

Summary

Rolf Barlindbaug and Marit Ekne Ruud

Resident satisfaction with newly built homes

NIBR Report 2008:14

Purpose of the project

The Building Cost Programme seeks to slow building cost inflation and accelerate productivity in the construction sector. It also seeks improvements in the construction process and construction standards. We explore in this project the experiences and response of residents to newly built dwellings, hoping thereby to fill a gap for better information in this area. The project will highlight which areas function efficiently and which could benefit from improvements. One counts on the results in efforts to strengthen competence of prospective buyers while encouraging higher product standards among housing providers.

Characteristic features of the market for new construction

Both the development and production of homes are increasingly governed by market forces with local councils downscaling provision of building plots and a large number of planning applications filed by private individuals. These factors combine to increase the risk for developers. There is a strong demand for housing, and building new homes for resale is increasingly popular. Many have competed for suitable land, driving prices higher. At the same time, the construction sector is running at full capacity and the workforce is increasingly internationalized. Full capacity will put pressure on price setting in the contracting sector and lead in some case to poorer quality in the finished product.

From the turn of the century the ratio of new homes in the most populous municipalities grew from about 70 per cent to over 80-odd per cent. The block share is more than 50 per cent with the past twenty years witnessing a rapid decline in the percentage of self-builders.

The study

NIBR has completed a survey of a representative sample of residents of all types of newly built homes. The Dwelling Address Project allowed us to identify home-owners, residents in housing associations and renters. Our questionnaire was sent out in June 2007 to a gross sample of 3,981 residents of dwellings completed in 2005. The response rate was 39 per cent. Excellent register information on the entire gross sample meant that we could weight responses to avoid bias on type of dwelling, neighbourhood and respondent age. This provides for a sounder result than if we had not performed a weighting operation.

Mode of acquisition and resident profile

The study found that the percentage of self-builders still remains significant, constituting 22 per cent of the sample. It came out as 9 per cent in the bigger cities and as much as 58 per cent in remoter communities. Housing association homes bought in 2005 accounted for 22 per cent, a twofold increase over a ten-year period. Their share was only 8 per cent in rural areas.

The questionnaire was designed to optimise data gathering on the extent of re-sales, that is, homes bought up by different parties with no intention residing in them themselves, but to sell them on, preferably at a profit, immediately prior to completion. In our estimate, 4 per cent of dwellings built in 2005 were re-sold in this way. About 6 per cent of residents of housing completed in 2005 are tenants.

Self-builders are usually young couples, with or without children, with a preference for detached houses. Housing associations recruit a relatively large number of single people and couples over fifty. Many of these couples also buy their home from private developers. Single people under forty account for 13 per cent of the residents in the new homes. Housing association residents are much more likely to be in the lower income brackets.

The average home built in 2005 cost 2.1 million Norwegian kroner (NOK). This does not include the value of work performed by the owner. The most expensive homes, at NOK 28-29,000 per square metre, were sold by developers and housing associations in the larger cities. Nine out of ten self-builders invested about 1,000 hours on their home. Of those who bought a home from a private developer, a third did some of the work themselves, on average 180 hours.

What sorts of features are included in new homes?

We differentiate between neighbourhood attributes and amenities in the home itself. A large percentage of the new homes are in convenient distance of public transport, schools and shops. Blocks score well on all of our chosen neighbourhood attributes, while detached homes are less likely to be within walking distance of public and private services, shopping centres, restaurants and cultural activities. As a rule, semidetached homes tend to be more like detached homes than blocks.

Open kitchen designs are very popular nowadays, especially in flats. Detached homes generally have a separate washroom, several bathrooms/toilets and a central vacuum system. Cold storage rooms and saunas are less likely. Residents of detached houses usually have several types of heating at their disposal, and there is a connection between having a choice of heating system and several power sources. Over half of the detached houses have a balanced ventilation system, while only a quarter of the flats do so.

Typical storage area in flats and semidetached homes is 8 square metres, 13 in semidetached and 23 in detached houses.

The study shows that 37 per cent of the new homes offer full access for people with disabilities, that is, it is possible for wheelchair users to reach all types of room in the dwelling from a garage or car park. Almost half of the new Housing Bank-financed homes feature full wheelchair accessibility standards.

What are residents most and least satisfied with?

Fittings, products, standards

Highest satisfaction levels are elicited by kitchen layouts generally and fittings, countertop area and storage space in particular. Ventilation systems generally and kitchen and bathroom

ventilation particularly come second. Bathroom fittings, living room walls and floor and inside doors populate the next group. Residents are least satisfied with sound insulation between rooms, but even on this score two in three residents said they were satisfied. Insulation standards between flats evoke more or less the same response. The dissatisfaction rate is 17 per cent, and significantly more likely among residents of semidetached homes.

Faults, defects and repairs

Six out of ten residents are satisfied with the standard of workmanship. All the same, 15 per cent report serious failings and defects after taking possession, while as many as 69 per cent discovered minor damage and shortcomings. Most minor problems affect living rooms and common areas, and are apt to involve doors and windows. Buckling walls and floors are also mentioned. There are fewer defects of a more serious nature, and largely affect electricity and plumbing. Problems with bathrooms and kitchens are mentioned frequently, generally because of faulty electrical installations and damp. Mistakes, once they are made, are often repeated in different rooms and different parts of the structure. But a combination of issues, like power problems and damp, is comparatively rare.

Very nearly every resident had called the seller with a problem or a complaint, and repairs were forthcoming for most or all of the defects in three in four cases. That said, many were particularly unhappy about the seller's response. Only one in three residents who had filed complaints about defects and faults were satisfied with the response, while as many as 45 per cent were unhappy. There were only small differences between self-builders, residents who had bought from a private developer and those that had bought from a housing association.

Sales process and contractual factors

While self-builders sign contracts with construction firms before construction work actually begins, over half of those who buy from developers or a housing association sign the purchase agreement before building work starts. About 7 per cent of homes erected by developers and housing associations are sold after completion. Two in three residents were satisfied with the buying and selling process.

There will be numerous modifications after a contract is signed and construction work is under way. Almost one in three residents, slightly more if they were self-builders, report modifications to plans and 28 per cent faced completion date extensions. Far fewer report changes affecting the size or price of the home during construction.

Almost all buyers of homes from developers or housing associations receive an information package and architectural plans. Of self-builders, three in four get delivery receipts and instruction manuals, while only 50–60 per cent of residents in housing association accommodation do so. Big private developers are most likely to give delivery receipts and instruction manuals. Self-builders do not automatically receive delivery receipts or instruction manuals for technical installations.

Information provided to residents is satisfactory before the actual purchase, and at the signing of the contract, but less so once the keys to the dwelling are in their hands. Almost a third felt that information in the post-purchase period was either extremely poor or deficient. The private developers were worst, but inside this group we find that highest satisfaction levels were recorded by residents who bought their home from a larger or smaller developer, and lowest among residents whose property was provided by a modular home firm. Only one in three were satisfied with follow-through after taking possession.

One in three are aware of information issued by the Consumer Council relating to home building, but only 3 per cent had made inquiries, and most of these were self-builders.

Overall satisfaction

On most of the questions relating to the dwelling's fittings, products and materials, about 80 per cent said they were satisfied and 10 per cent dissatisfied. The remaining 10 per cent were neither satisfied nor dissatisfied. Responses to our satisfaction questions generally co-vary with the cost of the dwelling, what they anticipated, and their experiences since moving in. The price of similar homes varies widely depending on centrality and size. Features of the dwelling itself had little impact on price. For flats, a central vacuum system, balanced ventilation, a choice of heating systems, parking space and more than one bathroom/toilet

increased the price. Our analysis shows, however, that the price of detached homes varies only on number of bathrooms/toilets and storage space. For other smaller dwellings, a garage and balanced ventilation add to the price.

Overall analysis of all assessment questions concerning satisfaction finds the highest levels among the self-builders. Residents with a view, central vacuum facility, water leak sensor, garage, full wheelchair accessibility are more pleased than those without such amenities. Wider choice though means less standardisation and higher building costs for the developers.

Why opt for a newly constructed home?

What proved important for the self-builders was an opportunity to have a say on choice of materials, colours, design and layout and standards. A chance to make a practical contribution was also highly appreciated.

Many opted for a newly built home because of the lower maintenance compared with older dwellings. Some felt that the standards of older housing were unsatisfactory; others were unable to find an existing dwelling that met their needs. It was also a point in favour of purchasing a new home that it had not been previously occupied.

What would residents like to have seen done differently?

To an open-ended question about what residents felt could have been done differently, many opted for bigger rooms and verandas, particularly residents of smaller homes. Some would have liked a separate kitchen and living room and a dedicated washroom. Several wanted more storage space and better sound insulation between rooms and neighbouring flats. Water-borne heating and better ventilation systems were also mentioned. Not many were interested in reducing space or lowering standards to improve the dwelling's environmental specifications. One in three was willing to contemplate reducing indoor temperature a couple of degrees. 21 per cent would certainly have paid more for a more environmentally friendly home, and 65 per cent would consider paying more if the additional cost could be recouped in lower energy bills.

What characterises the Housing Bank-financed homes?

In our survey, 15 per cent had a mortgage from the Norwegian State Housing Bank, and as many again had no outstanding mortgage. Housing Bank statistics show that it financed 22 per cent of all homes built in 2005. The disparities likely spring from the fact that many respondents have no knowledge of their housing cooperative's funding arrangements.

Only a tiny minority of the self-builders had a Housing Bank mortgage. For homes built in 2005, it was the old home construction loan programme that applied. That most of the self-builders went elsewhere for their mortgage was due to the Housing Bank's restrictions to which they were unwilling to submit. Many also said they were offered better terms by other lenders.

Our data show that the Housing Bank-financed dwellings cost less than dwellings which in all other respects are similar, and are more likely to provide full accessibility for wheelchair users. More than one in three homes financed by the Housing Bank obtained a supplementary loan to upgrade to a lifespan standard, which is a likely explanation of the difference.

Housing Bank-financed homes are less likely to have a fireplace, offer multiple heating options or include balanced ventilation. Balanced ventilation predominates in detached houses, few of which are financed by the Housing Bank.

Concluding remarks

On the basis of our findings, we would like to highlight certain points for further consideration by developers when planning new projects.

There appears to be a demand and readiness to pay for multiple energy sources and balanced ventilation. Whether the additional investment cost of installing energy-friendly systems finds a response in greater willingness to pay is a much-discussed issue. Insofar as those with an option of energy-friendly systems are likely to accept it, one would assume there is a willingness to pay for them. But it is also conceivable that self-builders go through a learning process, resulting in greater awareness of these issues than ordinary new home buyers, whether they buy from a developer or a housing association.

Turning to faults and defects affecting the dwelling, it seems that once a mistake is made, it will probably turn up in other rooms and other parts of the structure. Workmanship standards are something the construction industry needs to address, because there is a high incidence nowadays of errors and defects. Many residents say mistakes and defects are repaired in the end, but it does take a lot of trouble to get that far, and sellers seem reluctant to respond to complaints once the keys have been handed over. It would be sensible then to take steps to improve quality control overall and efficiency in particular, both during the construction period and subsequent to the hand over. Necessary documents are not always forthcoming either, including delivery receipts and instructions. Many residents would like to see contractual improvements – very many indeed have experienced alterations to plans and delays in completion dates.