
Summary

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How d'you buy a home that only exists on paper?

A study of buying homes by brochure

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Purpose

The purpose of this project is to study a largely ignored area of social research at the intersection of housing and consumer policy. It was achieved by analysing the information packages produced for potential buyers and exploring the thoughts of the implicated parties, i.e., the buyers and vendors, concerning these packages. The purpose of these analyses is to formulate recommendations that could help improve the information that reaches the consumer.

Background

The study arose from a sense of incomprehension over how the public could buy homes which didn't exist. Our curiosity was whetted by a spring 2006 publicity drive featuring the Turbine Housing Association at Kværnerbyen ("Kværner City") in Oslo which made a point precisely of the opportunity to buy a home which couldn't be viewed. How could potential purchasers assess a home's features and standards without inspecting it? This is a matter of concern to many people, because so many do purchase a home before it is built.

Another important reason to pursue this study is market liberalisation, which made the quality of homes more an issue of supply and demand, as indeed was proposed by the Housing White Paper (St.meld.nr 23 (2003-2004)). When buyers express a desire for quality, they will get quality. The system places great responsibility on the shoulders of the consumer who has to make

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sure that homes are built to satisfactory standards. For the system to work, buyers need to know how to assess the commodity in question and make known their requirements. And developers are clearly responsible for supplying homes that meet certain standards and for making sure that buyers have adequate information on those standards.

According to the consumer authorities, the balance of power between the consumer and professional developers and planners is weighted heavily in favour of the latter. The Home Construction Act, Marketing Control Act and industry-wide standards are supposed to regulate the sale and purchase of homes and ensure that the interests of the consumer are taken into account. The law requires balanced, easily understood information to be made available. Misleading the customer is forbidden, and both the positive and negative aspects of a neighbourhood should be given approximately equal weight.

It is interesting that policy makers have such confidence in the home buyer's ability to assess standards and make felt their wishes. The consumer watchdog, however, believes the consumer is the equations weakest link.

Planners and researchers point to what the authorities should have done to ensure standards are adequately met in practice. Criticism has been levelled at new urban homes because of poor layout (Manum 2006, Støa et al. 2006) and outdoor areas (Isdahl 2007, Guttu and Schmidt 2008).

The authorities have admitted the market is unable to produce environmentally friendly homes in a universal design format, both of which the authorities are eager to promote (St.meld.nr 23 (2003-2004)).

Research questions

We formulated three questions for the project

1. What characterises information packages provided to prospective buyers at the projecting stage on the home itself, its surroundings, standards and other attributes?
2. How do buyers assess these packages?
3. How do agents assess these packages?

We limited ourselves to analysing the actual information and some of the features and attributes of the homes and immediate vicinity, i.e., layout and practicality, prospect and relation to the surrounding area, size and standards of outside facilities, sunshine and daylight, universal design and environmentally friendly features. These factors were chosen because they are currently under pressure and of concern to the authorities. We concentrated particularly on the information package and what it included in the form of plans and verbal descriptions.

Method and choice of case

We decided to carry out a comparative case study. We studied the sales procedures and information disseminated in adverts, on websites, at showcase homes etc. The case study method is particularly useful for exploring relations between people, according to Thagaard (1998). They are also highly relevant to studies of processes, that is, how people and sales information interact. They offer an opportunity to study the same phenomenon on the basis of data retrieved from a variety of sources (Yin 2003). We interviewed buyers and agents (i.e. estate agents, sales officers, people in charge of information packages). We observed sales meetings and visits to the demonstration centres. We conversed with buyers, agents and other representatives of the vendor. We carried out document analyses of information packages and other sales material.

We chose two cases with contextual similarities. Both are centrally situated in Oslo, both were put on the market in the spring of 2007 before construction got under way. Both target in their marketing slightly different segments of the young adult population. We anticipated a high standard of information, as required by the consumer authorities for information targeting young buyers and first-home buyers. The cases differ, nevertheless, with respect to developer. One is a private sector firm, the other a housing association. We anticipated a very high standard of information from the housing association as an experienced home builder serving a significant membership.

M-X is designed by a private sector firm and marketed towards the younger segment of the home buying market. The project comprises 84 two and three room flats. The second case, Møllehjulet, represents the second stage of the OBOS-managed

renovation of the Kværner site, a former manufacturing estate centrally situated in Oslo. 1800 homes are projected, including the 177 homes in the Møllehjulet project. We studied the first construction phase of the latter project which resulted in 70 homes, mainly three room flats. They were put onto the market in the spring of 2007. The marketing material suggests these homes were designed essentially with the young single buyer, young couple and young family in mind.

The cases share certain features, but are also different, allowing us to compare the phenomenon under study, i.e., information quality. If the same pattern emerges from different cases, it will add weight to our data. If trends discovered in our findings that are replicated in other investigations, it will strengthen the veracity of our findings.

Our informants received a copy of a draft of this report for commenting. Errors and misunderstandings have been corrected. The researchers are nevertheless wholly responsible for interpreting the findings.

What sort of information do prospective buyers get?

We assessed the information packages on the basis of our own professional judgement, and recommendations and guidelines issued by the Norwegian State Housing Bank and Ministry of Local Government and Regional Development, among others, concerning the features and qualities of the homes and neighbourhoods warranting particular attention by the prospective buyer. We limited this part of the study to information issued prior to an eventual deal since it forms the basis for the buyer's decision.

We noticed previously that information provided by OBOS as a member organisation and experienced developer tends to be better and more balanced than information compiled by private developers. Home buyers in the Møllehjulet project chose OBOS deliberately because it was a serious player and they trusted it. According to earlier studies, experienced developers tend to be more concerned about protecting image and reputation (Isdahl 2004, Orderud and Røe 2002). This was borne out in our case by the information package the dealers had put together for prospective buyers. The M-X brochure was dominated by irrelevant images and text, in the midst of which objective

information was almost hidden from view. This ill-assorted mix of relevant and irrelevant imagery and text is particularly unfortunate in marketing material.

We anticipated a high standard of information in both cases given the young market segment targeted by the developers. Both brochures suffered from various shortcomings on the features the developers had chosen to showcase. This was especially evident when it came to information about the dimensions of outside areas, facilities and features, information on sunlight and ambient lighting, universal design and steps taken to promote environmentally friendly constructions. The information lacks references to the Home Construction Act, consumer authorities and relevant sites on the Internet.

What do buyers think of the information?

The information packages are given good marks by and large by the buyers. As regards the information on factors included in this study, our informants were somewhat constrained. We could put this down to lack of knowledge – it is difficult to ask questions about things one knows little or nothing of. But buyers may have trusted the authorities to oversee informational standards, or perhaps thought the homes would have the desired standard and be environmentally friendly. The buyers admitted their dependency on agents and the information they saw fit to provide. They trusted the agents' recommendations, and a recommended home was expected to be a good home. Buyers with some knowledge of the building industry had heard about construction deficiencies and shortcomings. They inquired about things they knew about and were concerned for, and had less confidence in the information provided.

What do agents think of the information?

The agents, i.e., representatives of the vendors, believe the information packages are good. They realize that buyers will have limited information and have to rely on what the agent tells them. They are also aware of the need to publish negative and positive information on the surrounding area, but choose to put it in small print – if they include it at all. They are aware of their duty to give objective information, but also of the need to market the products creatively to attract buyers and get the homes sold. Agents and

marketing firms are actively involved in designing the information in collaboration with architect and developer.

Statutory compliance?

In our considered opinion, the information material lacks compliance with some of the statutory provisions and regulations. There is a lack of information on the features we have studied. The M-X project package is overlaid with irrelevant imagery, text and adverts, and the layout plans of the homes at the M-X development are misleading. Only a few pieces of furniture are shown, some furniture dimensions are erroneous, making the flat seem bigger than it is. There is no information on negative features in any of our cases, despite the central location of both developments with the risk that brings of ambient noise and pollution.

Is the consumer the weakest link?

Buyers and vendors all agree that buyers lack the skills and expertise to assess purchases and have to rely on what the vendor tells them. It is our considered opinion, which echoes that of the consumer authorities, that this lack of skills makes the consumer the weakest link. Consumer surveys show that consumers generally have little faith in their ability to assess the quality ordinary commodities and services (Berg 2006). Purchasing a home is a much more serious investment than buying consumables. Even buyers with some knowledge of the construction industry are uncertain as to how the dwelling and housing estate will turn out in the end.

Experts and people in general

In our assessment of the information, we are more critical than the vendors and buyers. This may be because we, as experts, are more critical than people generally. Our critique, however, is corroborated by other research, although the research on this particular subject is limited.

What explains the lack of information?

Information deficiencies can be explained by vicious circles. Vendors do not want to include more information than the buyers want, and buyers don't ask because they don't know what to ask for. But it could be the case that outdoor facilities and technical

plans are not ready, or the developer may fear complaints if he alters the plans, including the layout for instance.

And there appears to be an imbalance between what the buyers would like and the information on views, sunlight and daylight provided.

The authorities are concerned to promote universal design and environmentally friendly practices. It is a concern shared by neither vendor nor buyer, however.

According to our informants, buying a new home is a wise investment anyway, and whether the information is too much or too little doesn't really matter in the long run. If the buyer is dissatisfied, they can always sell up and move. Whether this is a feasible approach in a falling market remains an open question.

Carried away by a dream and leaving the detail to the authorities

In comparison with older information brochures, the current packages featured an excess of images of smiling people, superlatives and what is known as estate agent jargon. The brochures attempted to create a sense of identity and fulfilment of a dream. Marketing treads a thin line between informing objectively and persuading the reader to come round to a certain point of view. This is understandable given the way the marketing industry has changed. It is also understandable given the symbolic value of the home. And playing on emotions rather than providing objective information can be understood as a consequence of women's increased influence on purchase decisions.

Black holes?

The information is deficient and there is a danger that buyers are lulled into a dream world. We saw how much reliance buyers place in the authorities to safeguard matters pertaining to standards and quality, but the authorities, as we have shown, rely on the critical consumer to ask for quality. The question is whether there are any black holes, features, attributes which neither the authorities, buyers or agents are sufficiently aware of. In the opinion of social scientists and planners, the market alone is unable to safeguard quality, and buyers lack the requisite skills. One agent warning

emphatically against relaxing the regulations and putting the responsibility on the shoulders of the buyer.

Need for further research

We note a need for further, more wide-ranging studies of information material and how home sales proceed because so many people are affected. At the same time, the issue of features and qualities extends beyond the construction industry and buyers' responsibilities because it concerns the standards we as a society want to see enshrined in the homes we build.

Recommended measures

We have outlined certain steps that should improve the quality of the information packages. The suggestions need to be examined in detail, in collaboration if possible with the industry and consumer authorities.

First, floor plans drawn to scale should be a mandatory part of the information package. The plans shall indicate alternative furniture and fixture arrangements along with the total indoor space and individual room dimensions. Location and building designs showing the built environment, orientation, access features etc. should be included as well. Plans for outdoor areas should include dimensions and details of landscape work. Sunlight and shade diagrams should inform on conditions at the equinoxes and at various times of those particular days. Information should be provided on universal design, and on the projecting parties. Finally, information packages should include details about consumer rights under the Home Construction Act and links to consumer authorities and websites. Software and 3D programs should be used to produce more and better perspective drawings and descriptions of the dwelling and built environment.