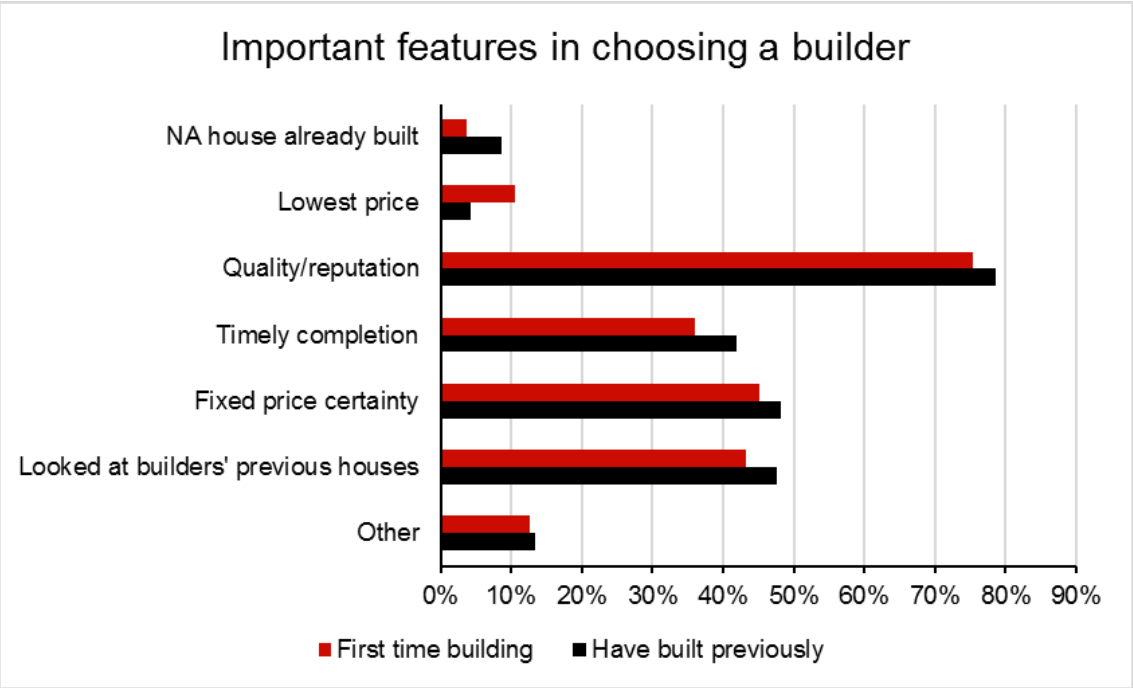
Percentages add to more than 100% as respondents were able to select more than one option.

Figure 9. How the builder was chosen.

The overwhelming majority (77%) of respondents stated that the quality/reputation of their builder was the most important feature in choosing their builder (Figure 10). Fixed price certainty was the next most commonly selected feature, used by 46%, and looking at the builder's previous homes, used by 45%. Use of these three features has increased on 2016 and 2017.

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

While the overall trend of the three most important features for respondents is the same as 2017, the percentage of those selected categories, as noted above, has greatly increased across most categories. The increase amongst these categories might suggest a more discerning client when choosing a builder, incorporating a broader range of measures when assessing and finally choosing their builder.



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

Figure 10. 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 would speak positively about their builder (Figure 11). Nearly 70% of respondents would recommend their builder, the majority of which 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 their builder. One- fifth of respondents would speak critically about their builder, half of which would do so without being asked. Negative comments were typically focused on the areas of deficiencies in service and communication, with disputes over defects and completion time.

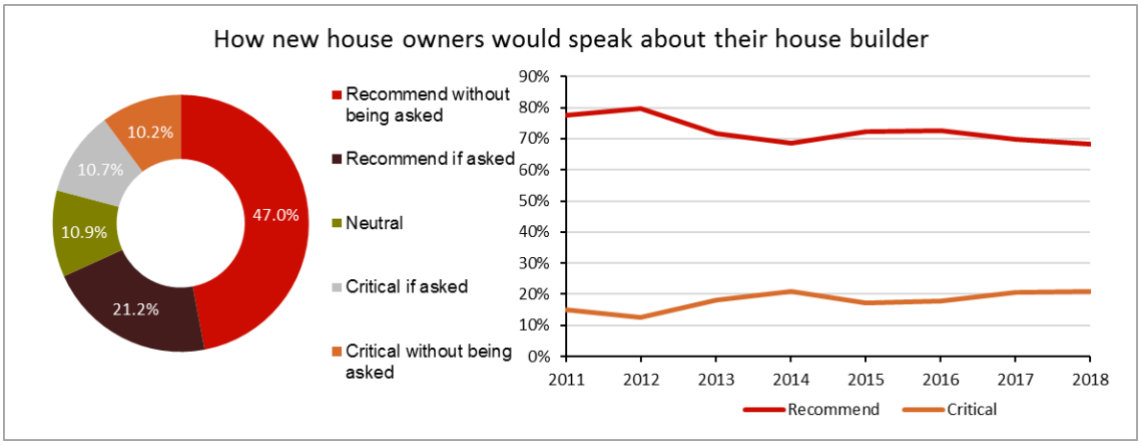


Figure 11. How respondents would speak about their builder.

Comparing satisfaction and rating scores (Figure 7 and Figure 8) with how new house owners would speak about their builder (Figure 11) can reveal which areas of the new build process have the greatest impact on the clients view of the builder.

For most 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 more sizeable differences in scores for service after moving in, fixing of defects, service from the project manager, level of communication and completion on time. This indicates that improvement in these specific areas will generate the greatest improvement in customer satisfaction and therefore forthright referrals for the builder.

3.4 Disputes over final cost

About 23% of respondents had a dispute with their builder over the final cost (Figure 12), an increase of 6% from 2017.

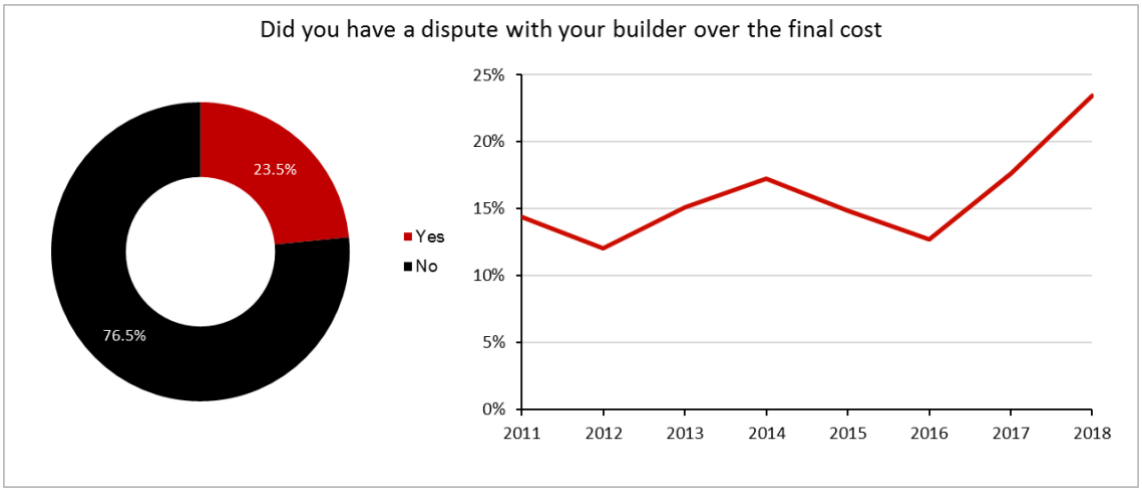


Figure 12. Disputes over final cost.

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.

The growing number of cost disputes highlights the importance of both parties being familiar with the contract and understanding it, as this helps to set appropriate expectations early in the process.

Disputes over final cost were more common for those who selected their builder for fixed price certainty or the lowest price than for other reasons (Figure 13).

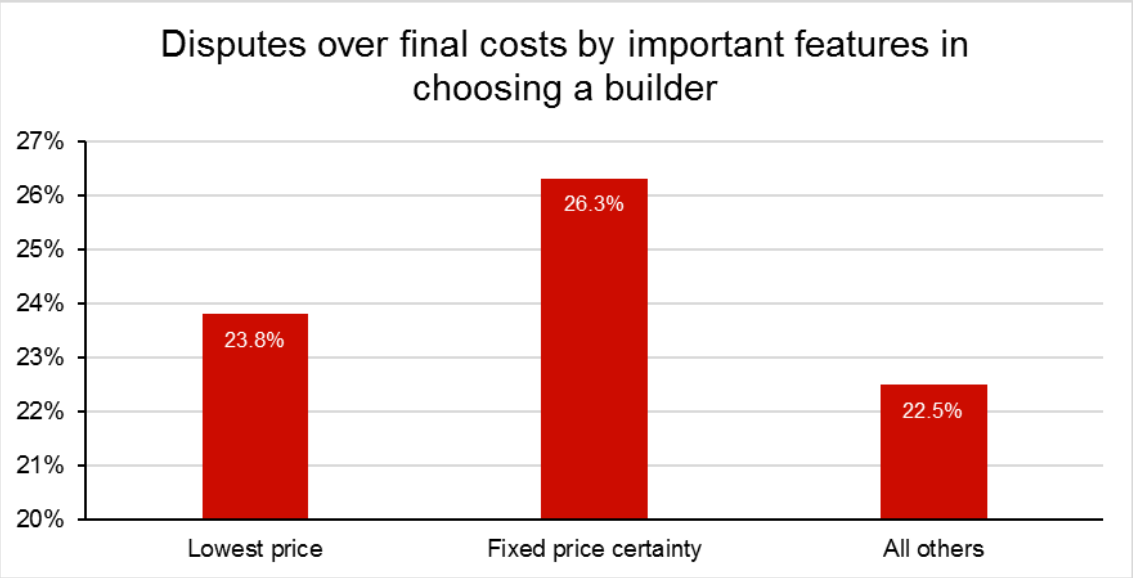


Figure 13. Disputes by important features in choosing builder.

Disputes over the final cost for all the price-value brackets have increased over the 2017 results (Figure 14). Unlike previous surveys, which found disputes were more common in lower-value builds, those who built over 600k+ had the largest percentage of disputes over the final cost of the build at 27% – an increase of 7 percentage points from 2017**.**

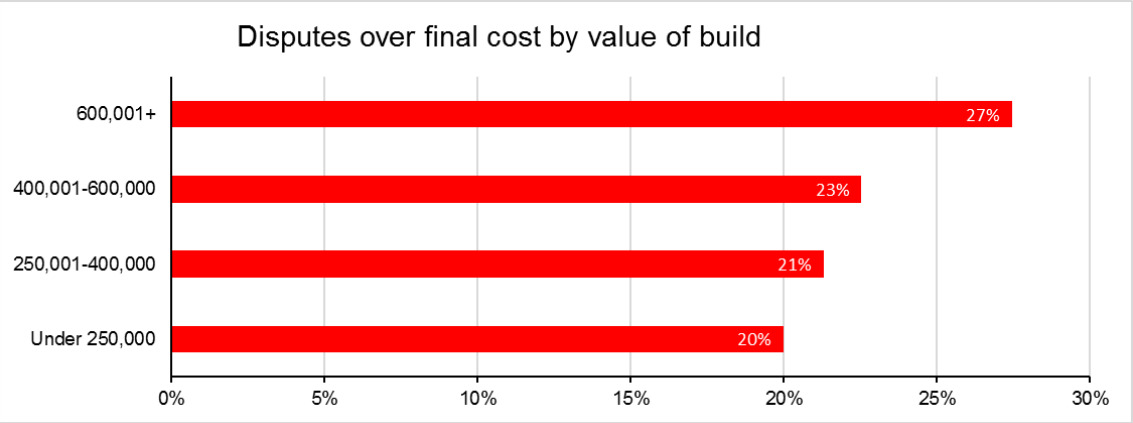


Figure 14. Disputes over final cost by value of build.

3.5 Call backs

There has been a slight decrease in the proportion of respondents that had to call back their builder in 2018, reverting to similar levels in 2016 (Figure 15).

In 2018, just over 80% of respondents called back their builder to fix defects after first occupancy, a decrease from 82.5% in 2017 but still well above the low of 68% in 2012.

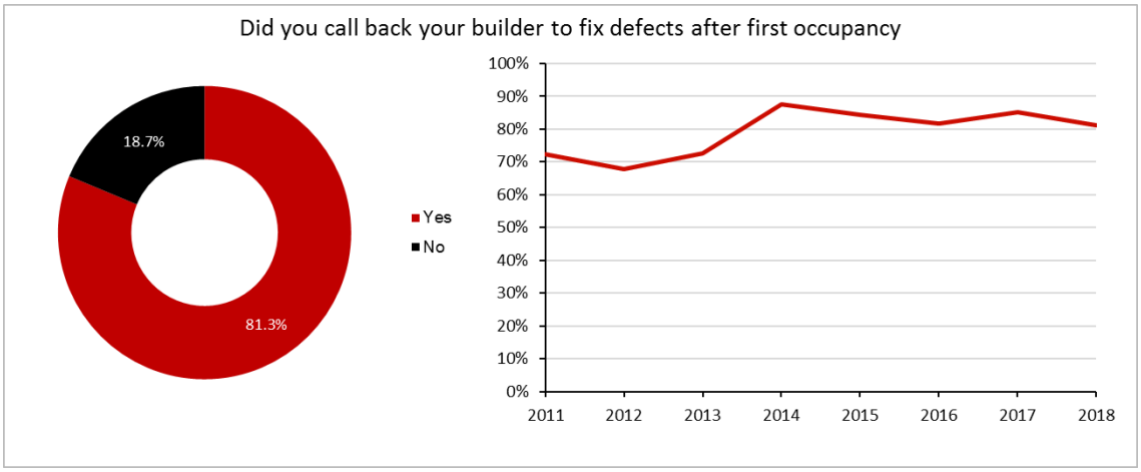


Figure 15. Call backs.

In contrast to the 2017 survey, each region has decreased in the number of call backs per region, with Auckland having the largest drop, going from 82.5% to 76.5% (Figure 16).

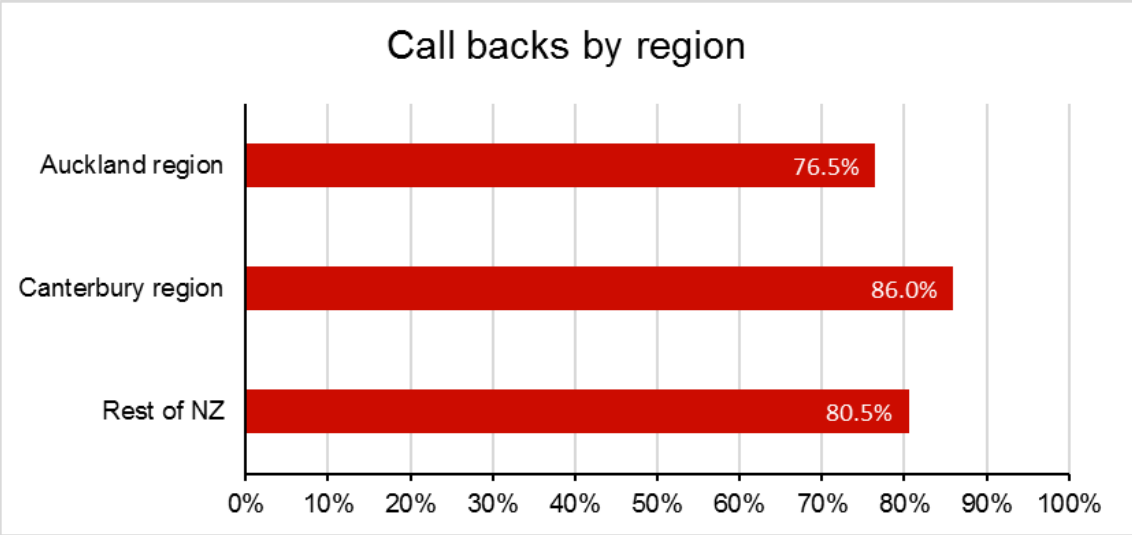


Figure 16. Call backs by region.

The most frequently called back trades were painters, plumbers and electricians (Figure 17). Painters and plumbers were called back by over half of respondents and electricians by just under half. It should be noted that painters and plasterers in particular may be called back to repair damage caused by other subcontractors rather than defects in their work. While the overall trend is the same as 2017, the percentage of call backs for the above-mentioned trades has increased by roughly 10% for each trade from 2017.

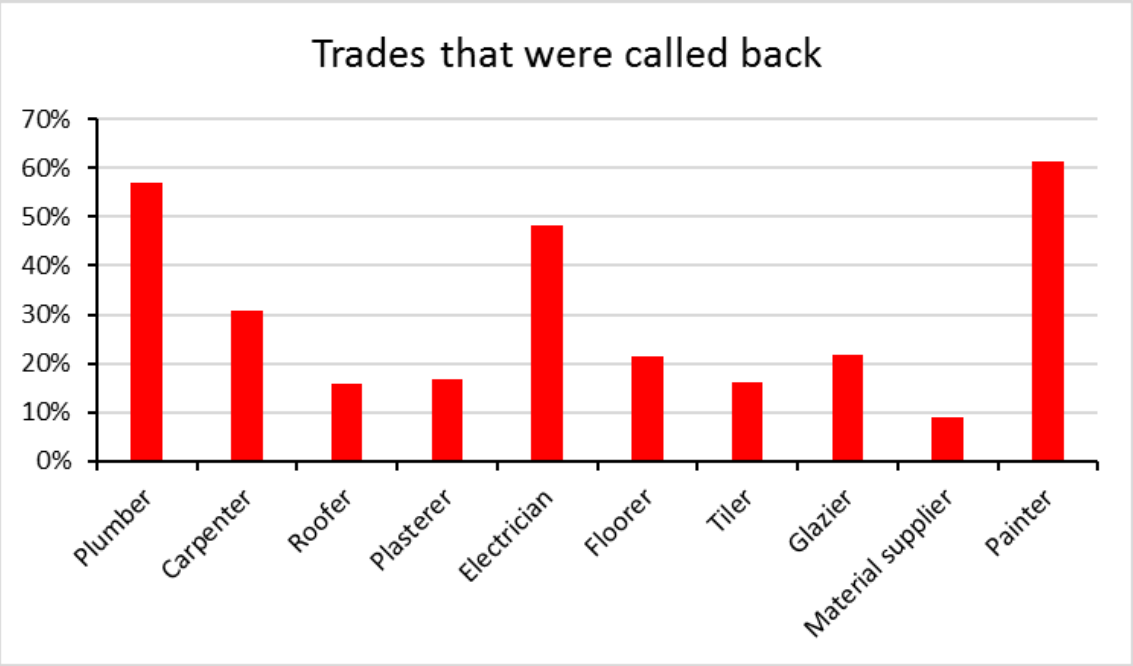


Figure 17. Trades that were called back.

Almost half of owners were not surprised by the number of defects that occurred in their new build (Figure 18). Less than a fifth (16%) of respondents stated that they had fewer defects than expected and a further 33% stated that the number of defects was as expected (49% in total). 10% of respondents stated that they expected no defects. Nearly half (41%) of respondents stated that they had more defects than expected, a small increase over last year's findings

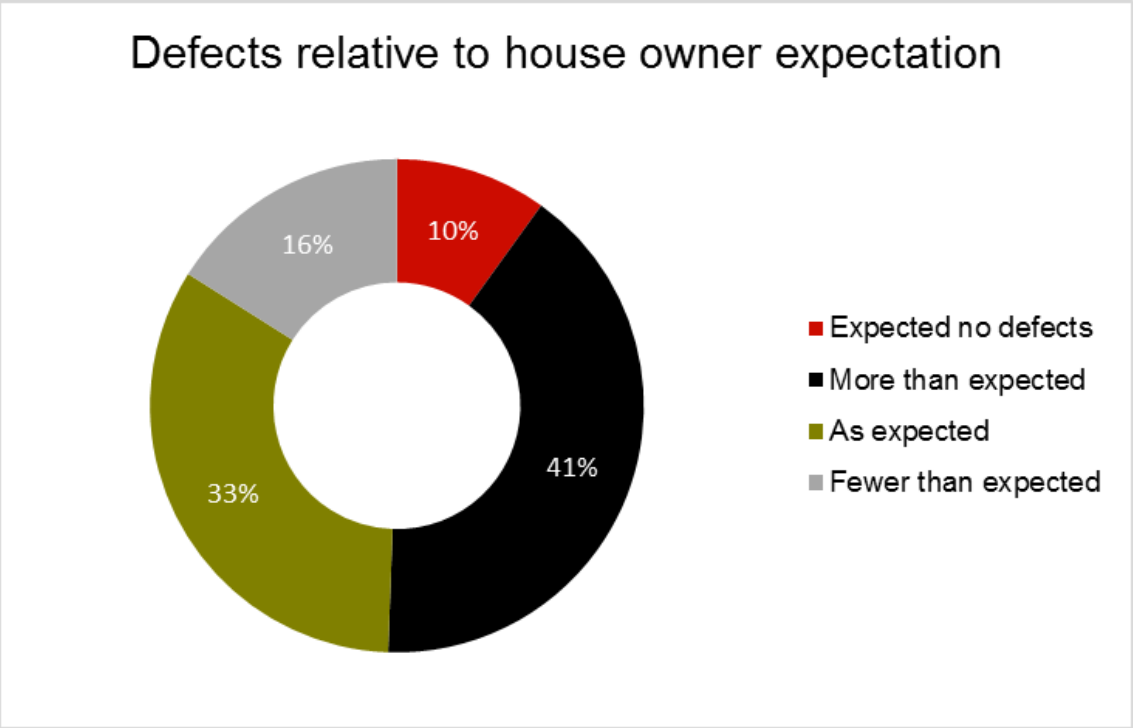


Figure 18. Defects relative to expectations.

3.6 Comparison between franchise and independent builders

Independent builders outscored franchise builders across almost every measure in the 2018 survey (Figure 19).

Franchise builders marginally outscored independent builders in the services provided by the builder during the buying process.

Higher scores for independent builders were particularly prevalent in the measures of:

- service provided by the builder after moving in
- level of communication from the builder
- fixing of defects after first occupancy.

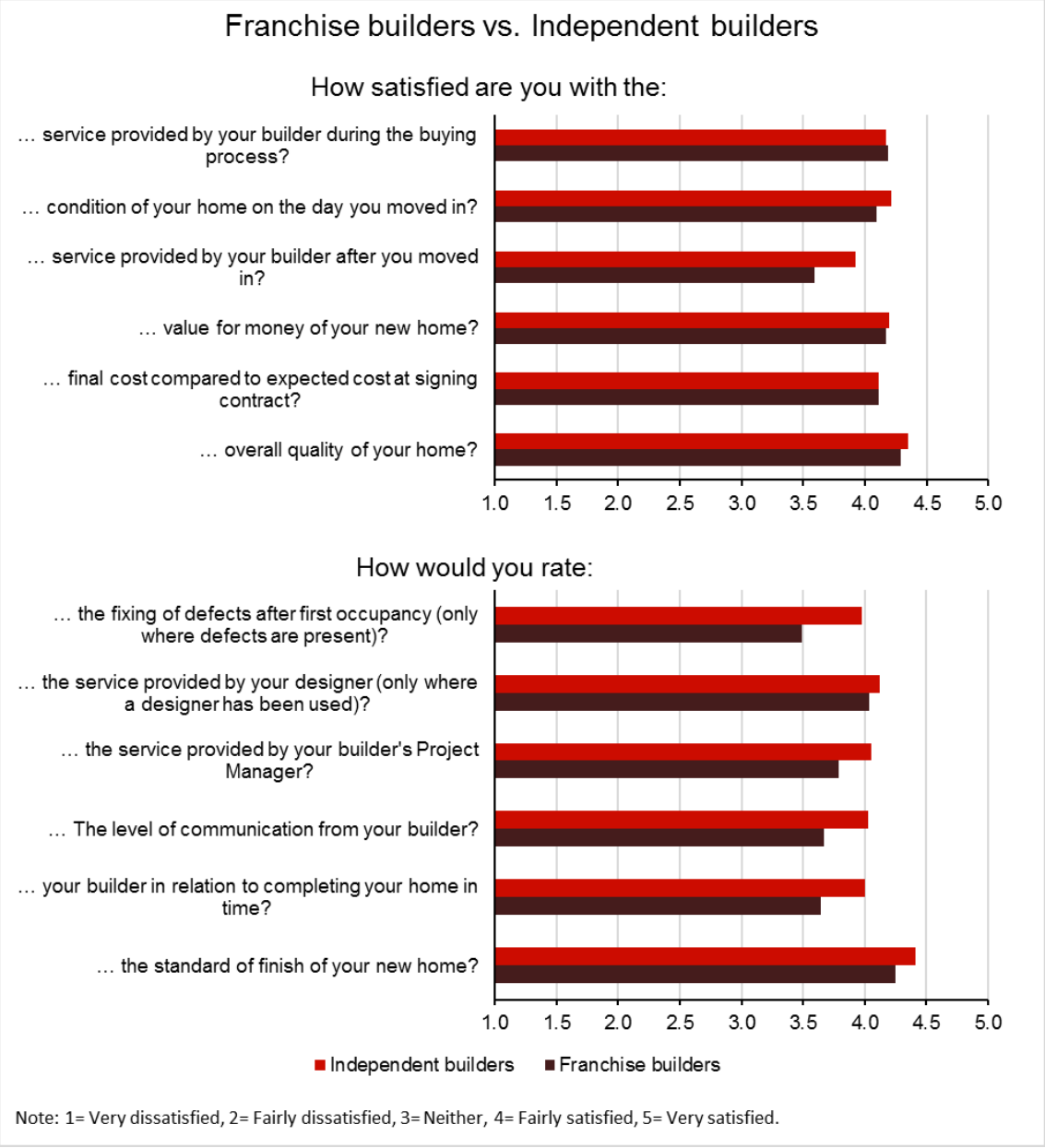


Figure 19. Average scores for franchise and independent builders.

3.7 Comparison by housing package

Previous surveys have consistently found that those who chose a house-only packaged were generally happier with their new build than those who chose a house and land package. This is true for the 2018 survey also, with higher average satisfaction scores across every area (Figure 20). The largest difference is with the service provided by their builder after handover, with house-only package owners rating their service noticeably higher.

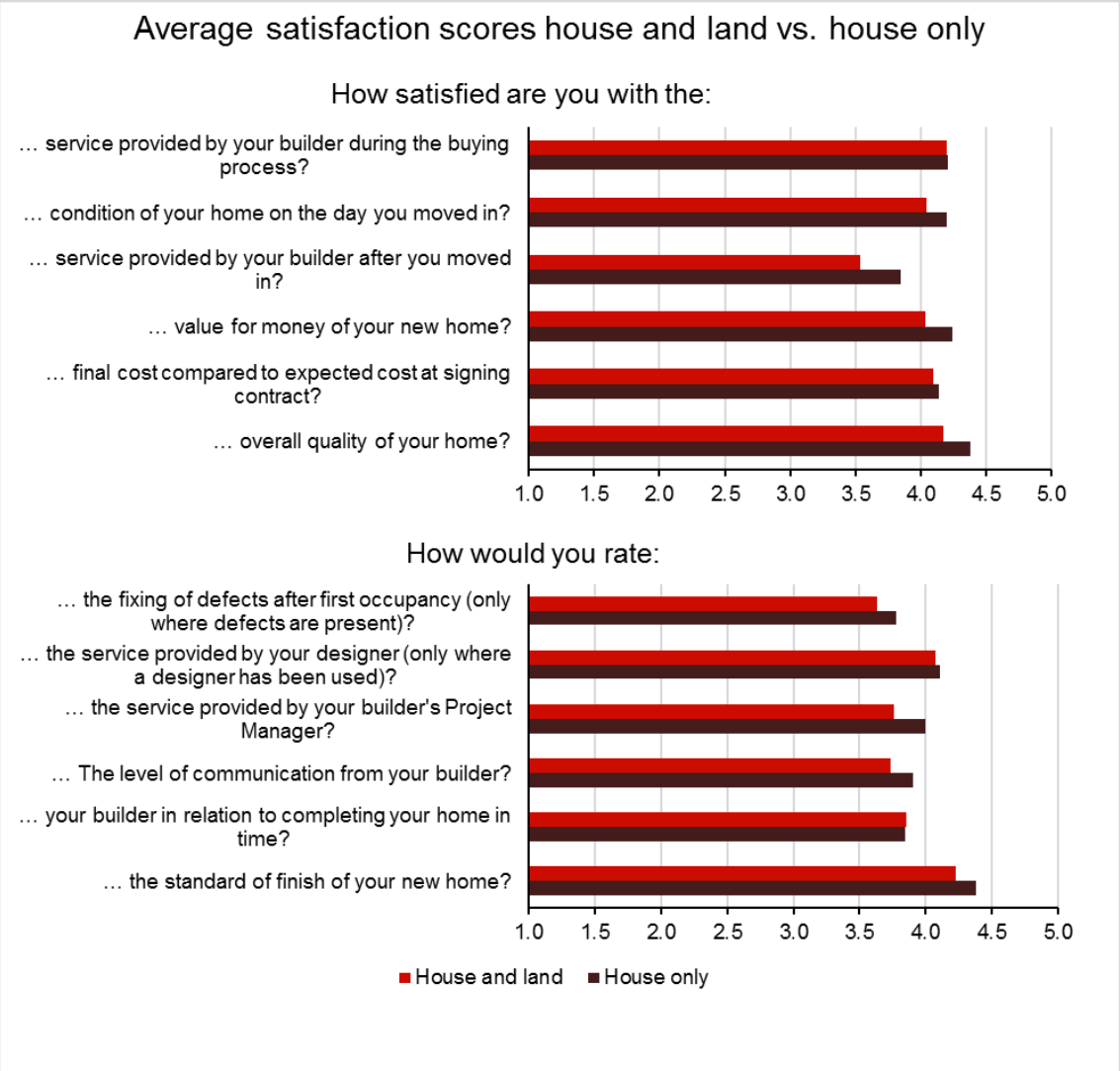


Figure 20. Average scores for house and land package versus house only.

3.8 Changes since 2016

Average scores have continued to decrease across the board since 2016 (Figure 21).

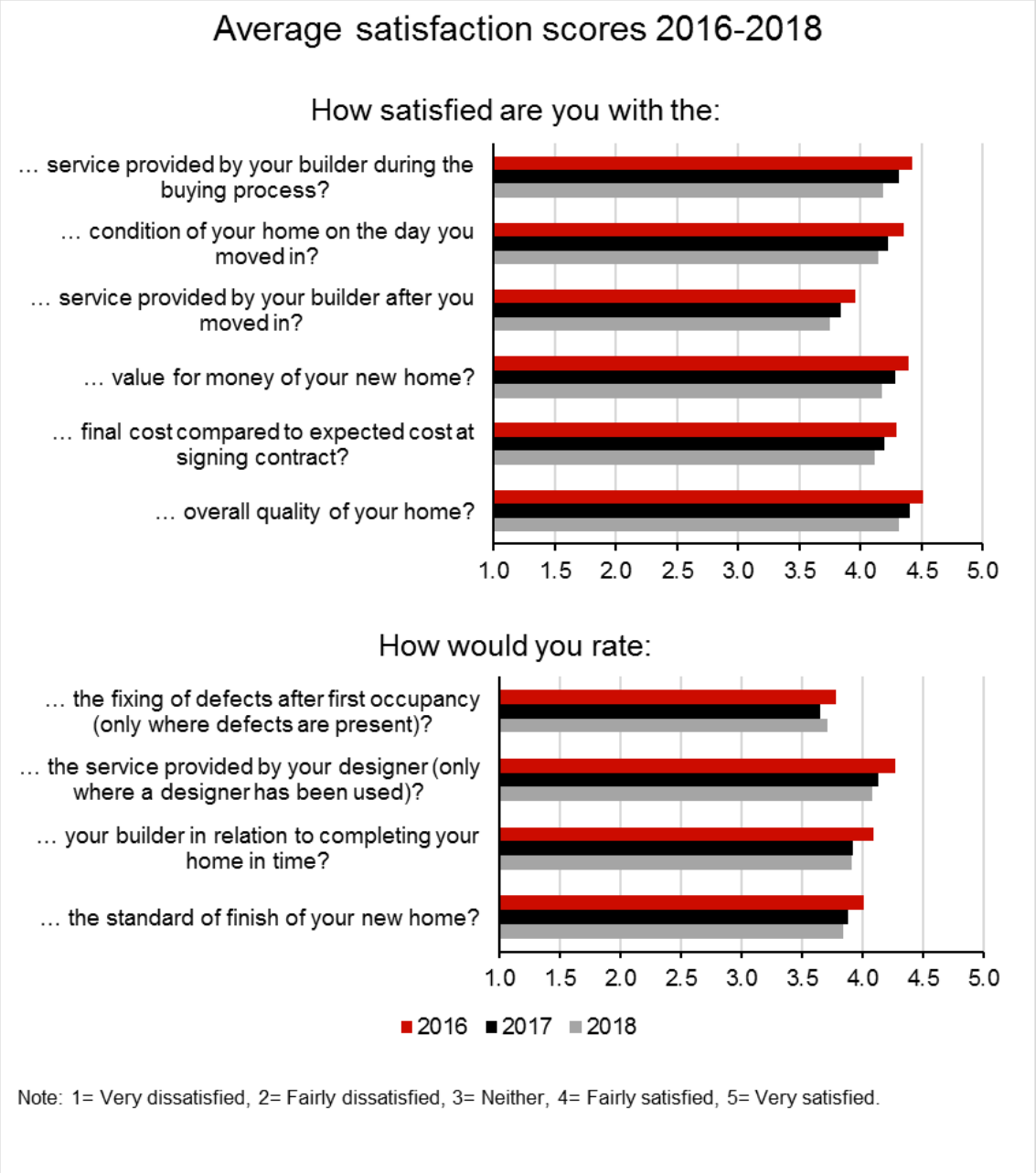


Figure 21. Average scores 2016–2018.

4. Conclusion

New house builders have experienced a slight decrease in house owner satisfaction in 2018. Average satisfaction has decreased to below 2015 and 2016 levels across all measures. While many clients would recommend their builder, a small but not insignificant number of house owners are critical of their builder.

There continues to be a wide range of experiences for new house owners, as while 61% were satisfied with their builder, 18% were dissatisfied. Owners that have built a house before tended to have a better building experience, which suggests that there may be a role for builders in setting client expectations. As the industry is facing an increasing number of first-time builders (61% according to this survey), this will continue to weigh on satisfaction levels if expectations are not managed.

Call backs have started to trend downwards, reverting to similar levels in 2016. Only 80% of respondents had to get a call back to fix defects, with the percentage of call backs from all regions dropping. While the overall call backs have dropped in 2018, a greater percentage of trades are being called back, with painters, plumbers and electricians being called back by over 50% of respondents.

As it was for 2017, clients still cite that their 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 39% of respondents used as a factor for 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 in 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.

Appendix A

Regional response numbers

With 4,563 survey invitations sent out, 551 completed and 1,103 returned as undeliverable, the net response rate was 16%. Gross response rates, which do not account for returns of undeliverable surveys, are calculated at a regional level to monitor the geographic representativeness of the survey (Table 2). Canterbury had the highest response rate with 14% of surveys returned, while Auckland had the lowest response rate of 6%.

Table 2. Responses by region.

Region	Number of responses	Gross response rate
Northland	60	14%
Auckland	38	6%
Central North Island	213	13%
Wellington	44	12%
Canterbury	102	16%
Rest of South Island	94	13%
	Total: 551	**Average: 12%**