

# Consumer Housing Trends Report 2023



**Sponsor:**

Kenny McCray

**Contributors:**

Heather Blackford, Madison Donahue,  
Sanjit Dosanjh, Isabel Foley, Manny  
Garcia, Marcie Geffner, Radmila Zelic  
Josimov, Sharla Moody, Ian Port, Sarah  
Noel Ross, Jordan Teicher, Jeff Tucker,  
Shelby West, Randy Wilcox

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# Executive summary: The power of perspective

Slowdown, decline, collapse. Read any recent headline about U.S. housing, and you're bound to come across these words. While it's accurate to say the market cooled considerably in 2022 compared to 2021, those negative descriptors don't tell the whole story.

For example, 2022 new construction starts fell by 3% compared to the 2021 output. However, annual starts still totaled over 1.5 million in 2022, which would rank as the highest mark of any other year since 2006. So yes: Mortgage rates spiked, home prices cooled, rents skyrocketed. Zoom out, though, and you get a more grounded perspective on where the market stands.

That being said, affordability hurdles still exist. Some first-timer buyers reran their numbers and discussed co-buying with friends or family. Current homeowners postponed their decisions to move, hoping for lower financing costs in the near future.

Meanwhile, builders continued to produce rental housing at a record pace but pulled back on land deals, permits and starts for detached single-family homes. When the growing inventory of newly built homes bumped into the softening demand, builders turned to price reductions and mortgage rate buy-downs to tempt skittish purchasers.





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**“The ability to help a customer design their dream home, with the perfect finishes and up-to-date design, is more essential than ever because buyers have many more options in the existing home market and are no longer being deterred by homes selling over one weekend with multiple offers.”**

Jeff Tucker, Senior Economist at Zillow

Amidst this wave of uncertainty, data-driven insights can help builders plan in 2023 and beyond. To find out who today’s new construction buyers are and what they want in their homes, Zillow surveyed more than one thousand of them for our 2023 New Construction Consumer Housing Trends Report.

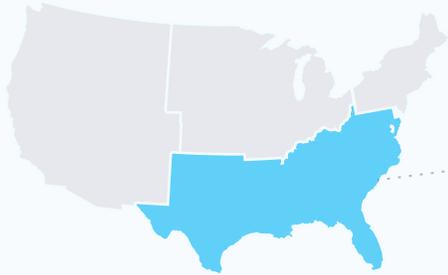
Our findings revealed the unique strengths of new construction projects. We also explored major financing trends and studied how emerging technology influences the way buyers shop for new construction homes.

According to Zillow Senior Economist Jeff Tucker, “The ability to help a customer design their dream home, with the perfect finishes and up-to-date design, is more essential than ever because buyers have many more options in the existing home market and are no longer being deterred by homes selling over one weekend with multiple offers.”

Read on to dive into the full results.

## KEY FINDINGS

### The appeal of new construction often comes down to two factors: location and customization



• New construction buyers remain concentrated in the South, especially in Texas and Florida, where the most homes of this type are available.

**35%** of new construction buyers want a home they can build from scratch  
 ↑ 10 percentage points from 2021

### Buyers are increasingly relying on digital tools to research and shop for new construction

SHARE OF HOME BUYERS THAT PREFER 3D TOURS OVER IN-PERSON VIEWINGS



• 43% of new construction buyers also feel at least somewhat confident making an offer on a new construction home after seeing it virtually but not in person.

### Filling the awareness gap could help builders find more customers

• Among new construction buyers who didn't initially consider newly built homes, 71% cite not being aware of any in their desired location as a reason why.

**33%** of new construction buyers made their purchase in existing communities





## Chapter 01

# How new construction buyers have evolved

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## Who are typical new construction buyers in the U.S.?

They're 44 years old, partnered or married, with a four-year college degree. Their median income is \$110,000, and they bought a home in the South.

A majority of buyers who move into newly built homes also tend to have a preference for new construction at the start of their search. In 2022, 36% were only interested in new construction, and 35% were more interested in new construction but willing to look at existing homes.

These basic characteristics have stayed consistent in recent years, but the rest of the housing market has been anything but typical — leading to a number of notable changes in the way buyers think about new construction.



## The desire to customize is on the rise

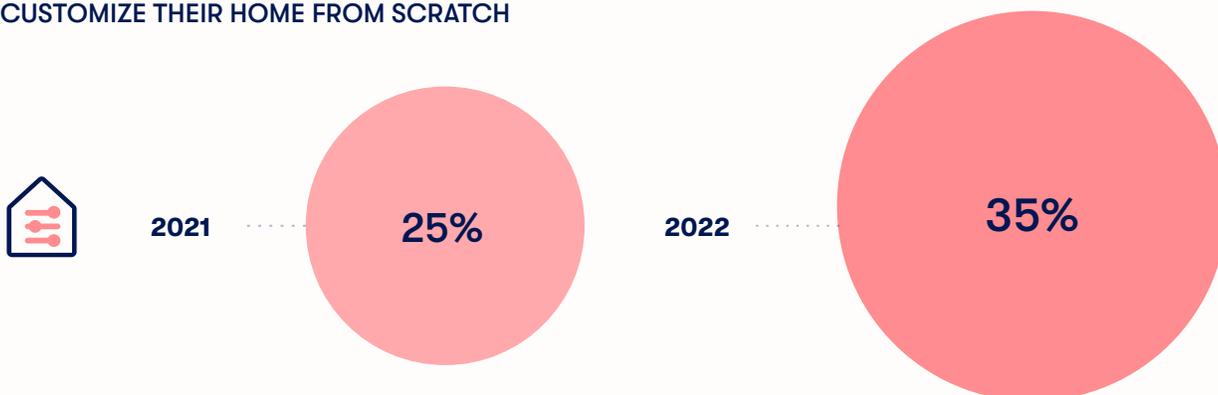
One reason new construction homes continue to compete well against existing homes is buyers' desire to customize their home before it's built. That desire increased in 2022.

In fact, 35% of new construction buyers said they intended from the start of their search to buy a home they could customize during construction, a surge of 10 percentage points from 2021. This year, 44% said they planned at the outset to buy a completed home, while 21% sought out a home already under construction they could customize.

The rising enthusiasm for customization may be the biggest trend uncovered among new construction buyers this year. "In 2022," Tucker says, "new construction buyers were really attracted by the chance to customize a home throughout its construction process, rather than looking for a completed home to move into right away, which was more common in 2021."



### PERCENTAGE OF NEW CONSTRUCTION BUYERS WHO INTENDED TO CUSTOMIZE THEIR HOME FROM SCRATCH



At the start of 2023, existing home listings remained limited in many metro areas compared to peak levels. Perhaps buyers who can afford to stay in the market are turning to new construction customization since they have fewer existing homes to consider.

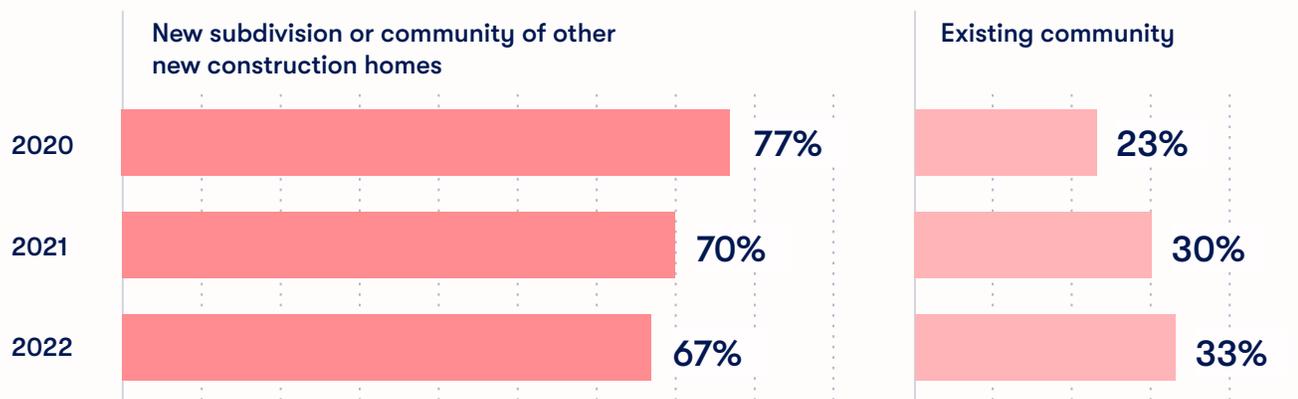


## Buyers are considering new homes in older developments

For some buyers, new construction conjures images of dream homes lined up next to each other in a suburban development built from scratch. Over the last few years, the data is trending away from that vision.

One surprise in the 2022 survey was the rising share of new construction buyers who purchased a home in an existing community rather than an all-new community or subdivision. Only 67% of new construction buyers chose an all-new community or subdivision. In 2021, 70% buyers moved into an all-new community. In 2020, that number stood at 77%.

### WHERE BUYERS BOUGHT NEW CONSTRUCTION HOMES



### What's behind this gradual shift?

It's possible builders are starting to tap into heightened demand for projects in existing developments. Established neighborhoods are less of a question mark for buyers than brand-new communities, which can take longer to complete and pose more risks of delays. And due to a limited supply of existing homes for sale in good condition, builders have responded with more redeveloped or infill homes.

## Buyers prefer established agents and brokerages

When it comes to new construction, buyers need trust and credibility throughout the process. According to the data, they may even care about it more than other types of home buyers.

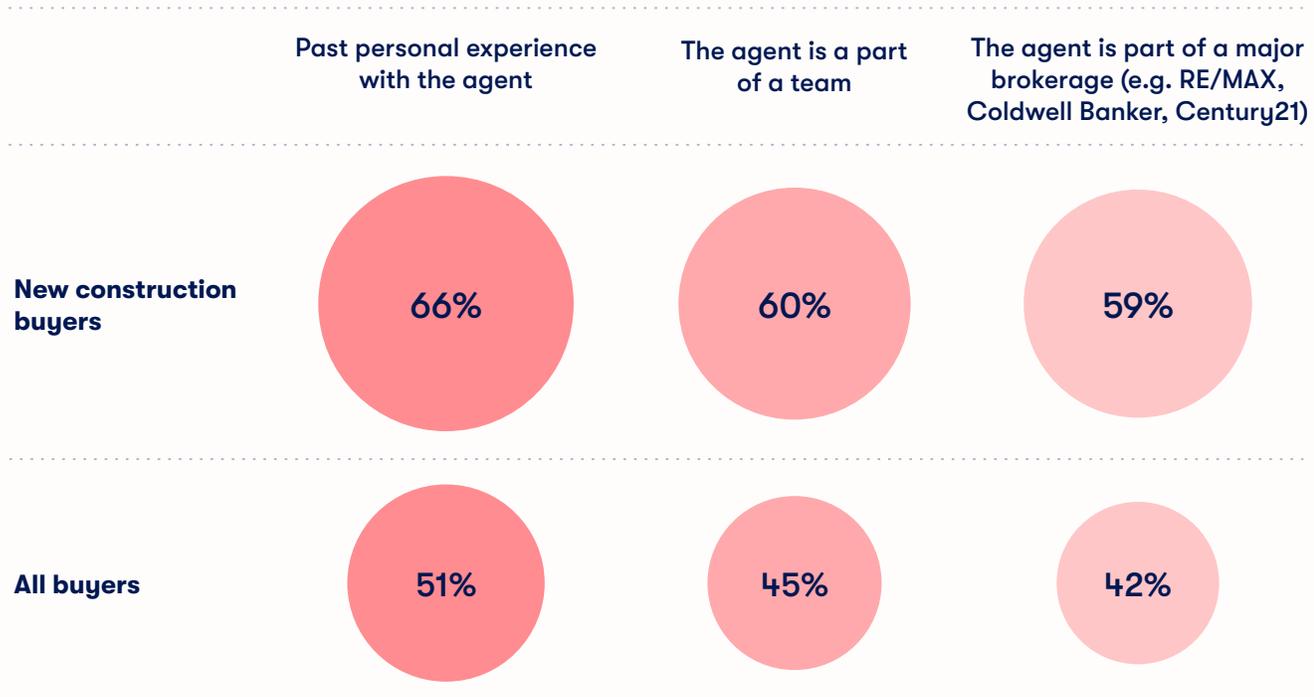
This idea extends to agents and brokers facilitating the transaction as well. In 2022, among new construction buyers who used an agent, 60% said having that person be part of a team was highly important, compared to 45% of all buyers. And 59% of new construction buyers hoped to work with someone from a recognizable brokerage, compared to just 42% of all buyers.

Given the complexities of new construction, perhaps some buyers are hesitant to sign on with agents working solo — even if they seem responsive and offer local market expertise.



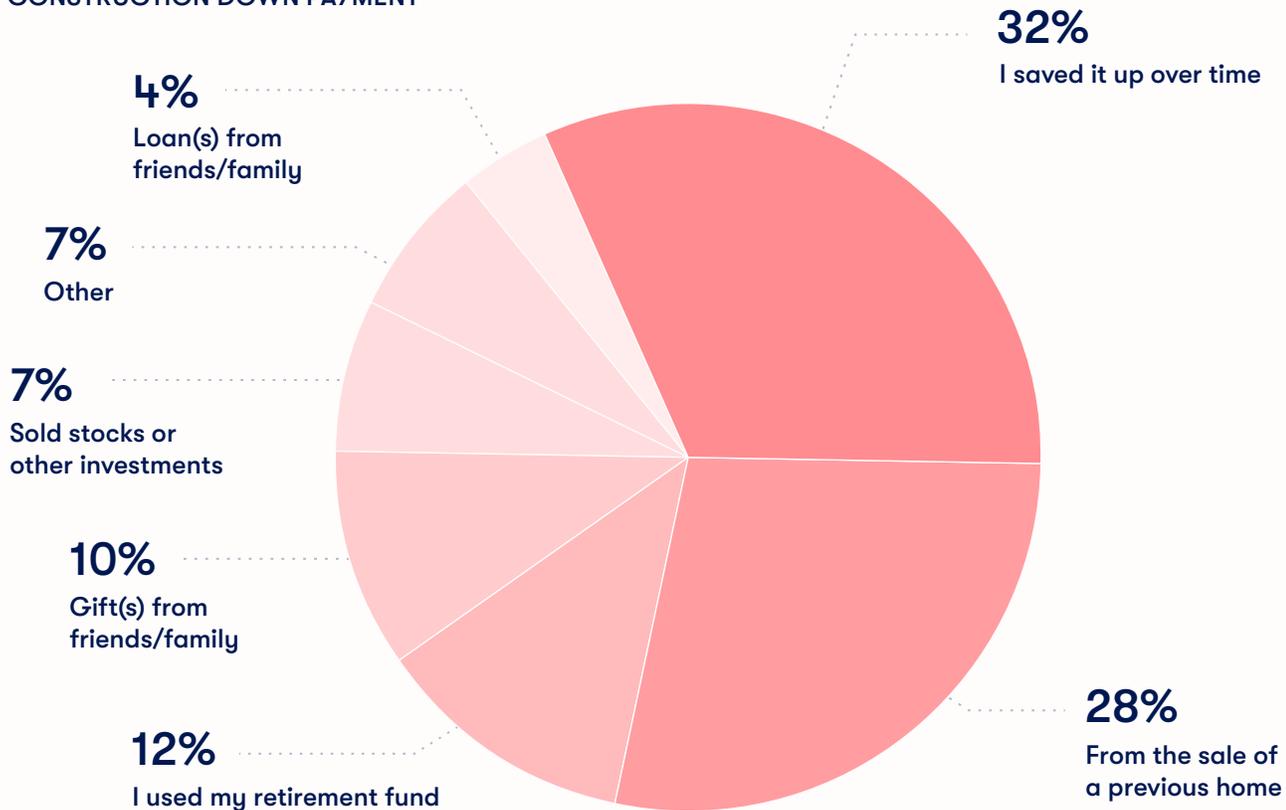
Familiarity also plays a big role. Two-thirds of new construction buyers said previous experience with an agent was highly important. For all other buyers, only 51% said the same.

### PERCENTAGE OF BUYERS WHO HAD THE FOLLOWING PREFERENCES WHEN CHOOSING AN AGENT



# Market conditions are complicating financing

PROPORTION OF FUNDS THAT MAKE UP THE AVERAGE NEW CONSTRUCTION DOWN PAYMENT



The mortgage still reigns supreme for buyers, whether they're purchasing new construction or existing homes. In our survey, only 22% of new construction buyers reported paying all cash, a similar split to the 21% of existing home buyers who did the same.

What's different, however, is that a higher share of new construction buyers move from an existing home.

"New construction buyers are 35% more likely than existing home buyers to be selling a home they already own," Zillow Senior Economist Jeff Tucker says.

Because new construction buyers typically have higher incomes than existing home buyers, it affects how they finance their purchases. Thirty-two percent of new

construction buyers used retirement funds as part of their down payment, notably higher than the 18% of buyers who did the same for existing homes. The extra cash may be necessary because the median price for a newly built home costs roughly \$60,000 more than the median price for an existing home, [per Zillow calculations](#) from 2022.

When you look at the composition of an average new construction down payment, savings and previous home sales were the biggest contributors. Since funds from selling a previous home represent a major chunk of new construction down payments, it'll be interesting to track this trend throughout 2023 as the market changes.

# Contract contingencies can help with sticker shock

New construction buyers relying on equity from a prior home sale present a double-edged sword for builders.

“Those buyers should have substantial equity from their home value’s recent rise, but they may not be able to sell as quickly or easily as they hoped,” Tucker says. “They’re also likely to get some sticker shock at mortgage rates, which could be twice what they’re currently paying.”

In fall of 2022, 30-year fixed rates topped 7% for the first time in two decades. They’ve gradually dropped since then but still remain over 6%, likely pushing potential buyers to pause their new construction search.

“Rate buydowns could go a long way toward easing those concerns,” Tucker adds.

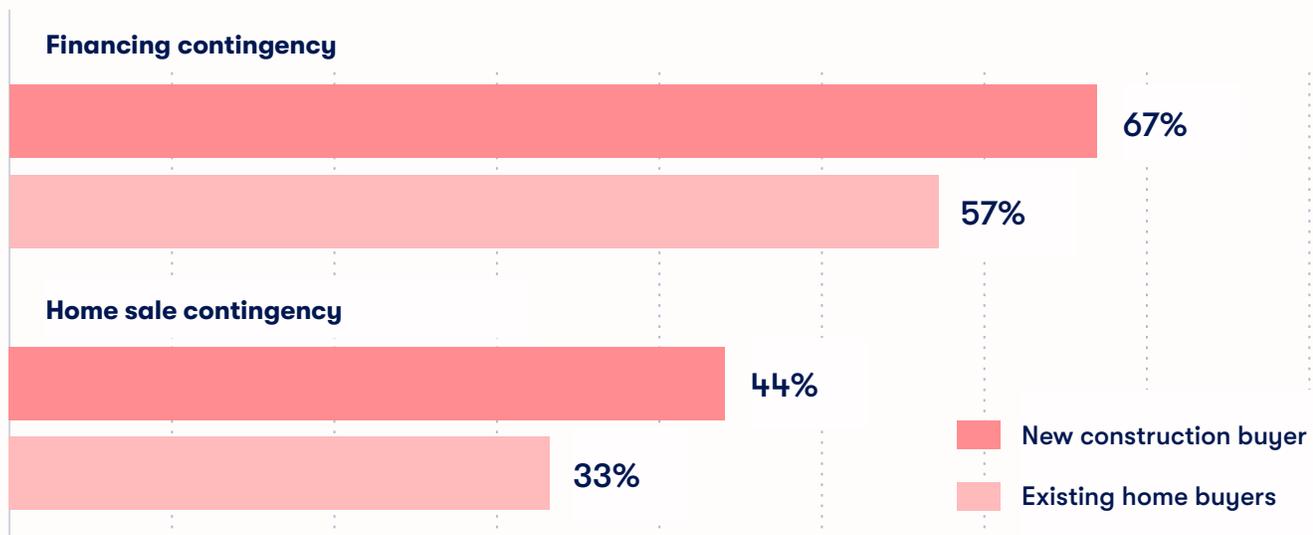
Another valuable accommodation for these buyers can come in the form of contract contingencies. In 2022, 67% of new construction buyers reported receiving a financing contingency, and 44% said they had a contingency for selling their current home.

Those proportions were significantly higher than for existing home buyers: just 57% for financing and 33% for the sale of their current home.



In fall of 2022, 30-year fixed rates topped 7% for the first time in two decades.

## PERCENTAGE OF BUYERS WHO RECEIVED CONTRACT CONTINGENCIES





# Takeaways

## Lead with customization

Even in an uncertain market, customizing a home has growing appeal. Fifty-six percent of buyers cared about customizing their house to some degree, with 35% intending to construct it from scratch. Communicate those possibilities early and often during the sales process. This will give buyers more say in their purchase, which could lead to more commitments.

## Get creative with location

Over the past three years, buyers have gotten more comfortable with the idea of new construction homes in older developments. In 2022, 33% bought a new construction home in an existing community or subdivision. This could be a beneficial option to explore in the future in addition to houses in all-new communities. What people set out to find may not be what they ultimately buy.

## Consider offering contract contingencies

The median sales price for newly built homes costs roughly \$60,000 more than the median sales price for existing homes. As a result, homeowners may decide to delay buying their next house because they'd lose their comparatively lower mortgage rate if they moved. Builders that provide a rate buy-down combined with flexible financing and sale-of-existing-home contingencies might tempt them off the fence and into a new construction home.



## Chapter 02

# How buyers prefer to research & shop

Digital tools have fundamentally changed the home buying experience for good. They help buyers and sellers save time, and they give agents a way to reach more clients.

When it comes to new construction, digital tools are especially crucial, since they can help buyers visualize homes that haven't been completed yet. When asked about 3D virtual tours, virtual floor plans and other digital tools in 2022, new construction buyers proved more open, eager and willing than existing home buyers to embrace the benefits of these technologies.

"Compared with existing home buyers, new construction buyers are more interested in digital tools, across the board, to understand and shop for homes," Tucker says.

This gap creates an opportunity for builders to focus on tools their buyers prefer to use. In fact, today's digital tools are so sophisticated that 43% of new construction buyers said they felt at least somewhat confident making an offer to buy a home without touring it in person if they could view a virtual tour.

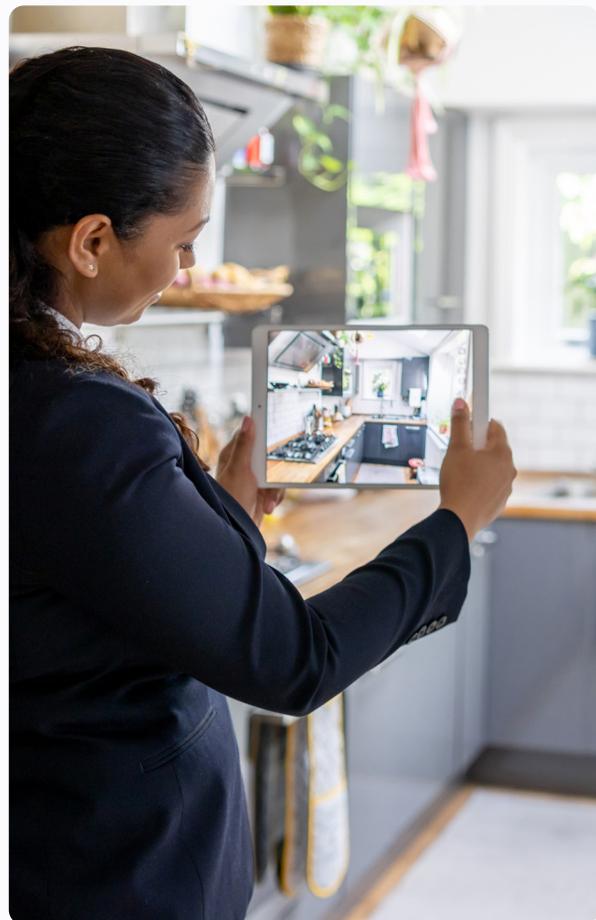
## 43%

of new construction buyers said they felt at least somewhat confident making an offer to buy a home **without touring it in person** if they could view a virtual tour.



That notion held up from 2021, which suggests buyers' increased comfort with 3D tours may be here to stay.

With that in mind, we asked buyers if they agreed at least somewhat with a series of statements on their preferences, wishes and desires for floor plans and virtual home shopping tools.

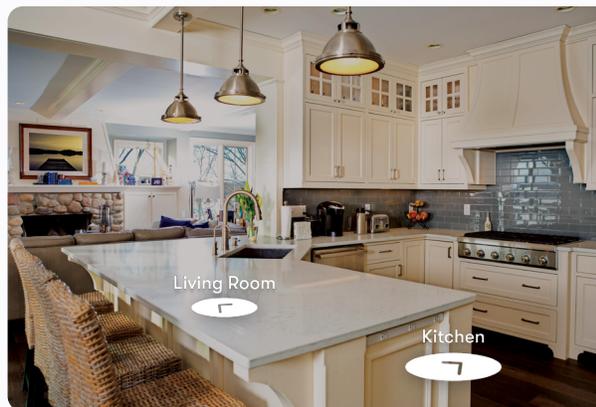


## Buyers love 3D virtual home tours

Even before the pandemic, Zillow found that 3D home tours had a notable impact on buyers. Listings with 3D tours were saved 50% more than homes without them, and sold 10% faster.

Since 2020, these changes have only accelerated. In 2022, 3D virtual home tours were table stakes, helping new construction buyers inspect every angle of a property online for as long as they desired. In 2022, 68% of buyers said these tours gave them a better feel for a home's interior than static photos, while 43% preferred 3D tours to in-person tours. The proportion of buyers who skipped private tours entirely doubled from 7% in 2021 to 14% last year.

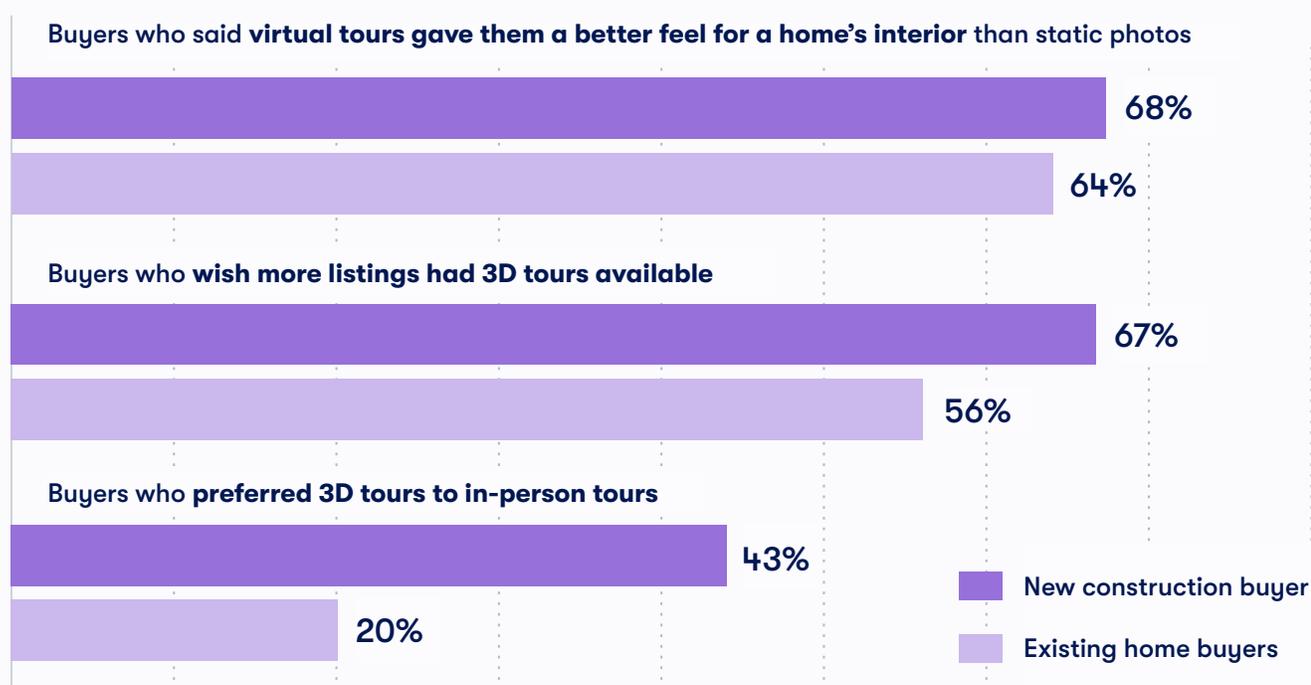
For many buyers, in-person tours still hold value — after all, they're going to live in a

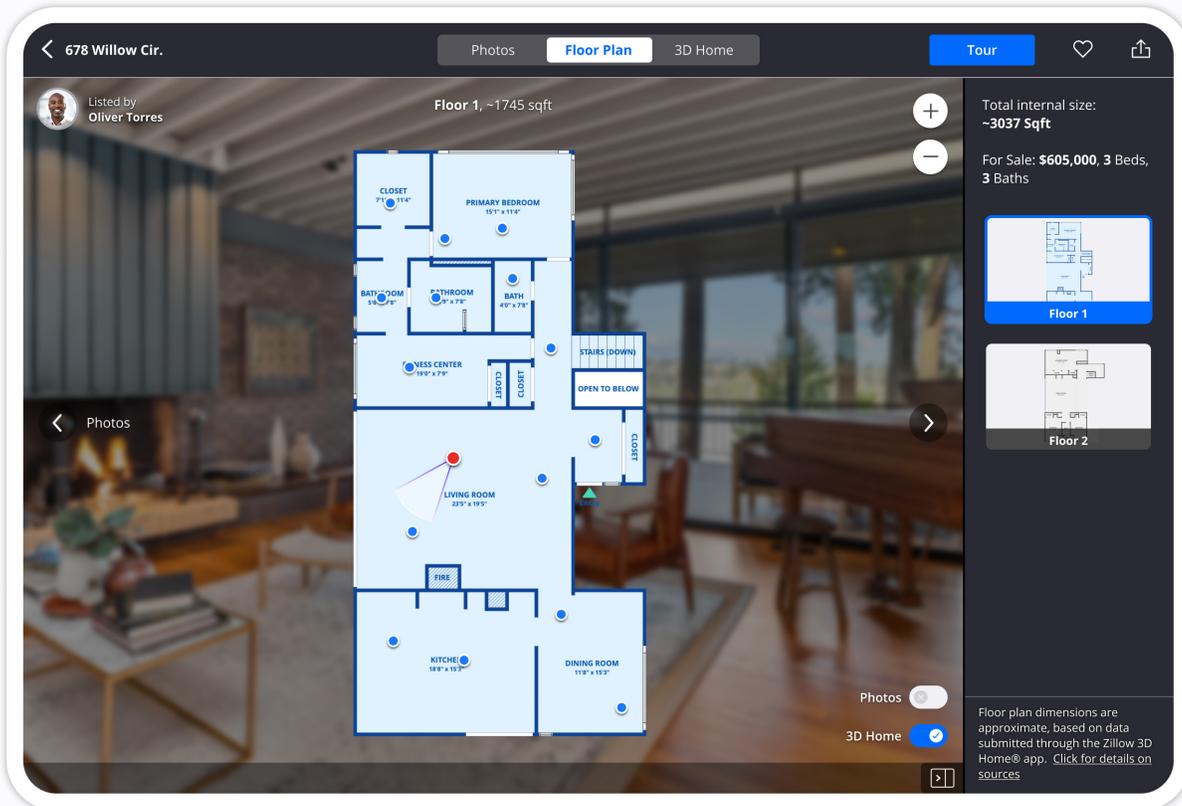


physical space, not a digital rendering of a home. But 3D tours make the selection process more efficient. For instance, virtual tours can guide people through the initial research stage to save time until they're serious about seeing a particular home in person.

Last year, 86% of new construction buyers completed at least one private tour during their home search, and 73% attended at least one open house. Ten percent reported having attended five or more private tours.

### HOW BUYERS FEEL ABOUT 3D VIRTUAL TOURS





## Virtual floor plans save buyers time

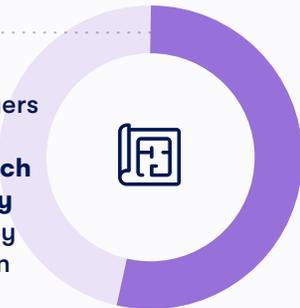
If there's one thing new construction buyers like even more than 3D virtual tours, it's virtual floor plans.

Eighty-five percent said they were more likely to view a home if the online information included a floor plan they liked, and 73% said a dynamic floor plan that depicted each part of the home with a photo would help them determine if a home was a good fit for their needs. That's a huge vote of confidence for this digital offering.

That enthusiasm may be due, in part, to the impression that builders are saving buyers time by providing virtual floor plans. More than half of new construction buyers in 2022 said they likely wasted time during their home search making in-person visits to properties they would've skipped if they'd understood the floor plan ahead of time.

# 54%

of new construction buyers said **they wasted time during their home search viewing properties they would've skipped** if they understood the floorplan prior to their visit.



“New construction buyers were more likely than existing-home buyers to agree that dynamic floor plans were helpful when searching for a home,” Tucker says. “But that didn’t come at the expense of in-person tours. Over three-quarters of new construction buyers agreed that the only way to really understand the layout of a home was to see it in person.”

## Tech enhances the in-person experience

Aside from helping with research, digital tools can also complement in-person activity that buyers have with builders and agents.

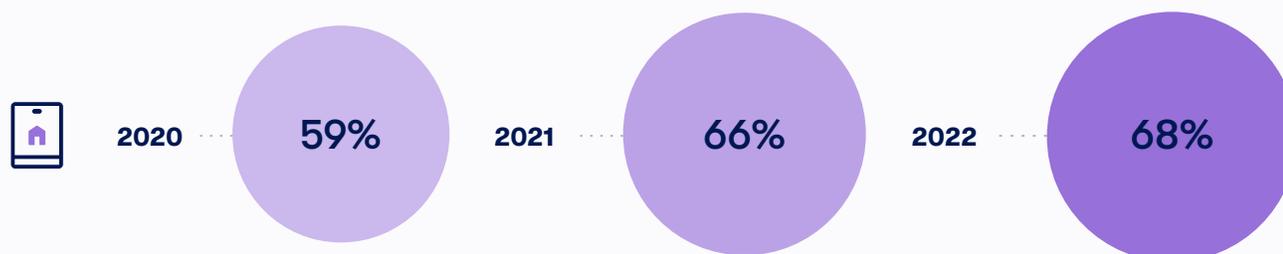
In 2022, 68% of new construction buyers said they preferred to schedule in-person tours online. This preference is trending up over time, from 66% in 2021 and 59% in 2020. Interestingly, only 58% of existing home buyers in 2022 said they'd rather schedule in-person tours online. It's possible new construction buyers are even more receptive to this option, since many are already using other tools like virtual tours to research their purchase.

And when it comes to seeing homes in person, 69% of new construction buyers said it would be easier to unlock properties with their mobile phones and tour them in person on their own time. Only 59% of existing home buyers shared this preference.

According to the data, online home tour scheduling and mobile phone home unlocking enable builders to give buyers what they want: the flexibility to shop for a new construction home in a way that's convenient for them. It's a good reminder of the way technology can remove hurdles from real estate's status quo without eliminating face-to-face interactions.



PERCENTAGE OF NEW CONSTRUCTION BUYERS WHO PREFERRED TO SCHEDULE IN-PERSON TOURS ONLINE





# Takeaways

## Embrace 3D virtual tours

Last year, 43% of new construction buyers said they felt confident enough to make an offer to buy a home without touring it in person if they could view a virtual tour. For existing home buyers, that share dropped to 29%. Making 3D tours a standard practice could help builders attract more buyers — and save time for everyone involved.

## Make virtual floor plans accessible

In 2022, 69% of new construction buyers were initially apprehensive because they couldn't imagine what a new home would look like. Virtual floor plans can give buyers more confidence in new construction as they search for homes. A majority of buyers also said they wasted time on listings without these floor plans. Builders that add this feature to their business could gain an edge and help buyers have peace of mind.

## Strike a balance between high-tech and high-touch

While many new construction buyers have embraced digital tools, most still appreciate in-person interactions as well. Over two-thirds of new construction buyers prefer to schedule in-person tours online, meaning builders can benefit by letting digital tools remove friction from standard face-to-face protocol. This notion even can apply to simple tasks like letting buyers unlock properties right from their phones.



## Chapter 03

# What buyers desire in homes & neighborhoods

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**New construction buyers know what they want, and in some cases, they want it all. Given that a higher share of buyers set out to customize their homes from scratch, their wishlist for important features is growing — especially compared to existing home buyers.**

Over the last few years, a majority of new construction buyers have considered parking, ample storage and a private outdoor space as highly important. But in 2021 and 2022, we started to observe preferences that may be related to shifting lifestyles due to the pandemic. For example, buyers expressed an increased interest in shared community amenities, smart home capabilities and energy efficiency.

With more people working from home across the country, it's possible some buyers lost a sense of community that used to come from the office. Today, the communities where they live can fill that void (as long as they're within budget).

These new construction homes can also fill a financial void. Over 80% of new construction buyers told us it's highly important their home has a good chance to increase in value. And dating back to 2019, we've seen a steady rise in the number of buyers who hope to get rental income from their investments. With economic uncertainty on the horizon, and a possible recession looming, this potential seems to increasingly resonate with buyers.

Even if the pandemic is no longer as daunting as in years past, it's interesting to see that after-effects on buyer preferences remain. What people want from home has changed. And since buyers can have more control over new construction properties, their evolving preferences may be the first signals we get about future real estate shifts. Here are the biggest home and neighborhood trends we observed in the last year.





## Home values and rental income are top of mind

New construction buyers see their purchases as more than just a place to live. They also view their homes as investments.

In 2022, 83% of new construction buyers said it was extremely important that their house had “good potential to increase in value,” compared to just 69% of existing home buyers. Since 2019, the share of new construction buyers focused on the potential for home appreciation has jumped 10 percentage points.

Since new construction homes cost more, on average, than existing homes, this preference makes sense. Buyers may be able to justify higher upfront costs with the hope of more equity in the future.

### PERCENT OF BUYERS THAT CONSIDER **GOOD POTENTIAL TO INCREASE IN VALUE** HIGHLY IMPORTANT



Many also have their eye on rental income. The desire to rent out a new construction home in its entirety gained 21 percentage points over a three-year period, rising to 44% in 2021 from 32% in 2020 and 23% in 2019. Meanwhile, the share of buyers who planned to rent out part of the home while occupying the rest of the space jumped 19 percentage points over the same time frame, rising to 41% in 2021 from 27% in 2020 and 22% in 2019.



## Buyers care about community

Buying an existing home typically means moving into an established neighborhood. Since that's not always the case with new construction projects, many buyers have put an emphasis on shared amenities and a sense of community.

Fifty-three percent of new construction buyers marked shared amenities like a clubhouse or fitness center as highly important. For existing home buyers, only 24% had that preference.

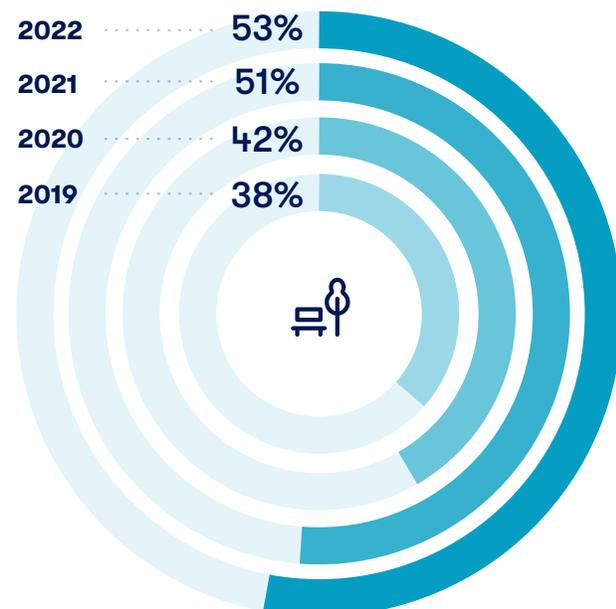
These new construction amenities jumped 15 percentage points in importance over a four-year period, reaching 53% in 2022, up from 51% in 2021, 42% in 2020 and just 38% in 2019.

A similar trend line rose for buyers who wished to be close family and friends. This preference rose 13 percentage points in importance over a three-year period, hitting 59% in 2021, up from 46% in 2020 and 2019.

The rising interest in rental property potential, community amenities and living close to family and friends may be connected

to pandemic adjustments. People who relocated from cities to suburbs may have felt more isolated as a result, making these factors higher priorities in their home search.

### NEW CONSTRUCTION BUYERS WHO SAID SHARED COMMUNITY AMENITIES WERE HIGHLY IMPORTANT



## Energy preferences are influencing buyers

Home energy features have dual appeal by being good for the environment and helping people lower their bills. While it may be too costly or impractical to replace old equipment in existing homes, new construction buyers put a high value on a home's energy efficiency: 77% considered it highly important, compared to only 56% among existing home buyers.

In last year's New Construction Consumer Housing Trends Report, the proportion of new construction buyers who prioritized a home with their preferred utilities (e.g., gas, electric) was 75% in 2021, up from 71% in 2020 and 68% in 2019.

This trend also ties back to rising home values. If increased equity is top of mind for many new construction buyers, builders may be able to appeal to them by focusing on energy-conscious amenities.

Air conditioning has remained among the top home characteristics for new construction buyers. In 2020, 90% of new construction buyers surveyed in spring and summer rated it as highly important. When surveyed during a colder November 2022 the number fell



to 84%. However, it's still high on the list for many and topped the 77% of existing home buyers who believe it's at least very important. The overall popularity of this feature may be due, in part, to the predominance of home building in the South, especially in Florida and Texas.

**If increased equity is top of mind for many new construction buyers, builders may be able to appeal to them by focusing on energy-conscious amenities.**

### THE PERCENTAGE OF BUYERS WHO SEE ENERGY EFFICIENCY AS EXTREMELY IMPORTANT



## Smart home features matter more than ever

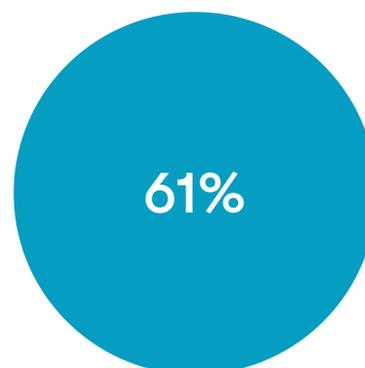
Smart home features that control lighting, locks, heating and other components have become increasingly attractive to new construction buyers.

In 2022, 61% of new construction buyers said smart home capabilities were highly important to them. Only 29% of existing home buyers, who may encounter more complications trying to install smart home devices, considered it critical to their move.

In new construction, the importance of smart home capabilities has kept climbing in recent years — from 58% in 2021, 45% in 2020 and 34% in 2019.

We expect this trend to continue into the future, especially if people continue working from home. Smart home devices may have become more desirable because technological advances have made installing and operating them easier. It's standard practice for these devices to run on Wi-Fi. And with people spending more time at home, they'll likely crave convenience from these features.

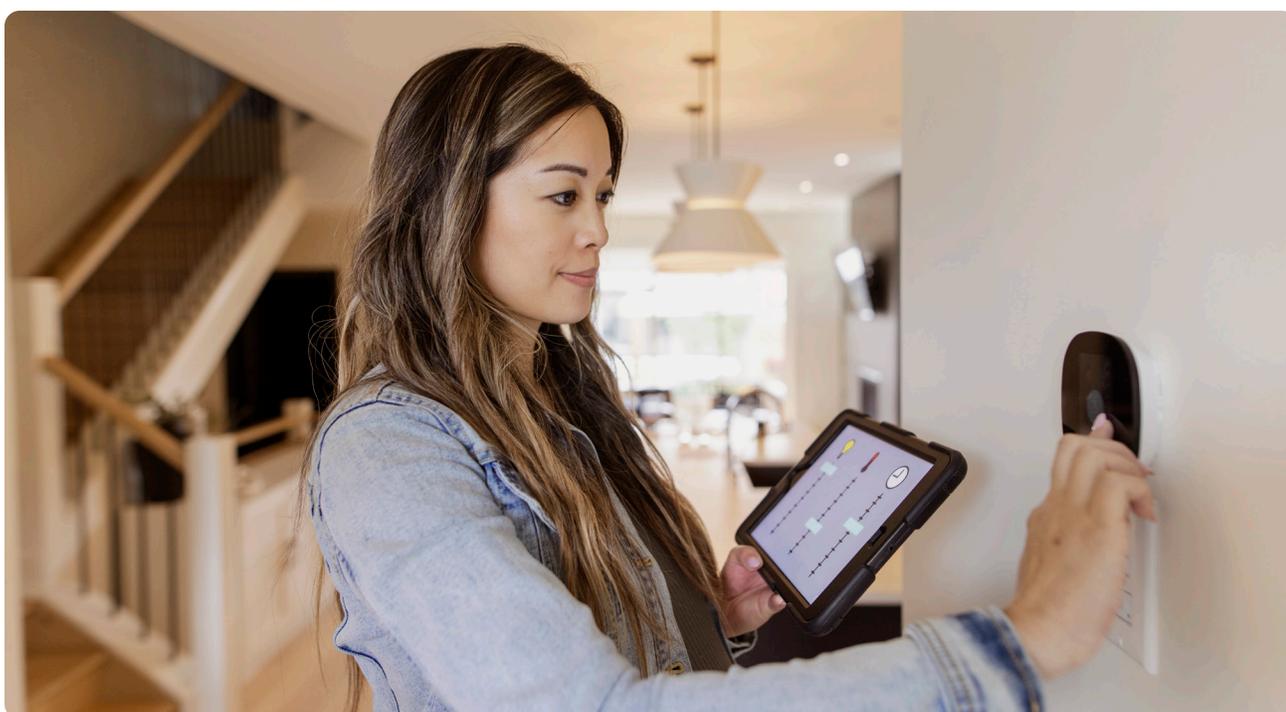
THE PERCENTAGE OF BUYERS WHO  
CONSIDER **SMART HOME CAPABILITIES**  
EXTREMELY IMPORTANT



**New construction buyers**



**Existing home buyers**





# Takeaways

## Highlight income opportunities

Low mortgage rates in 2020 and 2021 spurred investment in second homes to be used as rental properties. Even though rates have more than doubled since then, it's still a key consideration for many new construction buyers. Almost half were interested in rental opportunities, and 83% cared deeply about the potential for their property to increase in value. Homes that include a guest house or accessory dwelling unit (ADU) that can be offered as a short- or long-term rental may prove attractive to today's new construction buyers for this reason.

## Think beyond four walls

Community was a major theme for 53% of new construction buyers this year — an increase of 15 percentage points from 2019. Shared amenities like gyms and clubhouses have become hot commodities since the pandemic. And more buyers also care about living close to family and friends. The growth of remote work means people continue to spend more time at home, but this trend is a good reminder they still care about shared perks and social connections.

## Spark interest with energy benefits

Some of the largest gaps in importance between new construction buyers and existing home buyers came down to energy preferences. Energy-efficient homes help owners save money (and may boost home values as well). That may be why 77% of new construction buyers consider it extremely important, compared to just 56% of existing home buyers. When you add in the fact that three out of four buyers want a home with their preferred utilities, focusing on these features may be a smart strategy for builders.

# Survey methodology

## Research approach

In order to gain a comprehensive understanding of U.S. new construction buyers, Zillow Group Population Science conducted a nationally representative survey of more than 1,900 new construction buyers — buyers who purchased a new construction home in the past two years. To compare with existing home buyers, the survey also sampled over 2,700 existing home buyers who purchased in the past two years. The study was fielded between March and July 2022 with additional sampling in November 2022. Wherever possible, survey questions from previous years were asked in the same manner this year to allow for the measurement of year-to-year trends in key areas of interest.

For the purpose of this study, “new construction buyers” refers to household decision makers 18 years of age or older who moved to a newly built primary residence that they purchased in the past two years. To qualify, the residence had to be built in the past two years, and they had to be the first household to live there.

## Sampling and weighting

Results from this survey are nationally representative of new construction buyers. To achieve representativeness, ZG Population Science used a two-prong approach. First, the initial recruitment to the sample was balanced to all new construction buyers from the U.S. Census Bureau, 2019 American Community Survey (ACS) on the basis of age, relationship status, income, ethnicity/race, education, region and sex. Additional targeted subgroups were sampled based on all key household demographic characteristics. Second, statistical raking was used to create calibration weights to ensure that the distribution of survey respondents matched the U.S. population with respect to a number of key demographic characteristics.

## Quality control

To reduce response bias, survey respondents did not know that Zillow Group was conducting the survey. Several additional quality control measures were also taken to ensure data accuracy:

- We identified and terminated any professional respondents, robots or those taking the survey on multiple devices.
- Completion times were recorded to ensure that surveys submitted by the fastest respondents, who may have rushed through the survey, did not provide poor quality data. If necessary, these respondents were removed from the sample.
- In-survey quality control checks identified illogical or unrealistic responses.

## Additional data sources

Unless otherwise specified, estimates in this report come from the Consumer Housing Trends Report (CHTR) 2023, and year-over-year comparisons also use data from CHTR 2018, CHTR 2019, CHTR 2020, and CHTR 2021. To provide a fuller picture of the state of new construction buyers' characteristics, preferences and behaviors, we also analyzed data from other sources:

- U.S. Census Bureau, 2019 and 2021 American Community Survey - The most recently available datasets from the U.S. Census Bureau's survey of the U.S. population. The ACS is the nation's largest survey and is based on a probability sample; as such, it is considered one of the leading sources of information on U.S. population and housing.

