



NEW CONSTRUCTION CONSUMER HOUSING TRENDS REPORT 2018



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FOREWORD

New construction in America: interested buyers, not enough homes

Among several home types they consider, 38 percent of total buyers add new construction to their list. That's the good news. Only 11 percent of total buyers purchase a new construction home.

That's not so good.

While affordability remains a challenge for home buyers of all types, it's a lack of inventory that's trouncing new construction sales: After almost two years of "lost" building, there should be millions more available homes on the market, but there aren't — despite a multitude of interested, well-funded buyers clamoring for housing.

You know the industry; we know buyers

You know the reasons why new construction home inventory remains low. Zillow's expertise is on the demand side: how home shoppers think about, search for and choose new construction homes.

This report is a drilldown on buyers, based in part on the Zillow Group Consumer Housing Trends Report 2018, which covers renting, selling, buying and owning a home in America today.

We also conducted two supplemental studies to understand why home shoppers do or don't choose new construction, and quantify their customer satisfaction with the new construction home buying process.

At the end of the day, we discovered that the allure of a brand new home — one that buyers can imprint with their individual style the moment the keys are in their hands — is what makes these home shoppers ultimately choose new construction.

We hope the knowledge and insights in the New Construction Consumer Housing Trends Report 2018 guide even more buyers to a new construction home.

METHODOLOGY

Research approach

In order to gain a comprehensive understanding of the behaviors, motivations, pain points and successes of consumers of residential real estate in the U.S. — and how they work with professionals to help achieve their housing goals — Zillow Group partnered with independent market research and data analytics firm YouGov® to conduct a nationally representative, online quantitative survey. The self-administered study was fielded between April 25 and June 10, 2018. The results underwent substantial internal analysis and review by a team of statisticians, researchers and economists at Zillow Group.

Completes & qualifications

This survey gathered information from a total of 13,439 key household decision-makers who self-identified as one of the following consumer groups:

Households Interviewed	Base Size (n)	Definition
BUYERS	3,000	<ul style="list-style-type: none"> Moved primary residence in past 12 months Resides in home that they purchased in past 12 months Is the primary (or joint) decision-maker in the household for major housing-related decisions
SELLERS	3,000	<ul style="list-style-type: none"> Moved primary residence in past 12 months Sold a home that was a primary residence in the past 12 months Is the primary (or joint) decision-maker in the household for major housing-related decisions
HOMEOWNERS	3,116	<ul style="list-style-type: none"> Has not moved primary residence in past 12 months Resides in a home that they own Is the primary (or joint) decision-maker in the household for major housing-related decisions
RENTERS	3,000	<ul style="list-style-type: none"> Moved primary residence in past 12 months Resides in a home that they rent Is the primary (or joint) decision-maker in the household for major housing-related decisions
TENURED RENTERS	1,323	<ul style="list-style-type: none"> Has not moved primary residence in past 12 months Resides in a home that they rent Is the primary (or joint) decision-maker in the household for major housing-related decisions

In addition to the subgroup-specific definitions stated above, all respondents surveyed were adults (18 years of age or older).

Research design & analysis

The survey gathered information on a wide range of areas, including but not limited to:

- Home and community characteristics
- Behaviors and attitudes surrounding the process of finding, living in, and moving to and from a home
- Resource usage
- The role of professionals (e.g., agents, property managers, landlords, mortgage providers, etc.)

Because of rounding, certain percentages expressed throughout this report may not add up to exactly 100 percent.

Sampling & weighting

To guarantee robust base sizes for analysis, data was collected via both general market and additional targeted subgroup sampling. Several steps were taken to ensure adequately representative sampling. The initial recruitment to the general market sample was balanced to all household heads from the U.S. Census Bureau, American Community Survey 2016 (ACS) and from the 2013 American Housing Survey on the basis of age, ethnicity/race, education, region and gender. The general market sample was divided into relevant consumer groups for the study based on responses to screening questions. Additional targeted subgroups were sampled based on all key household demographic characteristics. The general market sample and each consumer group was further balanced to subgroup sampling frames from the American Community Survey 2016. Each sample was matched to a sampling frame on gender, age, race, education, census division and number of bedrooms.

Propensity scores were constructed to estimate inclusion into the sampling frame. As a final step, the propensity score weights were post-stratified to balance based on daily internet usage, household income, gender, age, race and education.

This is different from the methods employed in the Zillow Group Consumer Housing Trends Survey 2017, in which respondents were balanced without matching techniques to representative sampling frames. In addition, this year we took additional steps to balance based on internet usage to improve the representativeness of online surveys.

Quality control

The study was blinded — Zillow Group was not revealed as the sponsor to reduce response bias. Several additional quality control measures were also taken to ensure data accuracy:

- Proprietary digital fingerprinting techniques were employed to identify and terminate any professional respondents, robots or those taking the survey on multiple devices.
- Speed checks ensured those surveys submitted by respondents who rushed through the screener or survey did not count as complete.
- In-survey quality control checks identified illogical or unrealistic responses.

Speeders, those identified via digital fingerprinting and those who failed a given number of quality control checks within the survey were removed from the study, and their survey submissions were not counted as completions.

SUPPLEMENTAL RESEARCH

This report includes supplemental data from two additional studies.

New construction shopper study

Zillow Group employed GfK Research to conduct an online quantitative survey and online qualitative research of home buyers in 20 construction markets selected by Zillow. The New Construction Shopper Study was fielded between July 10 and July 23, 2018.

The quantitative survey gathered information from a total of 1,016 consumers among the following populations: homeowners who purchased a primary residence — either a new construction or existing home — in the past 12 months and consumers who intended to purchase a home in the next three months. The quantitative population included participants who considered new construction housing and those who never considered new construction.

The survey gathered information on the consideration of new construction in the home buying process, including but not limited to: housing budget, annual income, must-have and nice-to-have features in a home, online home-listing searches, and satisfaction with the new construction shopping experience.

Qualitative research centered on 27 consumers who participated in an online immersive blog. All of the participants strongly considered new construction and either purchased a new home or an existing home within the past six months.

Blog participants provided insights on what ultimately takes a new home out of a consumer's consideration set, providing information on a wide range of areas, including but not limited to: perceptions of new construction as compared to existing homes and the importance of property visits and home tours.

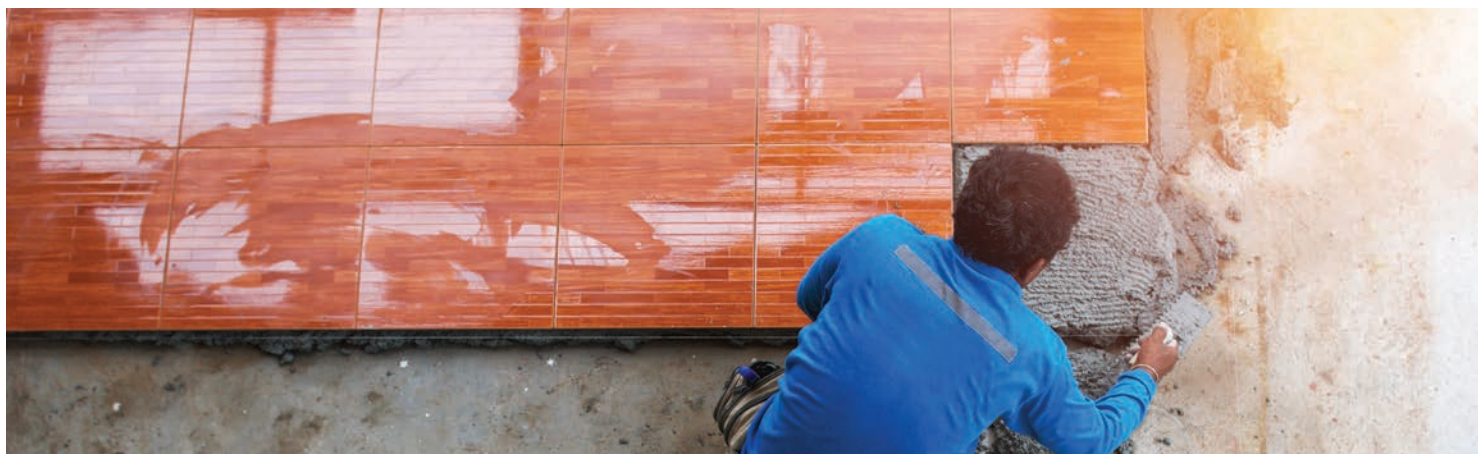
The New Construction Shopper Study was also broken down by age, gender, race, household income, education level, employment status, marital status, household composition and region.

New construction customer satisfaction survey

Zillow Group's internal consumer research team conducted an online quantitative survey on customer satisfaction among home buyers considering new construction. The study was fielded between July 10 and July 16, 2018.

The survey gathered information from 544 home buyers on satisfaction with new construction builders, including but not limited to: builder responsiveness, tour experience and intent to continue working with a builder.

In order to understand how new construction builders perform in the initial contact with home buyers and how their relationship with buyers progresses over time, responses from buyers who had submitted a request to contact new construction builders within 24-72 hours are compared with buyers who had requested to contact builders 2-4 weeks prior to completing the survey.





BUYING NEW CONSTRUCTION IN AMERICA

The story of new construction today is one of gaps — the biggest, for prospective buyers, is the one between supply and demand.

There's a chasm between growing populations in several major metros and an industry struggling to house them. When the housing bubble burst, new construction came to a screeching halt. After 10 years of issuing fewer permits for single-family homes and underbuilding in new construction, there's a gap today of more than 2 million available homes in the U.S. market.¹

At the same time, a new cadre of experienced buyers is standing by with the money and the motivation to finally build their dream home, but very few can actually take it across the line: Among several home types buyers consider, 38 percent include new construction in their list. Eleven percent ultimately purchase a new construction home.

Despite these challenges, Zillow Group research suggests there is willingness and opportunity among experienced buyers and builders to narrow these gaps. For home buyers, it takes focus and flexibility. For builders, the priority is building better relationships with buyers, while balancing increasing costs to create places for people to call home.

B-1: NEW CONSTRUCTION CONSIDERATION AND PURCHASE AMONG PAST-12-MONTH HOME BUYERS



For study participants,² Zillow Group defines an *existing home* as a home that was occupied by someone else before the buyer and a *new construction* home as one newly built and that no one ever lived in it before the buyer.



THE TYPICAL NEW CONSTRUCTION BUYER

A buyer is defined as someone who moved into a home that they purchased within the last 12 months.

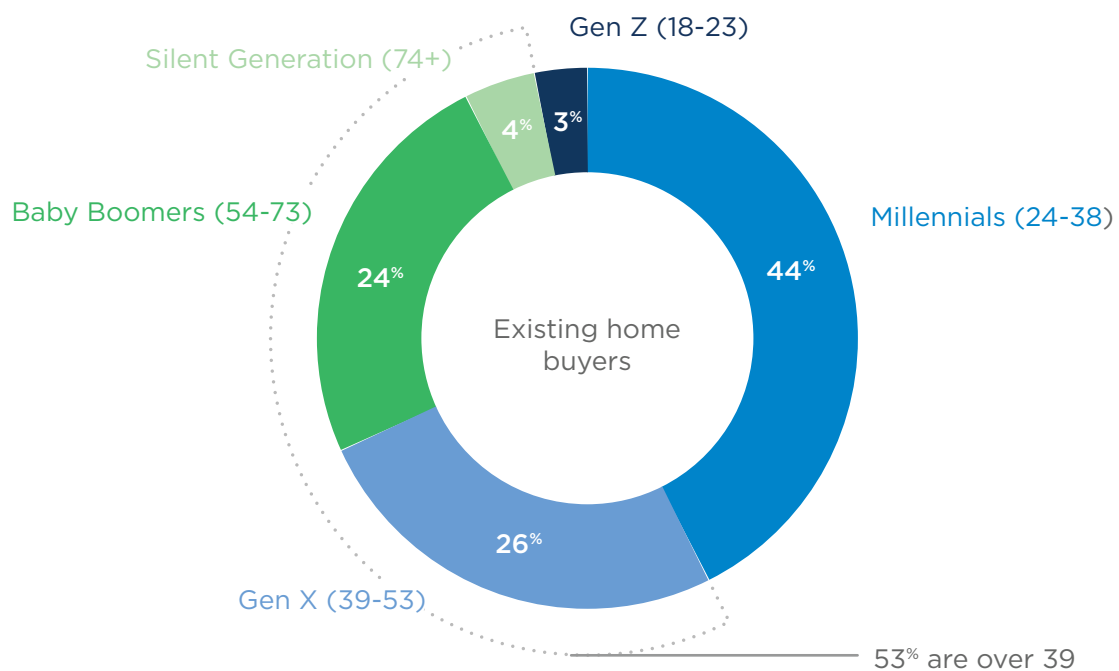
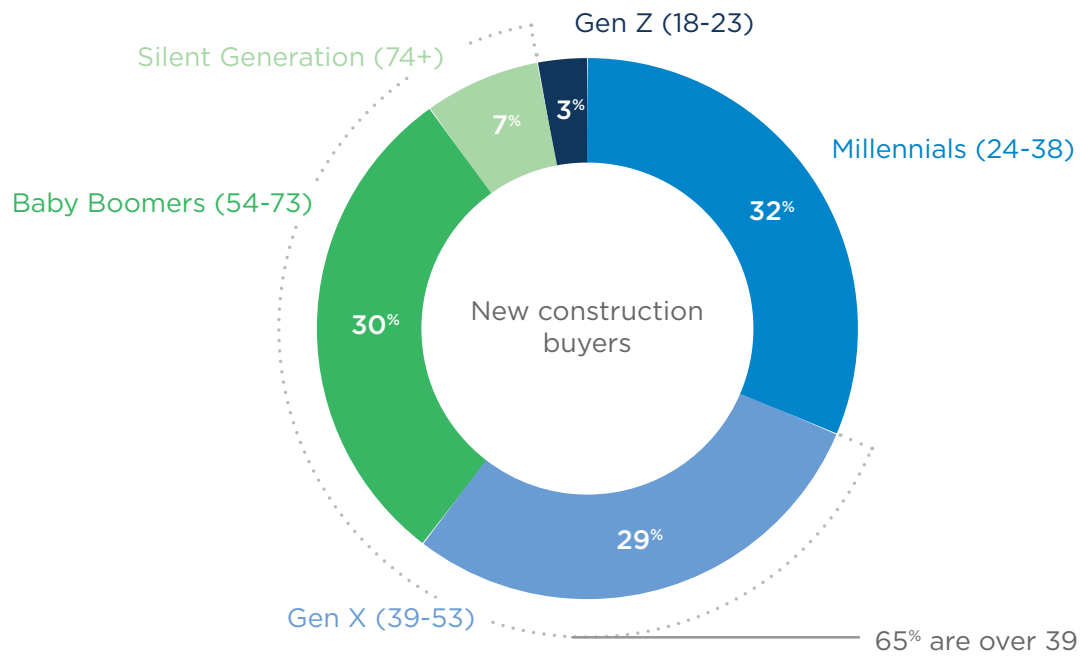
They tend to be older

The median age of today's new construction buyer is 47 years old — which is somewhat older than existing home buyers (40) — and thus they are also more likely to be repeat buyers, financially secure, living without kids in the home, willing to move farther and are more likely to be retired than existing home buyers.

Although Millennials (defined here as buyers ages 24-38) comprise a large segment of new construction home buyers (32 percent), two-thirds (65 percent) of these buyers are age 39 and older. Compare that to 53 percent of existing home buyers who are 39 and older.

B-2: BUYERS BY GENERATION

Purchased home in past 12 months.



B-3: TODAY'S NEW CONSTRUCTION BUYER

Purchased home in past 12 months.



Today's average new construction buyer is slightly older than the average existing home buyer.

65%

Are 39 and older

47

Median age



74% Caucasian/white

9% Hispanic/Latino

9% Asian/Native Hawaiian/
Pacific Islander

6% African-American/black

2% other race/ethnicity

They are more likely to be empty nesters than existing home buyers.



73%

Live with spouse
or partner



35%

Have children at
home



50%

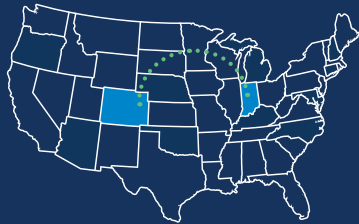
Have a college
degree or higher



56%

Have pets

They are willing to move farther and are more likely to be retired than existing home buyers.



53%

Move from a different city, state or country



65%

Employed



20%

Retired

They are more likely to be repeat buyers who are financially secure than existing home buyers.



Among buyers who obtained a mortgage, 52% of new construction buyers put down 20% or more



71%

Repeat buyer



44%

Annual household income \$100,000+



The majority are repeat buyers

Nearly 3 in 4 (71 percent) new construction buyers are repeat buyers. Almost a third of new construction buyers (29 percent) paid in full for their home — meaning they did not get a mortgage or home loan — which is significantly higher than existing home buyers (22 percent).

Among buyers who obtained a mortgage, new construction buyers put significantly more down to purchase their home: More than half (52 percent) of new construction buyers put down 20 percent or more toward the purchase of their home, compared to 42 percent of existing home buyers.

New construction buyers may have larger down payments due to the fact that they are more likely to be repeat buyers who are also selling a home. Among new construction buyers who used financing to purchase a home, 45 percent used funds from the sale of the previous home to fund at least a portion of the down payment, compared with 38 percent of existing home buyers. Proceeds from the sale of a previous home account for a

significant share of the average new construction buyer's down payment — 29 percent compared with 17 percent for the average existing home buyer.

Higher-income buyers are more likely to purchase new construction than an existing home: 44 percent of new construction buyers earn an annual household income of \$100,000 or more compared to slightly less than a third (31 percent) of existing home buyers who bring in six figures or more. Exactly half (50 percent) of new construction buyers have a college education or higher.

More than half (55 percent) of new construction buyers who financed their home were not at all concerned about qualifying for a mortgage, which is significantly higher than 39 percent of existing home buyers who were not at all concerned about qualifying.

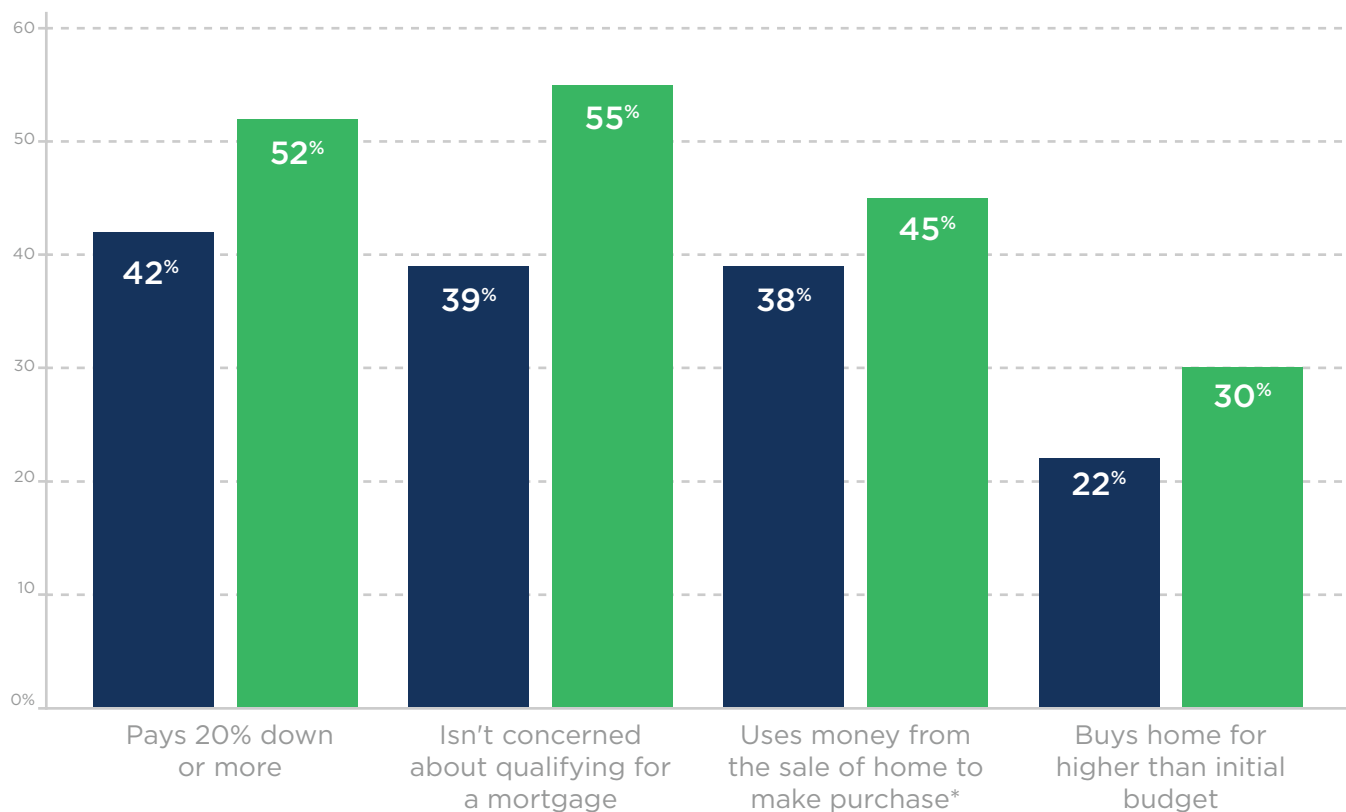
Nearly a third (30 percent) of new construction buyers bought a home that was higher than their initial budget, which is significantly higher than existing home buyers, 22 percent of whom went over budget.



B-4: HOW BUYERS FINANCE THEIR HOMES

Purchased home in past 12 months.

Existing home buyers
New construction buyers



*Of those who used financing.

There's little ethnic diversity among new construction buyers

Caucasian/white households represent the overwhelming majority of new construction buyers, accounting for 74 percent of purchases. Nearly 1 in 10 (9 percent) are Hispanic/Latino or Asian/Native Hawaiian/Pacific Islander, 6 percent are African-American/black, and 2 percent of new construction buyers are of another race or ethnicity.

What's notable is that Asians, Native Hawaiians and Pacific Islanders compose a higher proportion of new construction buyers (9 percent) than existing home buyers (5 percent) — nearly twice as many.

Most new construction buyers (73 percent) live with a spouse or partner, but only 35 percent have children living at home. That's significantly lower than the 48 percent of existing home buyers who live with kids. New construction buyers also have notably fewer pets under their roof: 56 percent of these households compared to 65 percent of existing home buyers with fur babies.

Many new construction buyers are still working

Nearly two-thirds (65 percent) of new construction buyers are still working — that's significantly fewer than the 71 percent of existing home buyers who are still punching the clock. Notably 1 in 5 new construction buyers (20 percent) is retired, compared to just 14 percent of existing home buyers.



THE SEARCH FOR NEW CONSTRUCTION

More than ever, buyers use online resources to shop for everything — and that includes a new home. Because most new construction buyers (76 percent) search online, it's crucial for builders to have a strong online presence that offers home shoppers a great experience.

New construction and existing home buyers take a similar amount of time searching for a home, with new construction buyers taking an average of 4.9 months compared to the 4.4 months that existing home buyers take to search.

Renting is not an option ...

Nearly 3 in 4 (72 percent) new construction buyers do not consider renting; in contrast, about half (54 percent) of existing home buyers consider renting instead of buying.

... but moving farther away is

More than half (53 percent) of new construction buyers move from a different city, state or country, compared to 47 percent of existing home buyers who move that far. Since they tend to be older buyers, retirement — or preparations to discard the daily grind sooner rather than later — might factor into the distance new construction buyers are willing to move in order to live in a brand new home.

For tips on improving buyer engagement with your website, see "Give Home Shoppers an Outstanding Online Experience" on page 40.

The Parallel Journeys of New Construction and Existing Home Buyers

Zillow Group conducted a supplemental study to understand the consideration/purchase gap. The study reveals that the home journey is nearly identical for both existing home buyers and new construction buyers.

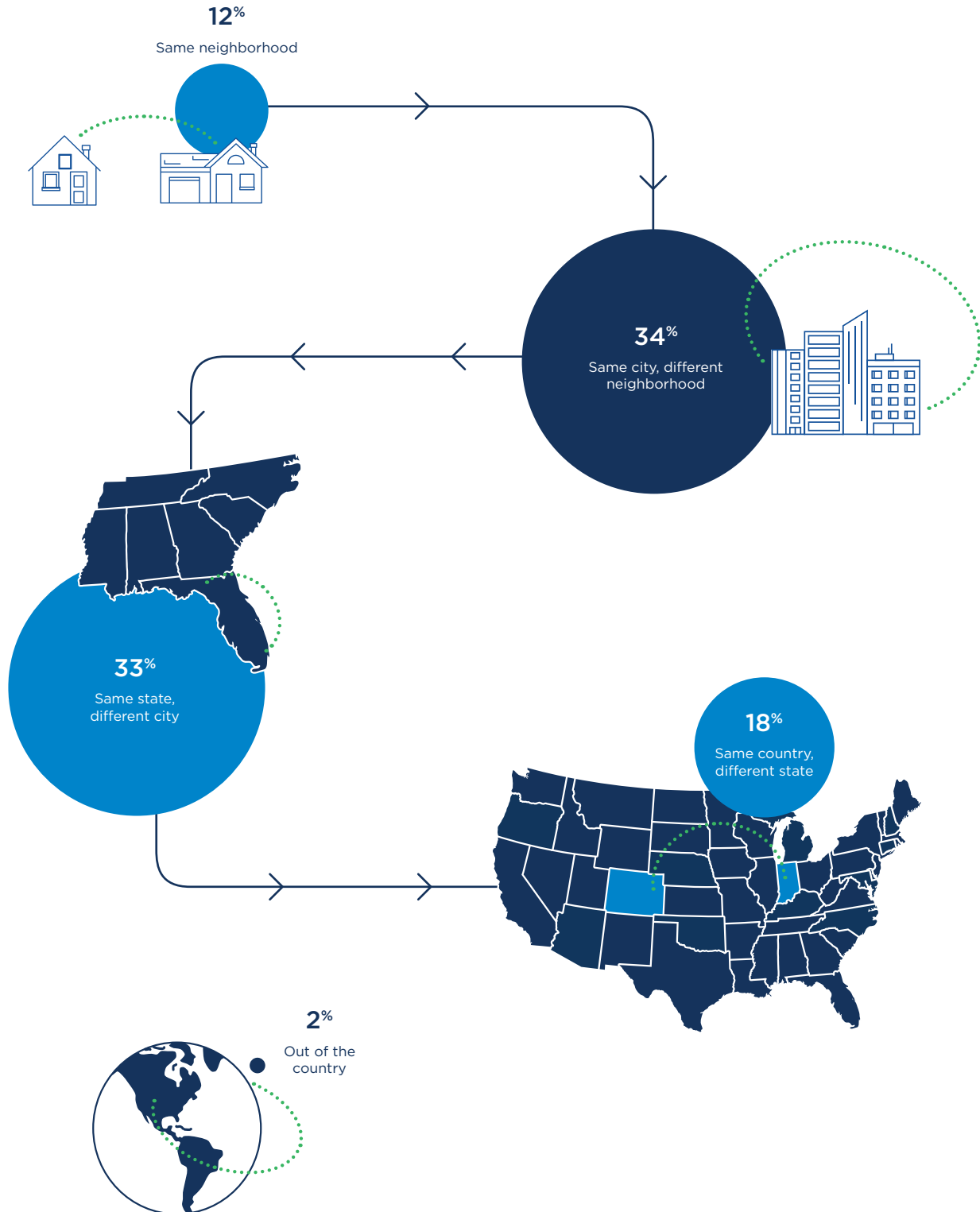
Only for a minority does new construction enter the equation very early on, primarily because the never-lived-in aspect of new construction is so appealing. For the majority, new construction enters the consideration set about halfway through the journey — once shoppers know their budget, have a list of desired criteria, have started an online search and have reached out to some personal resources.

Touring homes is a crucial step in the journey and often results in re-evaluation of home criteria and type (new construction or existing home) after they see the type of homes available on the market meeting their initial desires/needs.

Ultimately, what causes these home shoppers to reject a new construction home is incompatible location, timing and purchase price.

B-5: DISTANCE NEW CONSTRUCTION BUYERS MOVE

Purchased home in past 12 months.



New construction buyers rely on their tech

When going online to search for a home, new construction buyers prefer to hunker down with a laptop or desktop computer to view websites: 68 percent use these devices, which is similar to 71 percent of existing home buyers who use them. When it comes to mobile devices, nearly half (46 percent) of new construction buyers view a mobile website using a smartphone or tablet; that's somewhat lower than the 52 percent of existing home buyers who use mobile web.

More than a third (38 percent) of new construction buyers use an app on a smartphone or tablet compared to 45 percent of existing home buyers who use an app on a smartphone or tablet.

New construction buyers go offline more

Three in 4 (76 percent) new construction buyers use online resources, but they employ a wide variety of offline resources as well.

Nearly half (49 percent) of new construction home buyers rely on for sale/open house signs. Both buyer types rely on printed resources at about the same rates: 30 percent of new construction buyers and 32 percent of existing home buyers rely on print ads, and 19 percent of new construction buyers and 21 percent of existing home buyers use direct mail.

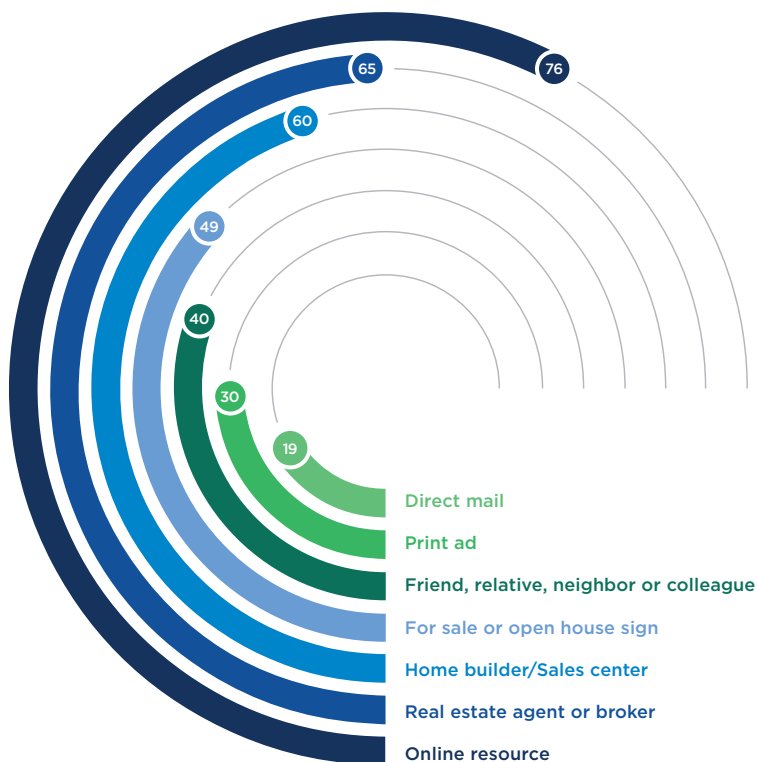
They want a trusted guide for their journey

Nearly two-thirds (65 percent) of new construction buyers are likely to use a real estate agent or broker, and 40 percent ask a friend, relative, neighbor or colleague for advice during their search.

Not surprisingly, new construction buyers are significantly more likely to visit a home builder/sales center (60 percent) than existing home buyers (26 percent). But don't keep them waiting: Of those new construction buyers who contact a sales center, nearly half (46 percent) expect a response within a few hours or less.

B-6: HOW NEW CONSTRUCTION BUYERS SEARCH

Purchased home in past 12 months.





The Pivotal Sales Center Experience

To measure new construction customer satisfaction with the buying process, Zillow Group conducted a study of more than 500 participants who were asked about their experience after reaching out to a builder through a Zillow Group site. The study shines a light on how a builder's response time impacts their success in converting home shoppers to scheduled tours — and how much room there is for improvement.

After submitting an inquiry on Zillow, more than half of new construction buyers (52 percent) are unable to connect with a builder after 24-72 hours.³ The results were also compared to buyers who reached out to a builder 2-4 weeks prior to completing the survey. Surprisingly, the number of buyers who were able to connect with a builder after 2-4 weeks is still less than half (45 percent).

Of those new construction buyers whose builder responds within 24-72 hours, 61 percent express interest in going on a tour.⁴ However, when looking at buyers who connected with a builder after 2-4 weeks, which supposedly gives the builder sufficient time to schedule a buyer tour, only 34 percent of buyers actually made it to the tour.

Of those new construction buyers who go on a tour with a builder, the majority (89 percent) have a positive experience, with 67 percent rating their touring experience five stars.⁵

Overall, of those who connected with a builder, 40 percent intend to continue working with the builder. After 2-4 weeks, 58 percent of new construction buyers who still intend to work with a builder have already gone on a tour.⁶

What new construction buyers value while searching

Hands down, what new construction buyers want is to take a private tour; more than 3 in 4 (77 percent) consider it very or extremely important. That's similar to 79 percent of existing home buyers who give it the same weight.

More than two-thirds (69 percent) of new construction buyers say viewing the floor plan is a very or extremely important factor in deciding if the home is right — that's significantly higher than 55 percent of existing home buyers.

The home's integrity is also on both buyers' minds: 69 percent of new construction buyers and 74 percent of existing home buyers say access to an inspection or a pre-inspection report of the home is very or extremely important. This may be driven by different motivations for new construction and existing home buyers, where an inspection may be a city requirement for a new construction home, while existing home buyers want to understand what kinds of repairs may be necessary.

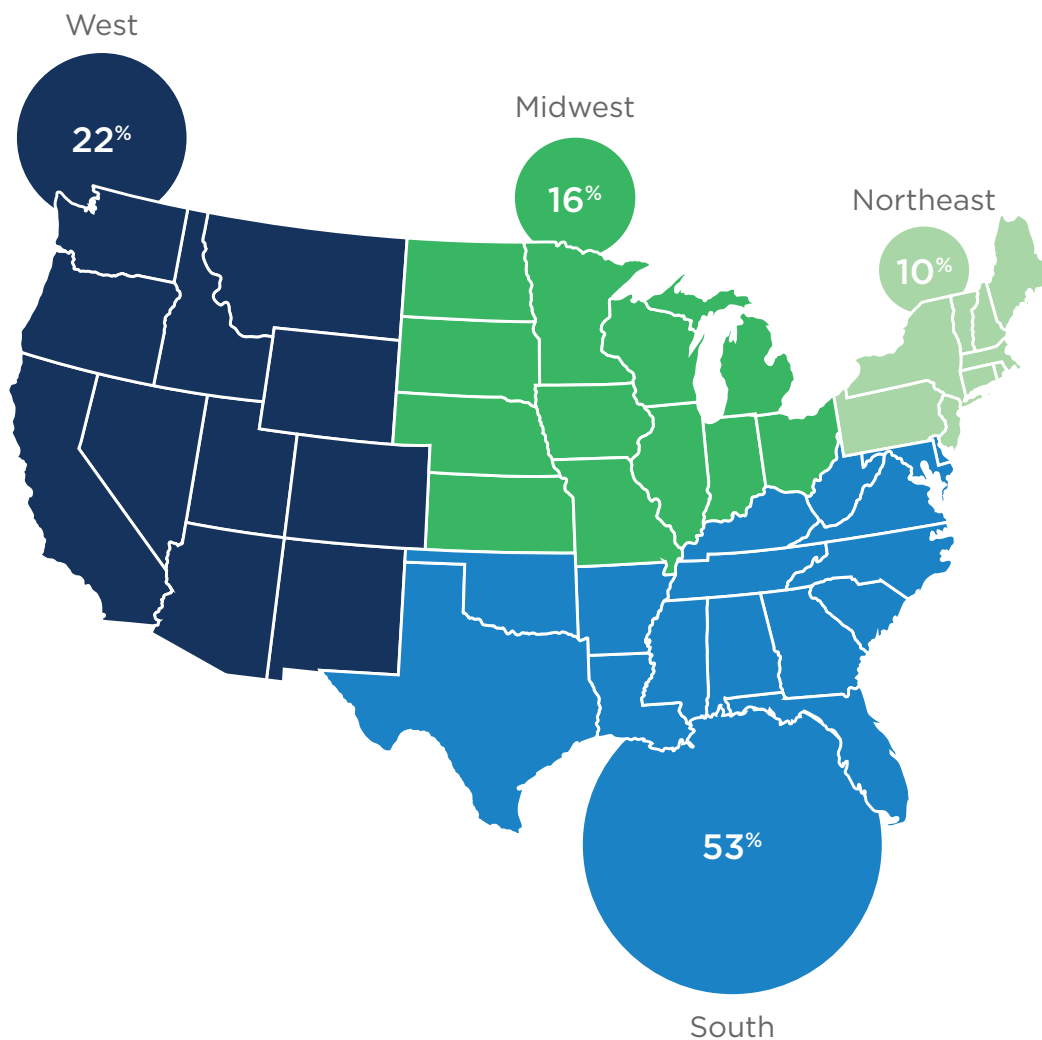
Access to comprehensive data and history about the home is also considered very or extremely important by 56 percent of new construction buyers and 59 percent of existing home buyers.

WHAT THEY WANT (AND WHERE THEY WANT IT)

By far, the majority of buyers who purchase a new construction home buy in the South (53 percent). Less than a quarter (22 percent) of buyers who purchase new construction buy in the West, while 16 percent are in the Midwest and 1 in 10 (10 percent) are in the Northeast.

B-7: NEW CONSTRUCTION PURCHASE GEOGRAPHY

Purchased home in past 12 months.







What Is It About the South?

More than half (53 percent) of new construction buyers purchased a home in the South,⁷ which is significantly higher than the percentage of existing home buyers who purchased in the South (37 percent).

Land, labor, local growth

The most likely reasons are threefold: The availability and cost of land, relatively affordable skilled labor, and significant growth in several major metros.

The Craftsman National Building Cost Manual⁸ — which includes construction or replacement costs for a wide variety of buildings, including residential, in nearly 600 communities throughout North America — reported that of all the 16 states identified as the South in the Zillow Group study, 12 are less expensive for building. Those costs include labor, equipment and material cost, labor productivity, climate, job conditions, and markup. It's also worth pointing out that it's significantly cheaper to develop in areas where the raw land is relatively flat instead of hilly or mountainous.

According to the Bureau of Labor Statistics,⁹ Florida, Georgia, Texas, North Carolina and Virginia have some of the top numbers for employment and low-cost wages for construction laborers.

In 2017, the U.S. Census Bureau reported¹⁰ that 10 of the 15 fastest-growing large cities — by percentage change — were in the South. Texas is home to seven of those cities; Florida, two; and Tennessee, one.

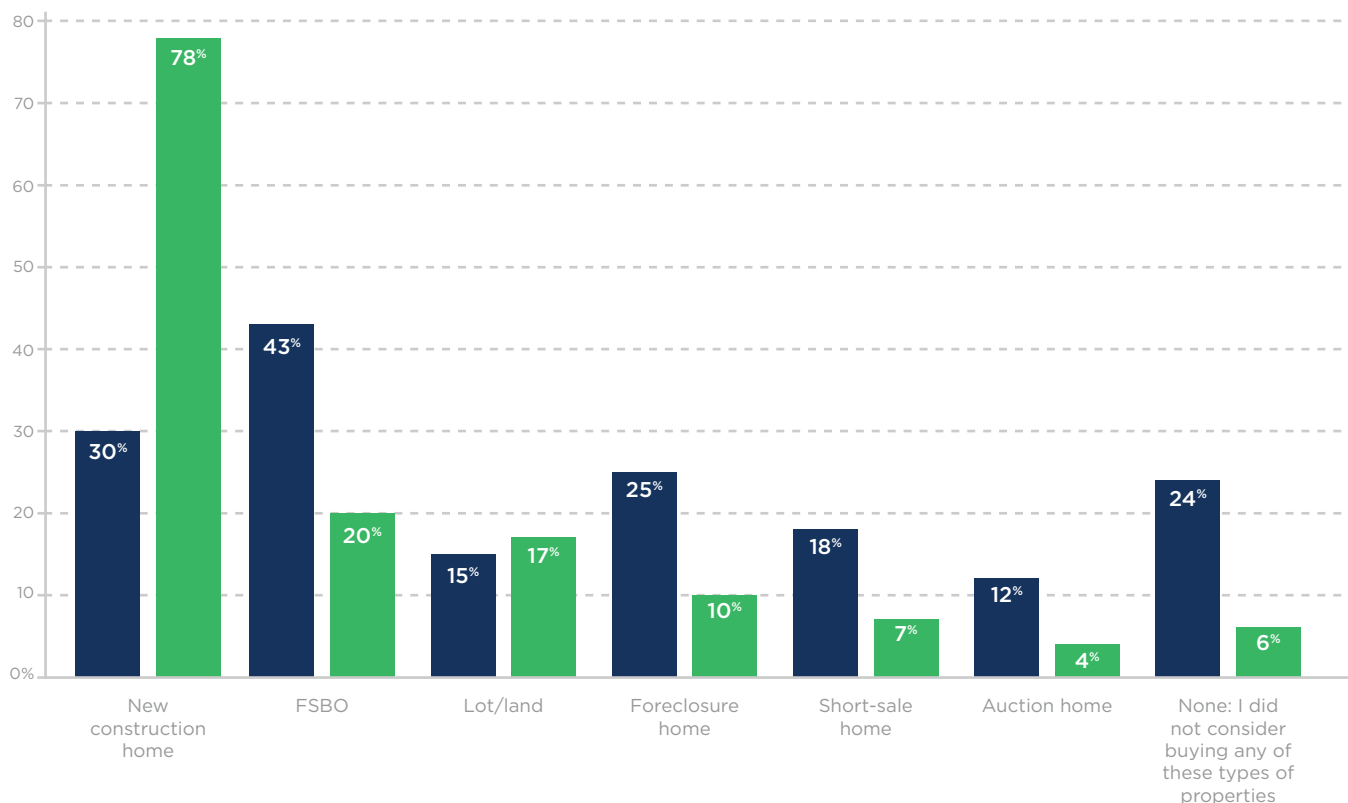
Home types considered

The majority of people who purchase new construction homes (78 percent) initially consider a new construction home versus only 30 percent of those who purchase existing homes. That's a significant difference and shows that once their heart is set on a new construction home, these buyers consider very few alternatives.

B-8: HOME TYPES CONSIDERED

Purchased home in past 12 months.

Existing home buyers
New construction buyers



At the onset of their search, new construction buyers have a narrower consideration set of properties than existing home buyers do. One in 5 new construction buyers (20 percent) consider a for-sale-by-owner (FSBO) home versus 43 percent of existing home buyers.

Only 17 percent of new construction buyers consider a lot or land with no existing home on it, similar to the 15 percent of existing home buyers who consider it.

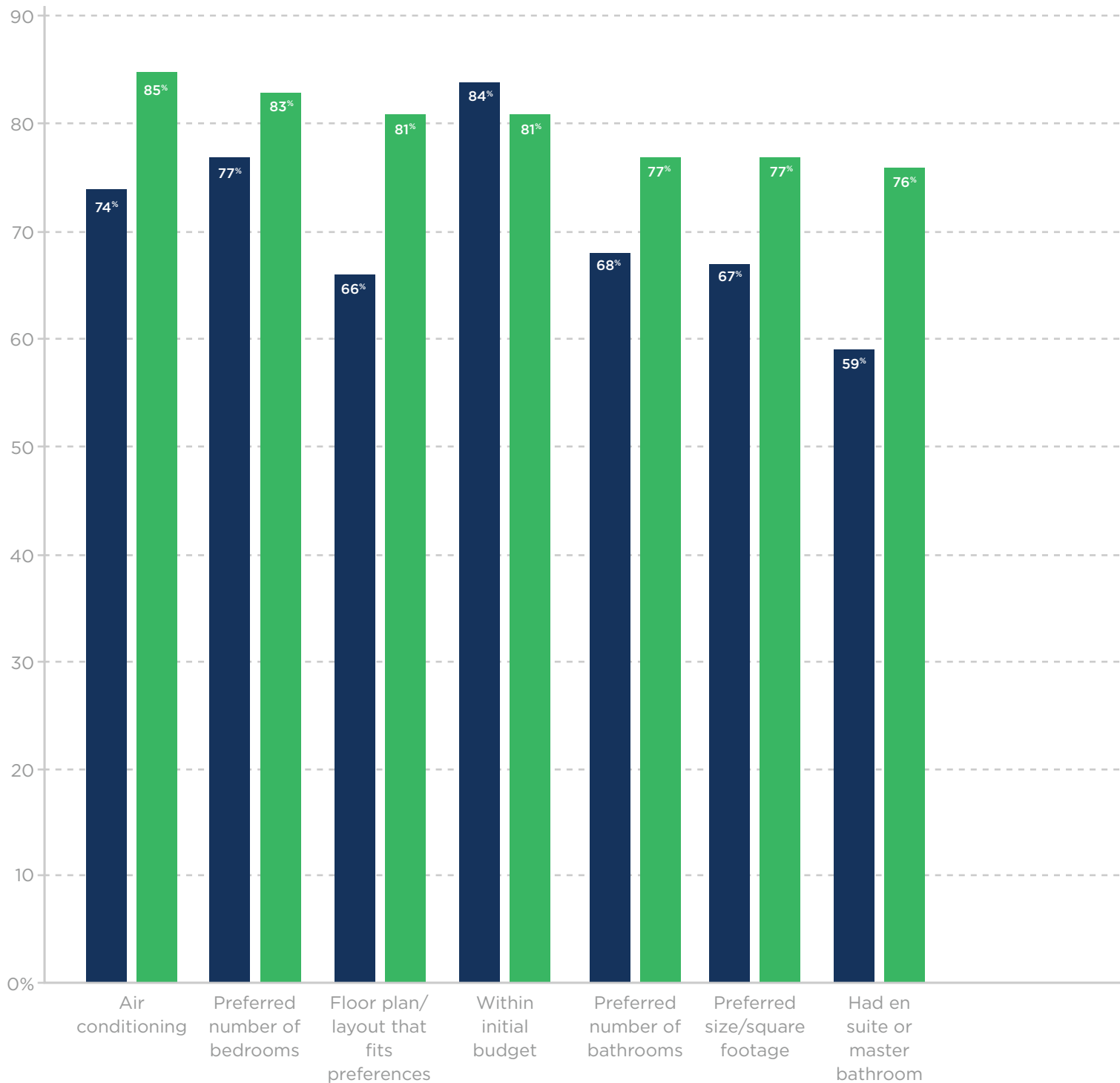
The focus is on inside comfort

New construction buyers are more likely to consider air conditioning as very or extremely important (85 percent versus 74 percent of existing home buyers), as well as that the home has their preferred number of bedrooms (83 percent versus 77 percent of existing home buyers) and a floor plan or layout that fits their preferences (81 percent versus 66 percent of existing home buyers).

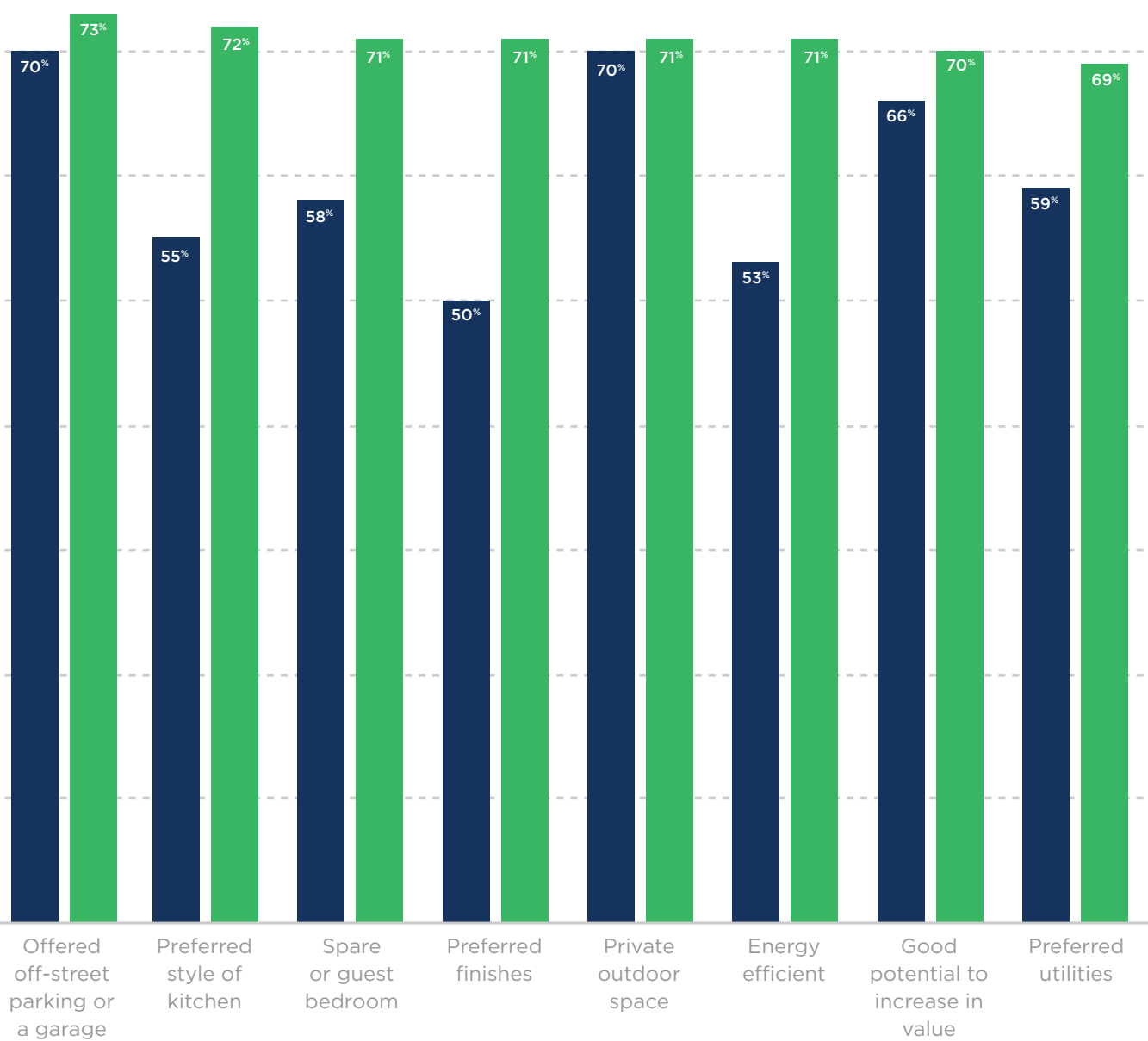
A third (33 percent) of existing home buyers say the ability to rent out the home — or a portion of it — is very or extremely important, while only 24 percent of new construction buyers think the same.

B-9: TOP 15 HOME CHARACTERISTICS CONSIDERED VERY OR EXTREMELY IMPORTANT

Purchased home in past 12 months.



Existing home buyers
New construction buyers





New construction buyers mirror older generations of total home buyers

In many ways, new construction buyer home preferences align closely with those of all other home buyers who belong to the older generations. Both buyer types are generally less flexible with the home's floor plan and place a stronger importance on finding a home with a layout that will meet their needs. For example, 71 percent of new construction buyers consider a spare or guest bedroom very or extremely important (as do 74 percent of Silent Generation and 66 percent of Baby Boomer total home buyers), but only 51 percent of Gen Z, 56 percent of Gen X and 59 percent of Millennial total home buyers give it that much weight.

When it comes to deciding on which home to buy, more than 3 in 4 (77 percent) new construction buyers won't budge on a preferred number of bathrooms, nor will all buyers who are Baby Boomers and Gen X (72 percent each)

and Silent Generation members (83 percent) who say it's very or extremely important. However, only 56 percent of Gen Z and 67 percent of Millennial buyers attach the same importance to a preferred number of bathrooms.

Most (81 percent) new construction buyers say that a floor plan or layout that fits their preferences is very or extremely important in their decision of which home to buy, just like 73 percent of Baby Boomers and 85 percent of Silent Generation total home buyers but notably *unlike* 55 percent of Gen Z, 66 percent of Millennials and 67 percent of Gen X.

Outside, safety ranks highest

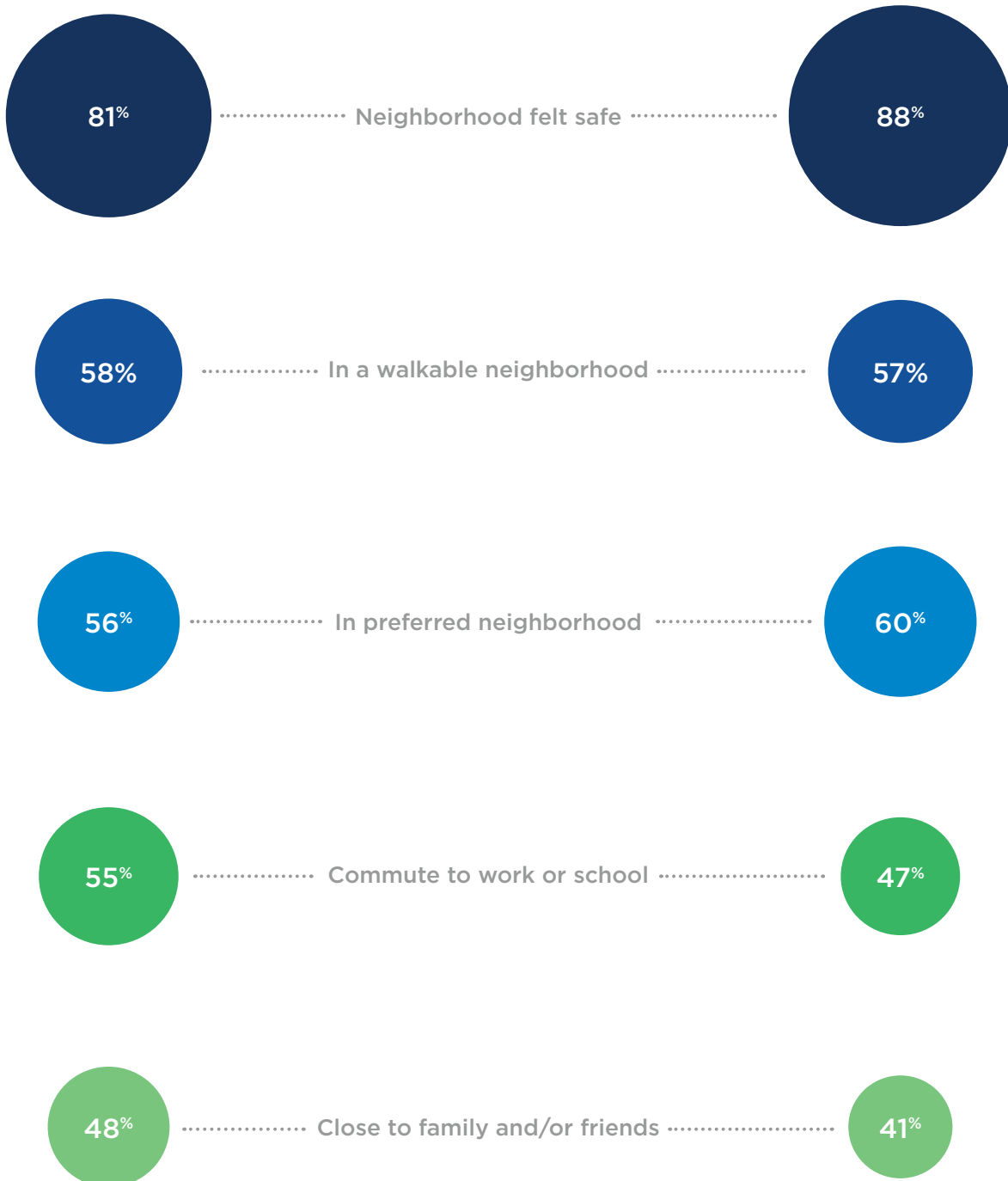
When considering location, the top three very or extremely important neighborhood/community characteristics to new construction buyers are that the neighborhood felt safe (88 percent), is in their preferred neighborhood (60 percent) and is walkable (57 percent).

B-10: NEIGHBORHOOD CHARACTERISTICS CONSIDERED VERY OR EXTREMELY IMPORTANT

Purchased home in past 12 months.

Existing home buyers

New construction buyers



They're OK with a bit of a drive

Only 47 percent of new construction buyers cite their commute to work or school as very or extremely important, compared to 55 percent of existing home buyers. Here, the older age of today's typical new construction buyer, 47, might factor into their lower consideration of commute length.

Again, neighborhood preferences of the new construction buyer mirror those of older generations among total home buyers: When it comes to their commute to work or school for buyers overall, Millennials (68 percent) and Gen Z (66 percent) consider it as very or extremely important, unlike Gen X (56 percent), Baby Boomers (34 percent) and Silent Generation (9 percent).

Similarly, only 27 percent of new construction buyers find it very or extremely important to be in proximity to public transportation, as do 15 percent of Baby Boomers, 22

percent of Silent Generation and 23 percent of Gen X total home buyers, compared to 43 percent of Millennials and 40 percent of Gen Z.

Only 41 percent of new construction buyers put a priority on being close to family and/or friends compared to existing home buyers (48 percent).

Reasons for purchasing new construction

New construction buyers are drawn to the concept of the home's newness and perhaps are comforted by knowing they probably won't be replacing major appliances or a roof anytime soon. Nearly half of new construction buyers (49 percent) say their top reason for purchasing is because everything in the home is new or never used, 37 percent say it's because the home is the best value for their money, and more than a third (34 percent) find appealing home features are the top draw.



B-11: REASONS FOR PURCHASING NEW CONSTRUCTION

Purchased home in past 12 months.

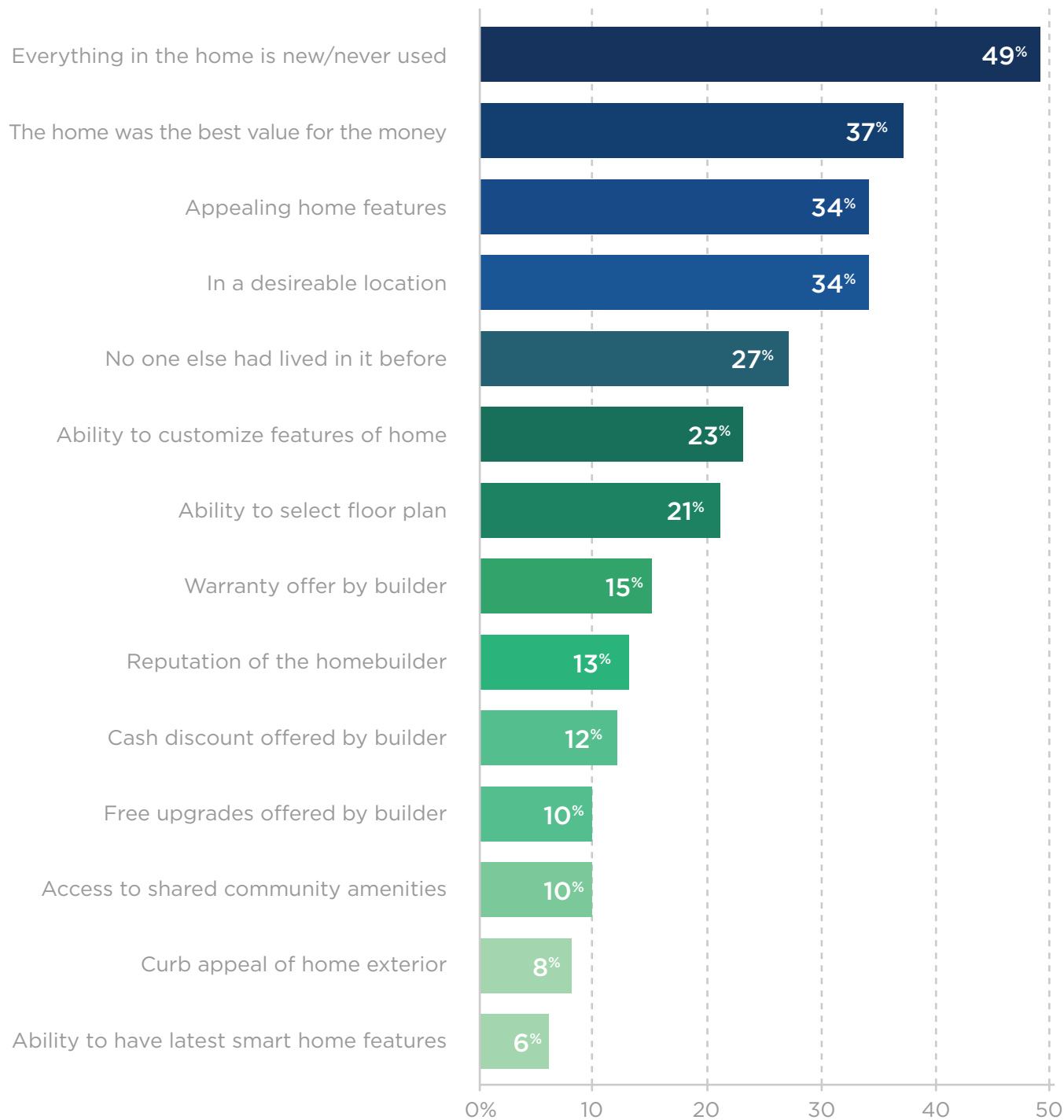


Chart shows the percentage of respondents who selected the characteristic within their top three reasons.



WHY MOST DON'T BUY NEW CONSTRUCTION

Among several home types that buyers consider, 38 percent include new construction in their list; 11 percent ultimately purchase a new construction home. Zillow Group underwent a supplemental study¹¹ to better understand why. Study participants included existing home purchasers who seriously considered new construction during their search. Study results reveal three key areas that influence home shoppers who consider new construction but ultimately choose an existing home.

Barriers and pain points

The factors that take new construction off the consideration list for all new construction home shoppers are location, timing and price.

Further interviews with the supplemental study participants show that their relationship with the builder will either make or break the new construction home shopping process.

B-12: FOUR BARRIERS THAT TAKE NEW CONSTRUCTION OUT OF CONSIDERATION

GfK research commissioned by Zillow.



LOCATION

No new construction in desired neighborhood/area
New construction is not established (e.g., landscaping, “community,” neighbors)



TIMING

Buyers face the end of a lease or sale of their previous property



PRICE

New construction base prices are deceiving
New construction upgrades and HOA fees change the picture



APPEAL

New construction homes are too “cookie cutter” and models are limited
Charm and uniqueness trumps never lived in

SHOW THEM PROOF

Supplemental study respondents who ultimately rejected new construction think of new homes as unproven. They believe an existing home has more value because it's demonstrated structural stability over time, it has a distinctive layout with character and charm, it has built-in neighbors and mature landscaping, and it's in an established neighborhood. Plus, they can negotiate the price and move in sooner.

Perceived home quality and value

Between a new construction home and an existing home, supplemental study respondents identify new construction as having the highest quality and being a better choice, but ultimately consider an existing home the better long-term value.

Two-thirds (66 percent) of both buyer types in the supplemental study say a new construction home has the highest quality; 69 percent rate a new construction home as the best overall. Half (50 percent) of existing home buyers in the study say new construction offers the average buyer updated features and a modern look. But when asked which home they think offers the best value, 62 percent of study respondents point to an existing home.

Debunking the Cost and Value Myths of New Construction

Myth #1: New construction homes are more expensive

Home buyers who reject new construction for an existing home due to a higher list price might wind up putting a lot more money into their purchase — and sooner than they expected. A recent analysis by Zillow and Thumbtack identified several common costs to calculate what homeowners around the country can expect to pay in annual expenses.¹²

While necessary costs like property taxes, utilities and homeowners insurance are part of every homeowner's budget, most new construction buyers are comforted by an accompanying warranty that covers many *maintenance* costs existing home buyers might face soon after move-in.

The nationwide average cost of tasks like house cleaning, lawn care, carpet cleaning, central air and heating system repairs, gutter cleaning, and pressure washing is about \$3,070 per year.¹³ As labor costs vary in different parts of the country, these jobs can be much more expensive depending on where someone lives.

With the housing shortage causing existing homes to stay in service longer and age faster — in 2007, the median age of homes sold was 21 years; in 2017, it was 34¹⁴ — the cost of even the most basic upkeep on an existing home can pile up.

Myth #2: Existing homes have more proven value

Not only can a new construction home warranty stave off the need for major home maintenance tasks, but competition for the limited supply of available new homes has caused the premiums on newly built homes to reach record levels. In recent years, home buyers valued newly built homes about 35 percent more than the average home in a given ZIP code.¹⁵





SHOW THEM YOU CARE

Respondents in Zillow Group's supplemental home buyers study want a better relationship with the builder. They specifically cite a lack of communication from the builder; unknowledgeable sales reps; and a lack of transparency on timelines, costs, delays and custom options.

As they begin their journey, buyers are excited and enjoy the process. They want unlimited access to online resources.

As their search progresses, buyers told researchers they feel overwhelmed or frustrated about making choices, so they shift to consulting offline resources, seeking a trusted guide — whether that's family and friends, a real estate agent, or the builder.

Supplemental study participants say they want **more information** available online, **better search** and explore tools, and deeper real estate agent **involvement**.

B-13: DESIRED CHANGES TO THE BUYING PROCESS

GfK research commissioned by Zillow.



THERE ARE OPPORTUNITIES DESPITE CHALLENGES

Overall, nearly half (48 percent) of new construction buyers are satisfied with all aspects of the home purchase process, which is higher than the number of existing home buyers who felt that way (38 percent).¹⁶ Limited supply relative to existing homes is likely a factor of the 11 percent purchase¹⁷ of new construction homes in the U.S., but there is still an enormous opportunity for builders to convert more home shoppers to new construction buyers.



TIPS TO DEEPEN CUSTOMER RELATIONSHIPS

Interviews with buyers¹⁸ who considered but eventually rejected a new construction home provide insights on what builders need to do to keep home shoppers engaged and confident in choosing new construction.



Be open and honest when communicating

“I feel like communication is key so we should always ... (be) available for each other to have that open dialogue about the style and the process of the home — the building process.”

— Latasha, existing home buyer
GfK, Dear Builder Video



Respond quickly to shoppers' questions

“More than anything, stick to consistency, transparency and communication. It would be great if there could be an app that is streamlined communication where you could show in real time what you're doing [in the building process] considering your prospective buyers won't be able to be there [at the community] all the time.”

— Maria, new construction buyer
GfK, Dear Builder Video



Be timely in communicating delays

“The biggest pain point was not getting straight answers from the builder about delays and what were the delays and not responding to us when asking about delays.”

— Justin, new construction buyer
GfK, Dear Builder Video



Regularly meet with your staff so that everyone is on the same page with home and community information

“What is most important to me is having involvement with the builder. Help me make decisions on amenities and features for my new home that will accommodate me and my family’s circumstances. I want to feel that my opinion is respected and honored throughout the process.”

— Latasha, existing home buyer
GfK, Dear Builder Video



Provide a realistic timeline

“[Speak] to a realistic timeline. You don’t have to underestimate your timeline for the sake of getting your contract.”

— Maria, new construction buyer
GfK, Dear Builder Video



Offer proof of craftsmanship

“I would love to see a home that you’ve previously built that has been lived in for 5-10 years so that I can see the quality and longevity of your work. It would be very helpful and make me feel more comfortable in choosing to buy my home from a new home builder.”

— Jeanne, existing home buyer
GfK, Dear Builder Video



Provide assurances of quality materials and that you're not cutting corners

"It's hard to trust builders of new construction. I always worry that they take all the cheapest shortcuts [and] that you won't find out all the problems until later."

— Jeanne, existing home buyer
GfK, Dear Builder Video



Have a strong online presence and provide new construction home shoppers with an outstanding experience

"Information is the most important. Make your websites very user friendly, intuitive and interactive so that a person can gain knowledge and better educate themselves on your new construction homes. Most people don't know that these options are out there for them and is why they gravitate towards pre-existing homes."

— David, existing home buyer
GfK, Dear Builder Video



Connect with shoppers and buyers throughout the process

"I want to see a clear timeline of where my project is in terms of construction, and I don't want to have to keep calling and speaking to voicemails in order to do so."

— Hannah, existing home buyer
GfK, Dear Builder Video

SUMMARY

The new construction journey is a personal one

Affordability and lack of housing supply has made it difficult for younger buyers to realize their dreams of homeownership. In part because of that, today's typical new construction buyer behaves much like all other home buyers who are Gen Xers, Baby Boomers and even members of the Silent Generation. As higher-income buyers — who are perhaps retired or close to it — new construction buyers focus first on being comfortable inside and safe outside.

Most new construction buyers are repeat buyers, but they still want a trusted guide on their journey — someone who pays attention and responds to their individual needs and, after the sale, keeps them informed about the progress of their home's construction. New construction buyers look primarily to real estate agents to fill this role, but there's an opportunity for builders to step up and make personal connections before, during and after the purchase — connections that will make or break the builder-buyer relationship.

Your previous home buyers are your asset

New construction buyers express high satisfaction with the process and are highly likely to consider new construction in the future and to recommend their builder.

- 98 percent definitely/probably would consider a newly constructed home in the future.¹⁹
- 95 percent definitely/probably would recommend their builder to friends/family.²⁰

Highlight their stories in your marketing and share their experiences with other home shoppers who want to know what it's like to work with you.

Looking for more new construction resources and information? Visit Zillow Group's New Construction Resource Center at [zillow.com/resources/new-construction](https://www.zillow.com/resources/new-construction), email us at whatsnew@zillowgroup.com or call us at 877-419-0589.



ADDENDUM: GIVE HOME SHOPPERS AN OUTSTANDING ONLINE EXPERIENCE

Most buyers today know they can always Google search their questions and get immediate answers. They also know their next home is out there and are scouring the internet to find it. If your website is the one to provide information quickly and easily, you can become their go-to person who can answer their new construction questions.

Here are some valuable tips on attracting and engaging new construction home shoppers online.

- ☐ Respond quickly to online inquiries, giving careful attention to their individual needs
- ☐ Keep your website updated and easy to navigate
- ☐ Provide high resolution images; swap out renderings as soon as you complete a home or phase
- ☐ Optimize your site for mobile viewing
- ☐ Show new construction home shoppers your turnkey and move-in-ready homes
- ☐ List your new homes alongside existing homes to maximize discovery
- ☐ Offer VR tours of your homes
- ☐ Share all your customization options, including prices, taxes and HOA fees
- ☐ Provide information on the updated, efficient and sustainable technology you use in your homes
- ☐ Offer warranty details
- ☐ Highlight neighborhood safety and security details
- ☐ Schedule model home tours
- ☐ Post customer reviews and testimonials on your website as soon as you get them



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Go to <https://www.zillow.com/resources/new-construction/consumer-housing-trends-report> to view.

