



 Zillow
New Construction

Consumer Housing Trends Report 2020

Sponsors:

Stephanie Heliker, Jeff Koenig, Darlene Mate

Contributors:

Nicole Bachaud, Amie Fisher, Isabel Foley, Manny Garcia, Courtney Hemsarth, Radmila Zelic Josimov, Ryan Karell, Susan Kelleher, Caroline Killmer, Lauren Lowe, Chase McBride, Nina Menconi, Jessica Rapp

Copyright © 2021 by Zillow, Inc. and/or its affiliates. All rights reserved. No part of this publication may be reproduced, distributed or transmitted in any form or by any means without the prior written permission of Zillow, Inc.

Contents



- 4** Foreword
- 5** New Construction Buyer Mindsets — What Changed in 2020
- 11** Cities Remain Popular With New Construction Buyers
- 19** Virtual Tours and the New Construction Buyer
- 25** New Construction Buyers Show More Interest, but Cite More Challenges
- 30** First-Time New Construction Buyers Value Communication and Transparency
- 36** Methodology

Foreword

The new construction market started off 2020 with the promise of a long awaited turnaround, and it more than delivered. As the year ended, demand for newly built homes was so strong that a growing share of home shoppers were buying up homes that existed only as blueprints.

Historically low interest rates, a market starved of for-sale inventory and huge demand driven in part by a pandemic, pushed builder confidence to all-time highs and created expectations that sales of brand new homes would remain strong for at least the first half of 2021.

Amid all that good news, the Zillow New Construction Consumer Housing Trends Report 2020 finds a growing preference for new construction and a slight trend toward urbanization as millennials*, the diverse cohort aged 26 to 40, enter the market in increasing numbers.

In fact, millennials already constitute the largest share of new construction (NC) buyers (39%). Gen X and baby boomer buyers each account for a 27% share of new construction purchases, while only small numbers of NC buyers are Gen Z (6%) or silent generation buyers (1%).

Getting the millennial NC buyer to the finish line, however, isn't always easy. While NC home shoppers as a whole tend to have experience buying real estate — 64% have previously bought another home — many buyers find that new construction presents unique challenges compared to buying existing homes. Moreover, the younger the buyer, the less experience they generally have. Seven out of 10 millennials purchasing a new construction property are first-time home buyers, underscoring the need for sales materials that help educate new buyers into a process that many continue to find confusing.

Both experienced and inexperienced consumers tend to experience pain points such as deciding on finishes and visualizing the unbuilt home, even as technology helps fill the gaps with smart floor plans and 3D tours.

In the following pages, we'll discuss takeaways and tips for developers and agents to remain resourceful and adaptable in this landscape, and we'll delve more into who buys a new construction home and their expectations. A quick snapshot: they remain an educated group, as 54% have at least a four-year college degree. A majority (82%) are either married or living with a partner, and 53% report household incomes of at least \$100,000. And they love their pets: 60% have one.

As the stellar new home sales figures that defined 2020 are forecasted to continue, at least for the near term, the coming year offers ample opportunities to win over this large cohort of customers.

*See Methodology for cohort definitions.



INSIGHT 1

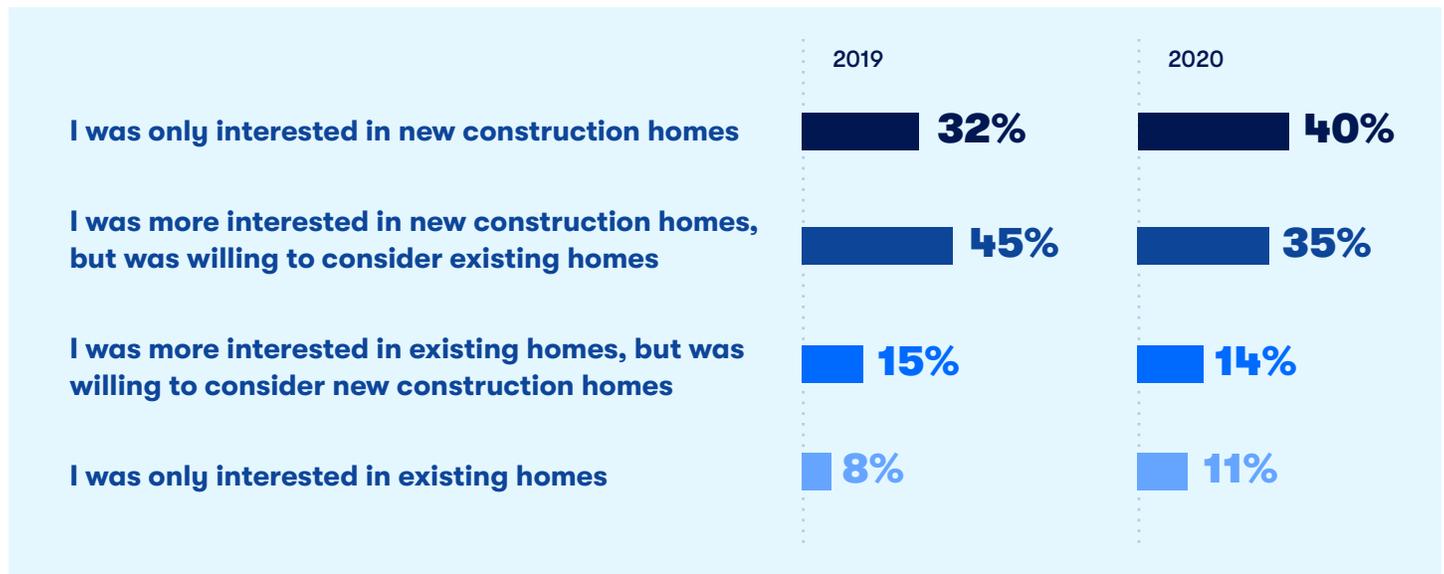
New Construction Buyer Mindsets – What Changed in 2020

Less time spent searching, with fewer willing to consider existing homes

New construction buyers in this year’s survey say they found their home more quickly than last year’s — and that may be because more of them focused solely on buying a newly built home. In fact, new construction (NC) buyers* appear to be generally more ardent about new construction this year than they were in last year’s survey.

For instance, 40% of NC buyers say they are only interested in a brand new home, compared to 32% last year. And fewer NC buyers are even willing to consider existing homes, even though the housing market is starved for inventory. In 2019, 45% said they were more interested in new construction, but were willing to consider existing homes. This year, only 35% say that.

New vs. old: new construction buyer preferences



The stronger interest in new construction may be why 23% reported finding their home in less than four weeks this year, compared to 16% in 2019. Or it may be that fierce competition for homes is prompting quicker decisions once buyers find a home that works for them. Whatever the reason, the typical NC buyer now spends two months searching, a month shorter than last year.

* “New construction home” is a home built in the past two years that no one had previously lived in.

“New construction buyers” are households who’ve purchased and moved into a new construction home within the past two years.

Smaller, less expensive options gaining appeal

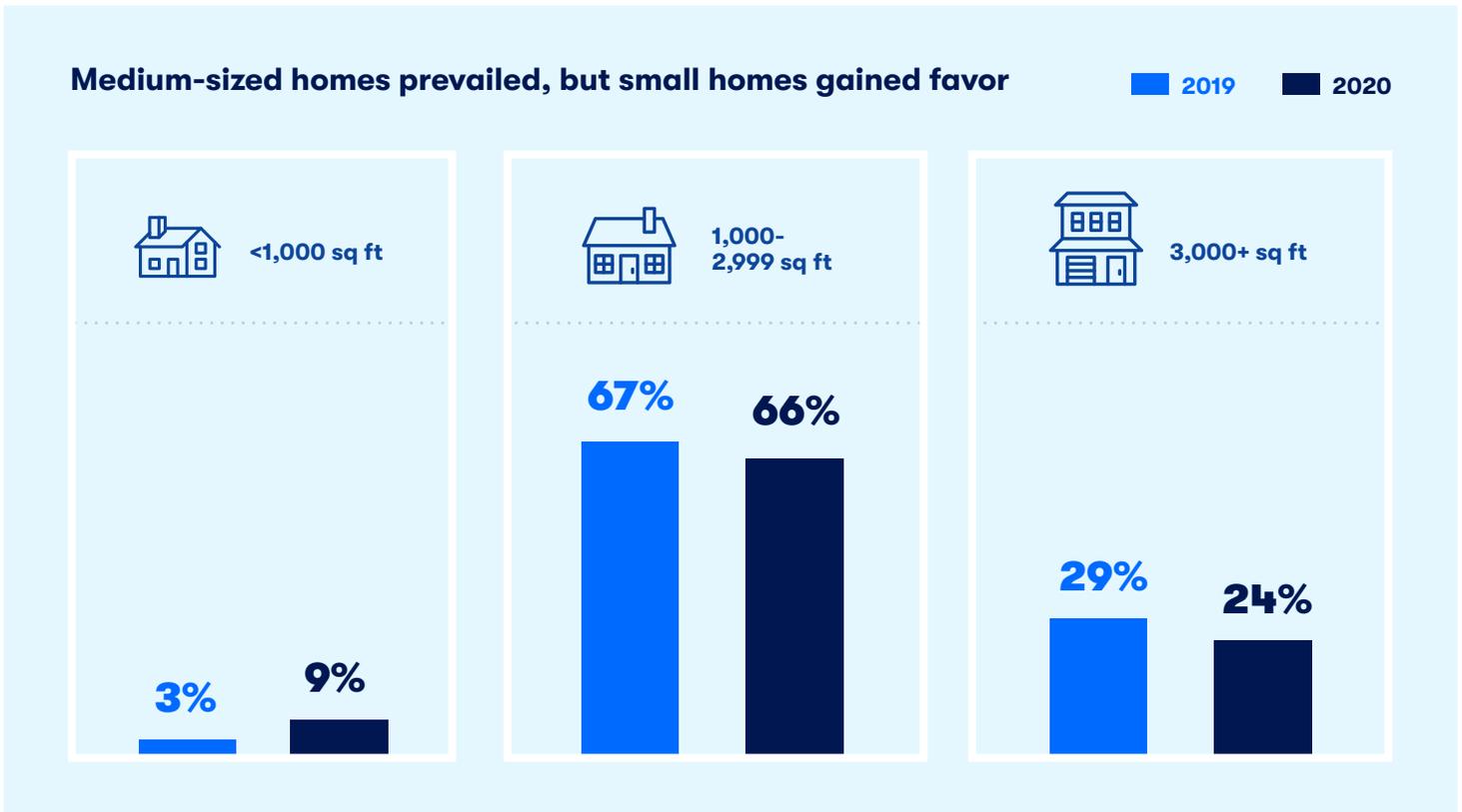
When they do find a home, more new construction (NC) buyers are choosing smaller homes this year than last.

Small homes — defined as those with less than 1,000 square feet — were purchased by 9% of NC buyers. That’s 6 percentage points higher than last year, a reflection perhaps that slightly more homes are being built in urban areas or that the industry is offering slightly more options that trade size for affordability.

Still, a majority of NC buyers continue to purchase medium sized homes, defined as those between 1,000 and 2,999 square feet. Two out of three buyers (66%) bought one this year, similar

to 67% last year. Large homes of 3,000 square feet or more account for about 24% of sales.

The smaller sizes appear to be reflected in the sticker price paid by NC buyers. Last year, only 9% of NC buyers paid less than \$100,000 for their home; this year, 19% reported paying that. The growth in households buying less expensive new construction homes coincides with a 10-point drop in the share of buyers who pay between between \$200,000 and \$299,000 — 21% of NC home purchases fell in that range in the 2020 survey, compared to 31% in 2019.



A shift in home feature preferences

The types of home features new construction (NC) buyers find very or extremely important remains largely the same as last year, with a few notable exceptions.

While air conditioning, preferred number of bedrooms and bathrooms and preferred floor plans continue to top the list of important home features, more buyers this year than last year identified rental income, smart technology and space for cars as important.



1. Rental income

Nearly a third (32%) of NC buyers say the opportunity to generate income by renting out the entire home is very or extremely important to them compared to 23% who said so last year. Home-sharing also grew in importance: 27% say generating income by renting out a portion of their home while they live there is very or extremely important, compared to 22% in 2019.

2. Smart technology

Smart home technologies also became more significant to buyers, a reflection perhaps of the proliferation and growing comfort people have with devices that provide everything from security to temperature control. This year, 45% of NC buyers consider smart home capabilities very or extremely important, an 11 point increase over 2019.

3. Space for cars

Americans' love affair with their cars also is reflected in buyer preferences, with 74% of NC buyers rating off-street parking or a garage as very or extremely important, and 67% assigning the same level of importance to an assigned parking space. Both items are 6 points higher than last year, and may reflect a desire to protect what has become an expensive investment. (The estimated average transaction price for a light vehicle was \$38,948 last year, according to a Kelley Blue Book analysis.) Given the slight urban skew in new construction this year, the importance of parking also may be related to the scarcity of parking in crowded cities.

Home features considered very/extremely important

■ 2019 ■ 2020



Private outdoor space
(e.g., patio, deck, yard)



Off-street parking or a garage



Assigned parking place



Smart home capabilities



Hot tub or pool



Opportunity to rent out entire home in the future to produce rental income



Opportunity to rent out a portion of the home for rental income while living in the home

Top reasons for buying new construction

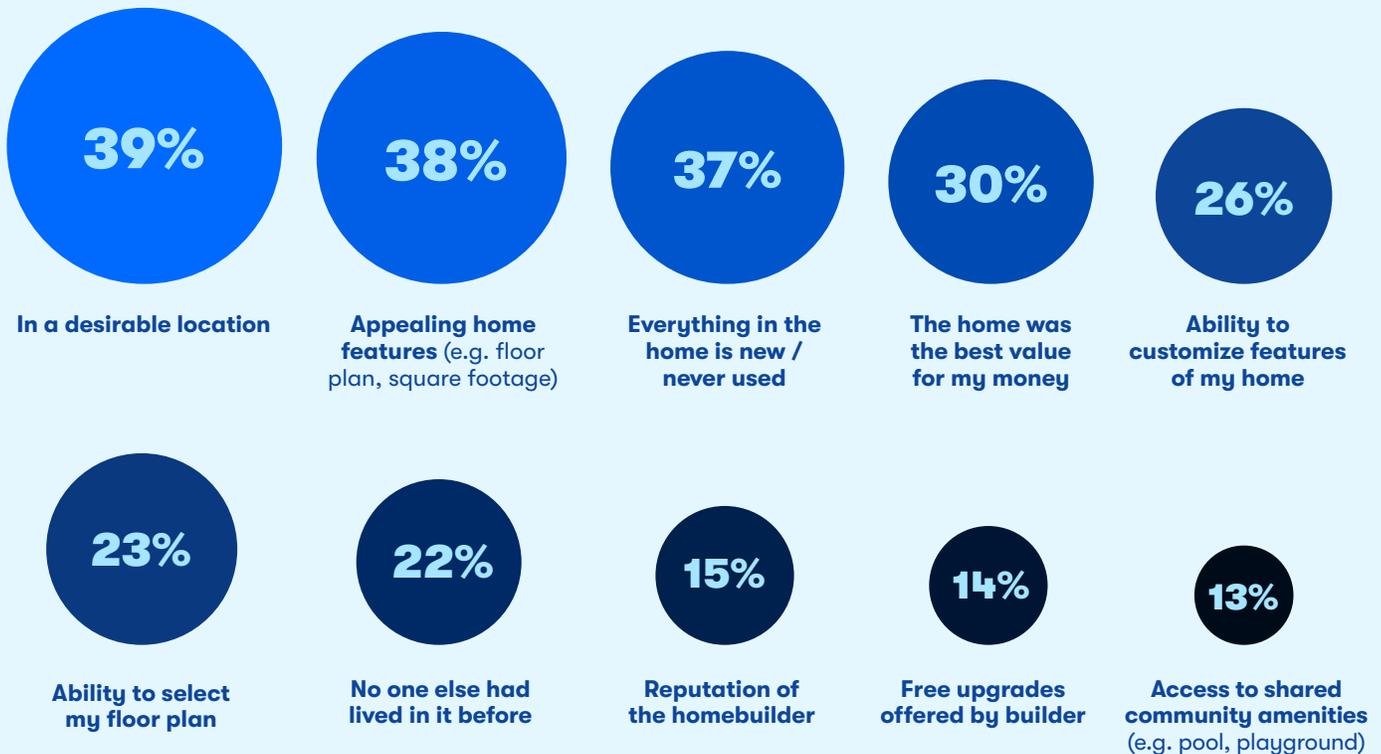
New construction’s appeal remains rooted in many of the same reasons that people have cited in the past as their motivation for buying new construction.

The most notable year-over-year change in reasons for buying new construction – in fact the only change of any significance – is the appeal of free builder upgrades. This year, 14% of NC buyers cited it as one of the top three reasons they bought a newly built home; last year, only 9% cited upgrades.

“Desirable location” remains the top reason (39%), followed by appealing home features (38%) and everything in the home being new or never used (37%).

Builders can take heart in knowing that buyers continue to appreciate the ability to customize their home features and select their floor plan. All told, 30% of NC buyers say one of the top reasons they purchased a newly minted home was because it was the best value for their money.

Percentage of buyers who ranked these reasons among their top three for buying



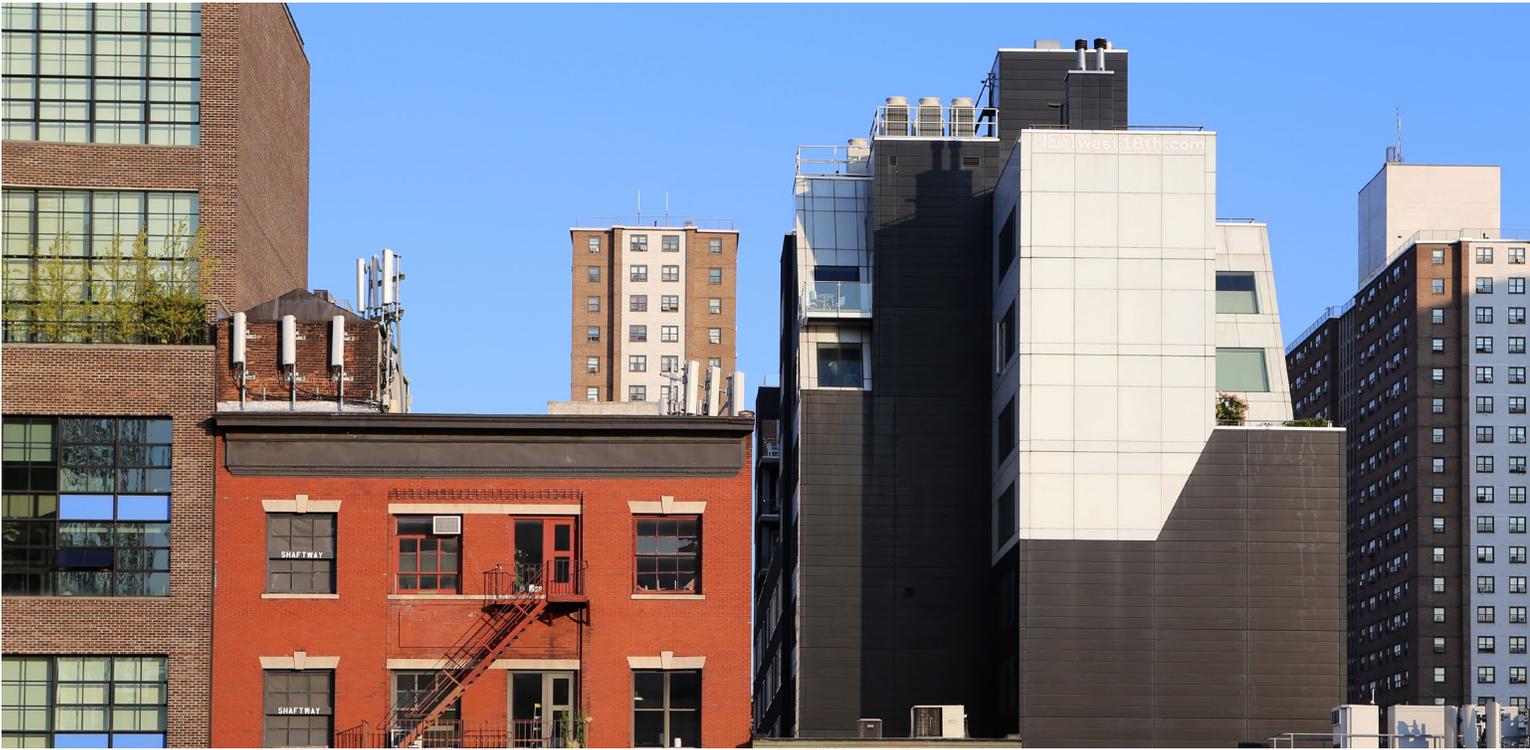


INSIGHT 2

Cities Remain Popular With New Construction Buyers

Urban buyers' preferences kept them rooted to cities

Predictions that the coronavirus would drive an exodus from the nation's cities have not come to pass, even as a shift toward remote work has allowed people to rethink where they want to live.



The long-term effects of the current market on location preferences are hard to predict — home prices are continuing to rise, mortgage interest rates are at historic lows and inventory shortages are severe. But the snapshot of new construction buyers captured in the Zillow New Construction Consumer Housing Trends Report 2020 shows a slight increase in the number of households who chose newly built homes in urban areas compared with the previous year's report.

These buyers gravitated toward somewhat smaller, more affordable homes in urban areas where they are more likely to look to their neighborhoods for a sense of community and belonging.

The findings offer an opportunity to explore some of the differences between urban, suburban and rural buyers, both in what they want and what they buy.



Urban areas gain, but most growth stayed in the suburbs

In 2020, 31% of new construction buyers say they purchased their home in an urban area — up from last year’s 23%. Although the number represents an 8-point gain, it’s considered a slight but significant shift because the pool of new construction buyers is relatively small compared to the larger universe of home buyers.

Suburban new construction still captures the majority of buyers, although by a narrower margin this year. Half (50%) of new construction (NC) buyers say they bought a home in the suburbs, down from the 57% who reported buying there in 2019.

Urban buyers of brand new homes have a slightly different view of what constitutes new construction than their non-urban counterparts.

About three out of four urban buyers (76%) define new construction as a completed home, compared to 56% each of suburban and rural NC buyers.

Urban NC buyers also are less likely to view new construction as a home they can customize — only 45% see it that way. Even fewer define it as a home yet to be built (33%) or a home they need to hire a builder to design and construct (19%).

Their attitudes are likely shaped by their shopping and/or buying experience: 77% of urban buyers of newly built homes purchased one that was move-in ready or under construction. Only 23% had their home constructed after buying a buildable plan.

How buyers define new construction

Urban Suburban Rural



A completed home



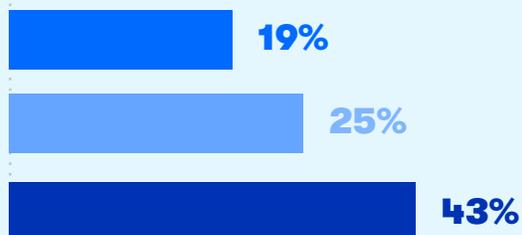
A home that I can customize



A home that is yet to be built



A home that I need to hire a builder to design and build for me





Smaller houses = smaller price tags

Overall, more new construction buyers report choosing smaller, more affordable homes this year. In 2019, a mere 3% said they bought a home that was smaller than 1,000 square feet. This year, 9% did.

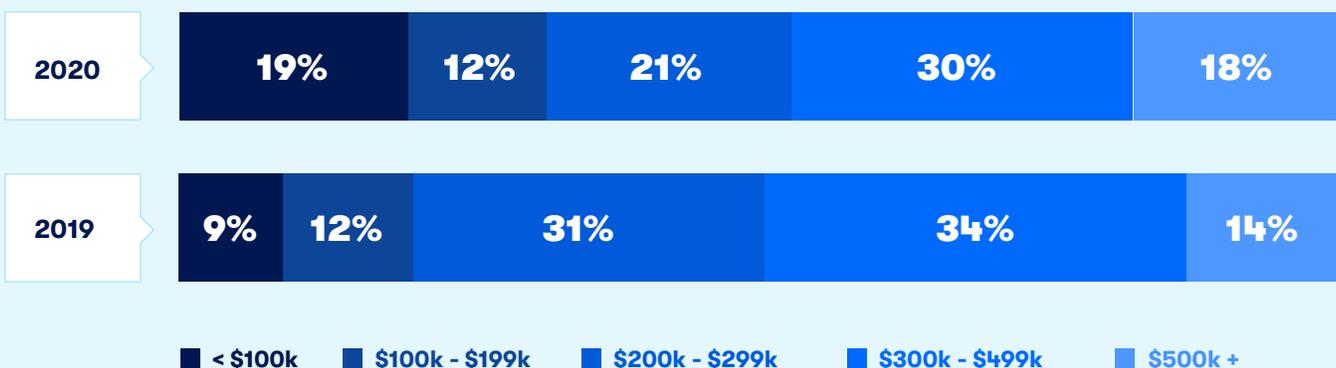
The smaller sizes could be related to the slight shift toward newly built homes in cities, since urban lots are typically smaller — and the land is more expensive — forcing tradeoffs for buyers looking for more affordable options.

Smaller homes, regardless of urbanicity, are typically more affordable. That may be why more

NC buyers report paying less than \$100k this year, and why a smaller share of buyers say they bought mid-range homes.

Last year, 9% of NC buyers reported paying less than \$100,000 for their home compared to 19% this year. The uptick corresponds to a slight decline in mid-range homes priced between \$200,000 and less than \$300,000. Last year, 31% reported buying brand-new homes in that price range; this year, 21% did — a 10-point drop.

Prices new construction buyers reported paying for their homes



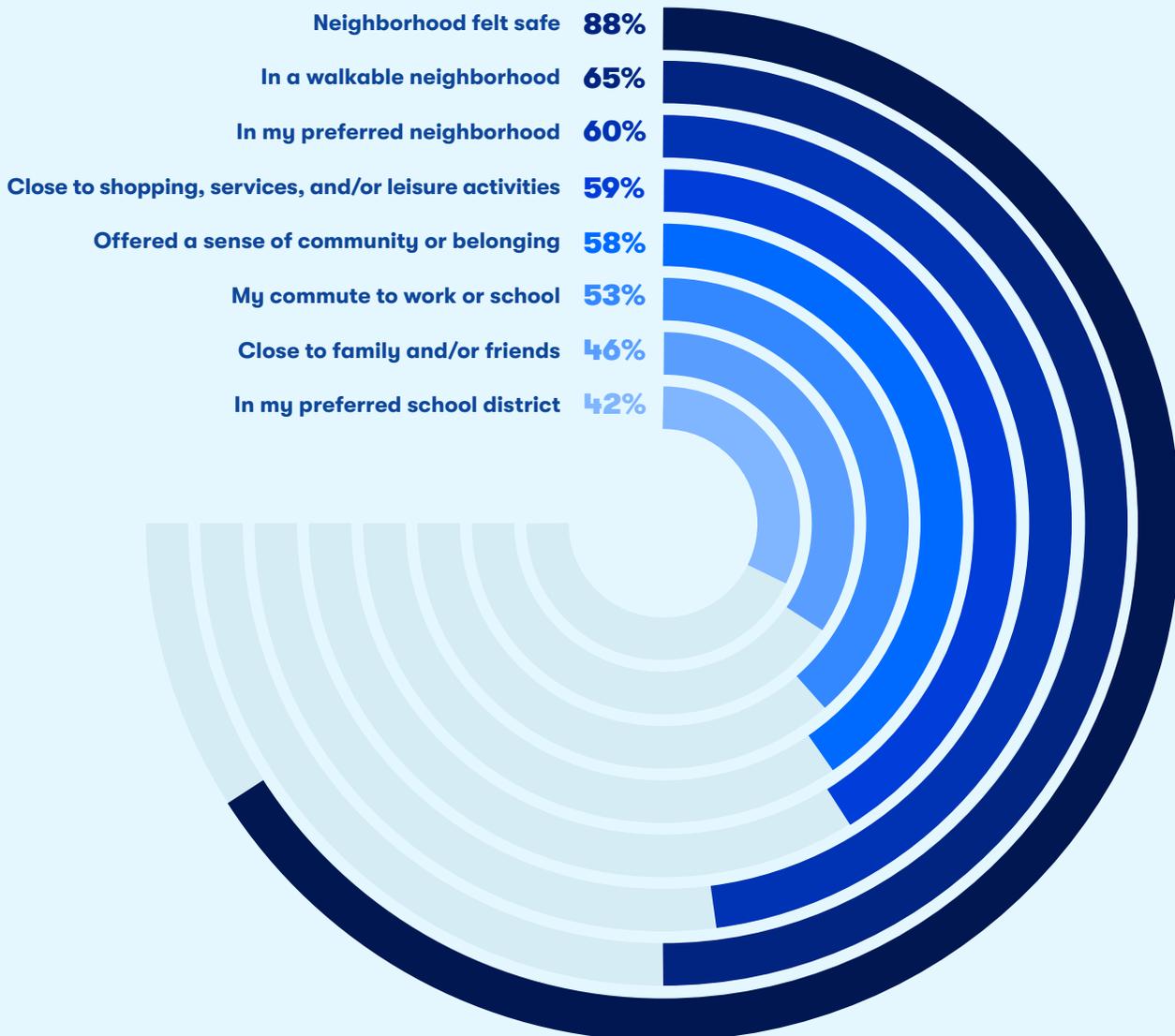
What buyers want

City dwellers usually have an abundance of options when it comes to dining, arts and social experiences. So it makes sense that urban NC buyers are more likely to place greater importance on neighborhood characteristics than their suburban and rural counterparts.

It also may explain why urban NC buyers tend to place greater importance on proximity to family and friends. A majority (59%) of urban NC buyers say it's very or extremely important for them to be near family and friends, compared to only 38% of rural NC buyers and 40% of NC buyers in the suburbs.

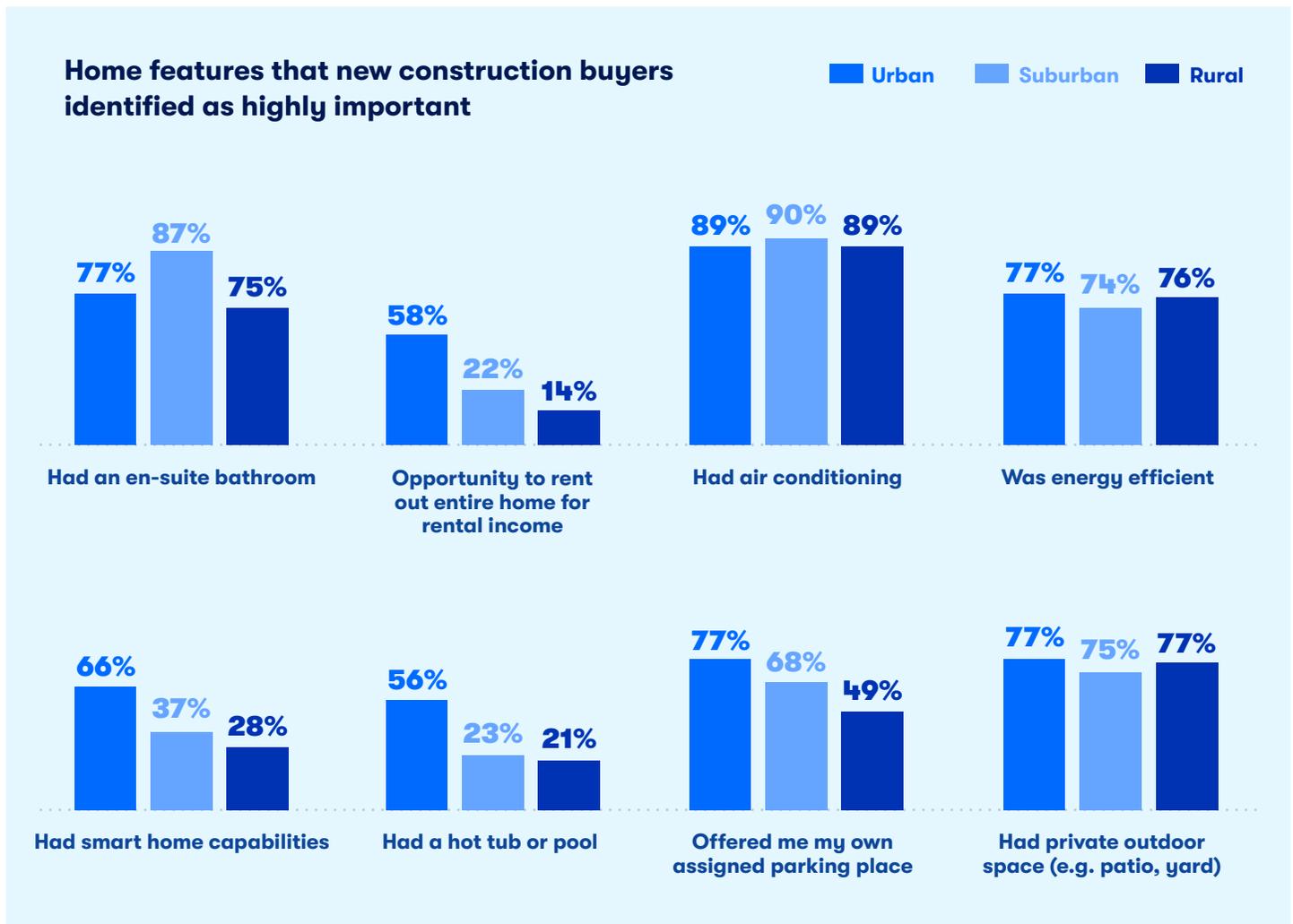
They're also more likely to place greater importance on designated parking.

Buyers on what they considered highly important when buying new construction



When it comes to home features, there are some differences worth noting

Suburban NC buyers are more likely to say that en suite bathrooms are very or extremely important. Urban NC buyers value rental potential much more than suburban buyers (52% of urbanites say the potential to rent out all or part of their home is very or extremely important compared to 22% of suburban NC buyers).



Urban NC buyers place much greater importance on smart home capabilities than their suburban or rural counterparts: 66% said they were highly important, compared to 37% of suburbanites and 28% in rural areas.

Urbanites also are more likely to consider a hot tub or pool as highly important (56%) than suburban (23%) and rural (21%) new construction buyers.

Key takeaways:

Understanding how urban, suburban and rural buyer preferences differ can help you better serve NC buyers wherever they are searching. Here are some steps you can take:

-  **Post floor plans.** Floor plans are generally more likely to attract eyeballs, and suburban NC buyers appear to be especially keen on them: 85% of urban NC buyers and 91% of suburban NC buyers agree that they are more likely to view a home if the listing includes a floor plan they like. Also, 79% of urban and 81% of suburban NC buyers say the only way to really understand the layout of a home is to see it in person.
-  **Maintain a positive online reputation.** Urban NC buyers are more likely to seek out builders with the highest online ratings (39%) than those in the suburbs (26%) and in rural areas (16%). Urbanites are also less likely to say that online ratings are just one piece of evaluation criteria (40%) than suburbanites and NC buyers in rural areas (both 56%).
-  **Recognize the importance of shared amenities,** such as a clubhouse, fitness center or playground. Urbanites prioritize such features, with 61% saying they're very or extremely important versus 39% of suburbanites and 18% of rural NC buyers.



INSIGHT 3

Virtual Tours and the New Construction Buyer

Remote tours gained in popularity, but most buyers still want to tour in person

The rise of remote touring technology has been a major boon for home buyers, saving them time and helping them narrow their search faster.

Instead of hitting up multiple tours on weekends or enlarging photos on their cell phones to zoom in on details, home shoppers can get a feel for a home and its features by “walking” through it online.

New construction (NC) buyers are increasingly gravitating to remote home touring and say they would like the technology to become even more widespread. But when it comes time to make an offer, they’re decidedly old-school. According to the Zillow Group New Construction Consumer Housing Trends Report 2020, most NC buyers still want to visit a home in person before they commit.

71%

of NC buyers agree that 3D tours would help them get a better feel for the space than static photos

↑ 10 points from 2019

60%

of NC buyers say they wish more listings included 3D tours

↑ 9 points from 2019

51%

of NC buyers who want their agent to handle all communication with the builder

↑ 17 points from 2019

Buyers want more access to remote technologies

Nearly 3 out of 4 NC buyers (71%) agree that 3D tours would help them get a better feel for the space than static photos — a 10 point increase over 2019. And 60% wish more listings included 3D tours, compared to the 51% who expressed that sentiment a year ago.

While NC buyers have warmed to remote-viewing technologies — 34% say they prefer them over in-person tours compared to 28% who preferred them last year — a larger share disagrees: 45% of NC buyers still prefer to experience a home in person, a sentiment shared by buyers as a whole even during a pandemic.

What’s especially interesting is how NC buyers prefer a mix of human touch and technology around home tours. For instance, a majority (59%) of buyers who purchase newly built homes say they want to schedule in-person tours online, and 64% agree that it would be easier for them to unlock properties with their phone so they can tour them in person on their own time — an indication that they also prefer to tour without an agent or sales rep when experiencing a home for the first time.

The data also shows a big jump in the percentage of buyers who want their agent to handle all communication with the builder: 51%, compared with 34% last year, among buyers who used an agent.

Younger buyers show greater preference for virtual tours

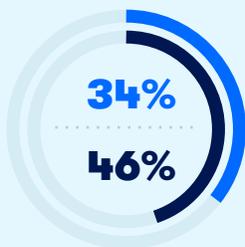
As might be expected, the youngest new construction buyers show the greatest ease with using technology to buy a home. Nearly half (49%) of NC buyers at or under age 40 (Gen Z and millennials) say they feel very or extremely confident about making an offer on a home solely after seeing it virtually versus 36% of NC buyers between the ages of 41 and 55 (Gen X), and 10% of NC buyers over 56 (baby boomers and the silent generation).

First-time buyers, who skew younger, have a degree of comfort with remote tours that tracks with generational preferences: 47% of first-timers say they feel very or extremely confident making an offer on a home without visiting it in person versus 27% of repeat buyers. The difference may be due in part to the fact that younger generations tend to tour more homes, and therefore have more experience in seeing how accurately virtual tours reflect reality.

About 1 in 3 NC buyers (34%) say they feel very or extremely confident making an offer on a home after seeing it only via a 360-degree/virtual tour. That’s slightly higher than 29% of buyers of existing homes who feel the same way.

New construction buyers’ confidence in making an offer after only seeing a 360-degree or virtual tour

■ Very Or Extremely Confident
 ■ Not Very Or Not At All Confident



Total NC Buyers



First-Time Buyer



Repeat Buyer



Gen Z + Millennial
(Ages 18-40)



Generation X
(Ages 41-55)



Boomers + Silent Gen
(56+)

Despite the growing acceptance of remote touring, nearly half of all buyers appear to want more sensory information before they make a decision. Asked how confident they feel about buying a home they had only toured remotely, 46% of NC buyers and 47% of existing home buyers say they do not feel very confident or at all confident about making an offer.



Personality, experience influence confidence in remote tours

New construction buyers who were evaluated as medium or high risk-takers are more likely to be very or extremely confident making an offer on a home after only seeing a 360-degree/virtual tour compared to those who are more risk-averse.

The same is true of NC buyers who are selling a home at the same time. Preparing to sell a home, which typically involves accurately listing its features, taking photos and creating virtual tours, may build greater trust in virtual tours in general. Customers who've completed more real estate transactions could also be more likely to feel confident in using only remote touring.

Nearly half (48%) of households who sold their home before buying a newly built one say they would feel very or extremely confident making an offer after seeing only a 360-degree/virtual tour. The numbers decline when the transactions reverse order: Only 30% of NC buyers who sell after purchasing their first home feel the same way. And among those who are only buying a NC home, just 23% express confidence in moving forward with an offer after only experiencing the home remotely.



The importance of buildable plans

Perhaps the most useful virtual tool for NC buyers — and the most confusing — is the buildable plan.

Those who purchase newly built homes recognize the value of floor plans and overwhelmingly want more of them. Yet many buyers lack the knowledge to accurately translate them into something meaningful, and they want to be able to connect details on a floor plan with an image of that part of the home.

The problem is a significant one. More than half (56%) of NC buyers say they somewhat or completely agree that they wasted time viewing properties they would otherwise have skipped had they understood the floor plan.

Younger NC buyers are more likely to agree that they wasted time exploring homes that didn't work for them because they hadn't understood the floor plans ahead of time (65% of Gen Z and millennial NC buyers and 61% of Gen X NC buyers compared to 37% of baby boomer and silent generation NC buyers).

Baby boomer and silent generation NC buyers say they are more likely to view a home if the listing includes a floor plan they like (92% of them somewhat or completely agree with the statement, versus 84% of Gen Z and millennial NC buyers). But they're also more likely to say that the only way to truly understand a home's layout is to view the home in person (85% versus 72% of Gen Z and millennial NC buyers).

65%

of Gen Z and millennial buyers agree they wasted time viewing properties they would have skipped they had understood their floor plan

85%

of baby boomers agree the only way to really understand the layout of a home is to see it in person

74%

of NC buyers agree a dynamic floor plan that shows what part of the home each photo depicts would help them determine if the home is right for them

How important are floor plans overall?

Almost 9 out of 10 NC buyers (87%) agree somewhat or completely that they're more likely to view a home if the listing includes a floor plan they like compared to 77% of existing home buyers.

And 74% say they agree somewhat or completely that a dynamic floor plan that allows them to connect photos to a specific part of the house would help them determine if the home is right for them. Overwhelmingly, they say they would like the square footage included in floor plans that accompany listings.

Most NC buyers are looking to buy a home between 1,000 and 2,999 square feet. Technology can help them visualize and customize that space, and imagine how life might unfold inside.

Key takeaways:

While 62% of NC buyers purchase a home already under construction or move-in ready, 38% are building one from a plan. Here are some ways to help all of your buyers:

-  **Post floor plans** on all of your listings along with tips on how to read them.
-  **Point out where photos on a listing correspond to a floor plan** to help buyers better visualize the space.
-  **Include square footage** so buyers can get a sense of proportion and compare it to their current homes.
-  **Recognize that buyers are likely to be more overwhelmed than usual right now.** Streamline and route communications through their agents when requested.
-  **Offer a variety of remote ways for buyers to experience and picture themselves in a home:** floor plans, virtual tours like Zillow 3D Home® tours, photos that connect back to floor plans and virtual tours where someone walks through the house while on a video call with a buyer. These can help buyers shorten their search time and increase their interest in your homes.



INSIGHT 4

New Construction Buyers Show More Interest, but Cite More Challenges

Buyers' struggles include timeline confusion, price uncertainty and communication concerns

The increase in the number of new construction buyers who struggled is likely due in part to changing demographics.



Builder confidence is running high as new construction not only finds its footing after an anemic decade but blows past sales expectations – even during a pandemic.

A shortage of for-sale inventory, historically low mortgage rates and heightened concerns around safety seem to be turning more heads toward new construction at a time when a new generation of buyers is hitting their peak home-buying years.

That's all good news for builders, who now have an opportunity to grow new construction as a first-choice preference by improving the experience for more buyers.

According to the Zillow New Construction Consumer Housing Trends Report 2020, the share of new construction households that were only interested in looking at new construction homes grew this year. Yet the report shows there is still work to do to remove challenges households experienced when buying a newly built home.

In nearly every aspect of the process we asked about, new construction (NC) buyers say they experience more difficulties related to comprehension, coordination, planning and finances this year than last, with 80% of NC buyers saying they find some part of the purchase process challenging, an increase of 6 percentage points over last year.



What buyers struggle with

The uptick in the number of NC buyers who struggle during the process — and the shifts in the types of things they find challenging — are likely due in part to changing demographics.

Nearly half (45%) of NC buyers are under age 40, and 70% of those buyers are purchasing their first home. In fact, 36% of NC buyers are newbies undertaking a transaction that requires layers of decision-making around things they've never had to manage or consider before.

Among the top challenges NC buyers say they faced during the purchase process:

- **Determining a fair price for the home.** Last year, 30% of NC buyers said determining a fair price was a challenge. This year, 37% cite it. The reason may have to do with COVID-19; our survey was conducted as the coronavirus was gaining a foothold in the U.S. and safety measures were being put in place. Prospective buyers, perhaps recalling the Great Recession's effect on housing prices, may have searched for answers on whether now was a good time to buy. Those concerns also may be affected by the housing shortage, which can make it difficult to find comparable homes on which to gauge pricing.
- **Coordinating the completion of their new home with the sale of a previous home** is challenging for 36% of buyers, an increase of 5 percentage points from last year.
- About the same percentage (35%) say they **feel uncertain or overwhelmed about the process** of either building or buying a brand new home. That's up from 28% a year ago.

The percentage of NC buyers who thought their home took too long to build or ran beyond the estimated completion date stayed about the same: 35% this year, and 36% last year. Likewise for the 36% who say it's a challenge to figure plans and customizations and to coordinate the various parties to ensure tasks are completed on time.



Visualization, education could increase buyer confidence

Some of the pain points facing buyers of newly built homes seem to stem from a lack of transparency, a lack of comprehension, and friction between builders and agents — whom new construction buyers overwhelmingly say they want to work with.

Last year, 84% of NC buyers who worked with both an agent and a builder or sales center wanted their agent or broker to handle some or all communication with the builder or sales center. Now, it's 90% — and 51% say they want their representatives to handle all communications

with the builder or sales center, a 17 point increase over last year.

It may be that the buyers started out looking for any home with an agent, and opted to keep working with them once they found a brand new home to buy. It also may be due to Gen Z and Millennial buyers aging into the New Construction consumer base; both generations are more likely to prefer that their agent handle this communication. Or buyers may feel they lack the knowledge to buy new construction.

Key takeaways:

- 
Adopt radical transparency in pricing and financing. Don't assume prior knowledge or that buyers won't do their own research. Provide information using plain, clear language rather than leaning into sales pitches.
- 
Examine your processes for interacting with agents. Buyers overwhelmingly want to work with agents, and builders who chafe at that relationship are injecting friction into a process that is already challenging for 80% of their buyers.
- 
Communicate timelines and delays as if you were managing a construction project. Buyers are preparing to uproot their lives. They're purging and packing, setting up utilities, getting kids enrolled in new schools and working with landlords on exit plans. They need to know where things stand so they can keep chaos to a minimum.
- 
Show how you're putting safety first. Give buyers opportunities to tour homes online and on their own; 64% say it would be easier for them to unlock properties with their phone to tour in person on their own time, and 60% say they wish more listings had 3D tours available.
- 
Ask happy customers to post reviews online, and be sure to respond to any negative ones in a timely manner. The newest buyers are more likely to be seeking information about you online, and you want to be sure to tell them all the ways you can make their dreams come true as smoothly as possible.



INSIGHT 5

First-Time New Construction Buyers Value Communication and Transparency

Building relationships and breaking down the home-buying process can help new buyers feel more confident

The millennial generation — 70 million strong — is poised to pass the baby boomers in size, and many among this massive population have now entered their peak home-buying years.

With the oldest millennials turning 40 this year, this young, diverse group represents the largest generation of buyers for both existing and new construction homes. And, as the Zillow New Construction Consumer Housing Trends Report 2020 found, new construction remains as attractive to them this year as it did last year.

Since most millennials are new to home buying, we thought we'd take a look at how you might keep and grow the attention of young buyers who are venturing into the market for the first time.

Sentiment is positive, but understanding is limited among younger buyers

Millennial repeat buyers who purchased a newly built home in the last two years already had a positive opinion of the product: 94% said they considered new construction in their home search, 76% expressed a preference for it and 27% said they were only interested in newly built homes.

However, younger buyers of newly built homes appear more likely to include “a completed home” in their definition of new construction compared to older buyers: 67% say they think of new construction this way, compared to 53% of baby boomers.

About half (54%) of millennial new construction buyers say new construction is a home they can customize, and 40% define it as a home that has yet to be built. Only one in four think of new construction as a home where they need to hire a builder to design and build it for them.

94%

of millennial repeat buyers said they **considered** new construction in their home search

76%

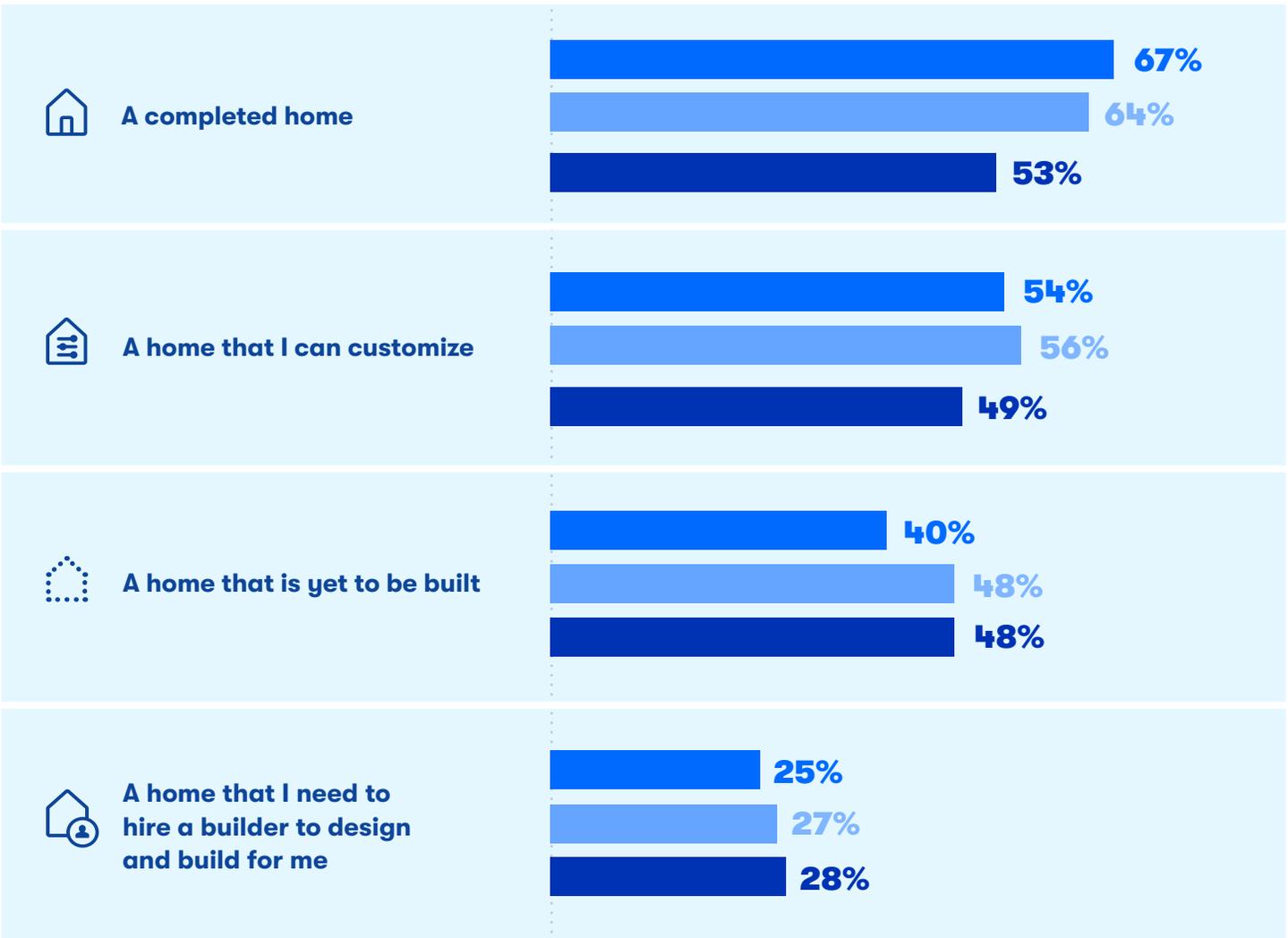
of millennial repeat buyers expressed a **preference** for new construction

27%

of millennial repeat buyers said they were **only interested** in newly built homes

How generational buyers define new construction

■ Gen Z + Millennial (Ages 18-40)
 ■ Generation X (Ages 41-55)
 ■ Boomers + Silent Gen (56 +)



One reason may be that 76% of millennial NC buyers purchase homes that are move-in ready or already under construction. Most (82%) buy in newly built subdivisions or communities with other new homes.

As people rethink their home needs due to working remotely, homeschooling and the potential desire for a playroom or outdoor space, the option to customize could be a deal-maker.

With increased options for telework, almost 2 million U.S. renters who can't now afford to buy an entry-level home in their current metro area could potentially afford the nation's typical starter home if they relocated to a less-expensive locale, according to Zillow research.

That creates new opportunities for builders, especially those developing more affordable options in places with a lower cost of living than the coasts or urban centers.

Buying for the first time is an especially emotional process

Uncertainty, confusion and feelings of being overwhelmed during the process are all hallmarks of the first-time buyer's journey. While some of the problems have dollar figures attached to them, most have some connection to emotion: the fear and frustration of not knowing whether you're paying too much or getting a good deal. Worrying if you'll have enough money to finish the job. Confusion around financing options.

Think back to the first home you bought — or built for that matter. Remember all the unknowns and uncertainties? Remember how you felt making big decisions without all the information you wanted? The more you can bring knowledge and transparency to the process — and open the door to a meaningful conversation that transcends the sales pitch — the more confident your customers are likely to be.

Pain points around pricing and timing are also infused with emotion

So what do buyers need?

For starters, they need help determining what is a fair price for the home. About half (51%) of first-time buyers of new construction struggle with that question. Imagine standing in a partially built community, looking at a house that may still be under construction or hasn't been landscaped yet. There are no other communities nearby. How do you determine value, and who do you trust to guide you to the right price?

First-timers also struggle more around timing. Nearly half (47%) of first-time buyers who purchased a brand new home report difficulty coordinating the services of builders, agents, inspectors, title companies and others to ensure all the tasks happen on time. That may be why a growing percentage of new construction buyers want their agent to handle all communication with the builder.

Hidden costs and upgrades were difficult for 43% of first-time buyers of brand new homes, compared to 27% of repeat NC buyers. Almost one in three (31%) say they were overwhelmed by the process, compared to 12% who had previously bought a newly built home.

The biggest gap between first-timers and repeat buyers involved financing, a recurring pain point for buyers, but especially for newbies. First-time buyers of NC homes were more than twice as likely as their experienced counterparts to say they found new construction loans confusing or a hassle compared to repeat buyers (42% versus 19% of repeat NC buyers — a 23-point difference.)

Purchasing pain points: first-time vs. repeat buyers

■ First-time buyers
■ Repeat buyers

Finances



Hidden costs and upgrades were not transparent until purchase



Determining what price is fair for the home



Final construction cost was over original budget/purchase price



Loans specifically for new construction are a hassle or confusing

Relationships & Communication



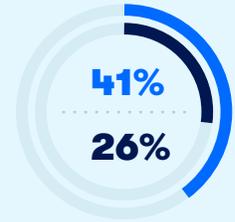
Poor experience working with or poor communication from builder



Real estate agent didn't get along with the builder



Coordinating parties and ensuring tasks happen on time



Difficulty evaluating the builder before purchasing

Timing & Availability



Not enough new construction homes for sale in my desired areas



Timing new home completion with sale of a previous home

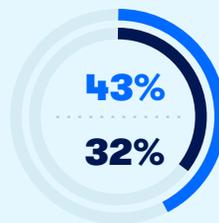


New home took too long to build or ran over estimated completion date

Customization



Difficulty achieving my desired home style and features



Figuring out what plans and customizations to include



Understanding what the home will look like when completed



Key takeaways:

Everyone who buys a home wants to come away feeling like a winner. Here are some things you can do to make that happen.

-  **Educate buyers on the wide variety of options that encompass new construction.** Display the full spectrum of possibilities at your sales center and on your website. Don't assume people share the same knowledge.
-  **Educate buyers and their agents on the value of your offerings.** New construction buyers overwhelmingly want to work with agents. Help them make sense of the pricing. If that requires some of the backstory, including the cost of permits and investment capital; the timeframe and cost of lumber, skilled labor and land; and the cost of customizations and upgrades, find a way to do that.
-  **Break down the buying process into manageable parts.** Make visible the steps and communicate whether each step is on track. If there are delays, communicate them as early as possible so customers can adjust their timelines.
-  **Develop harmonious relationships with trusted agents and lenders.** More than a third of first-time NC buyers (36%) and 14% of repeat buyers cite conflict between their agent and the builder as a pain point. And 14% of NC buyers say finding the right mortgage lender was difficult or very difficult.

Survey Methodology

Research Approach

In order to gain a comprehensive understanding of consumer sentiments when buying a new construction home, as well as the greater challenges that real estate consumers encounter when moving, owning, and renting a home — Zillow Group Population Science partnered with independent market research and data analytics firm YouGov® to conduct a nationally representative, online quantitative survey of 3,000 buyers, 3,000 sellers, 3,000 renters that moved in the past year, and 3,000 homeowners. The self-administered study was fielded between March 31 and April 21, 2020. A supplemental survey of new construction buyers was fielded between April 21 and May 5, 2020, to achieve a total sample of 1,000 new construction buyers. The results underwent substantial internal analysis and review by Zillow Group Population Science.

Sampling & Weighting

This survey collected a nationally representative sample of new construction buyers. The initial recruitment to the sample was balanced to all people from the U.S. Census Bureau, American Community Survey 2018 (ACS) and from the 2015 and 2017 American Housing Surveys (AHS) 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 2018. 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.

Cohort Definitions

- Gen Z: 18-25 years old
- Millennials: 26-40 years old
- Gen X: 41-55 years old
- Baby boomers: 56-75 years old. References to baby boomers include NC buyers from the silent generation, age 76+

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.

