Trends in Home Buyer Preferences

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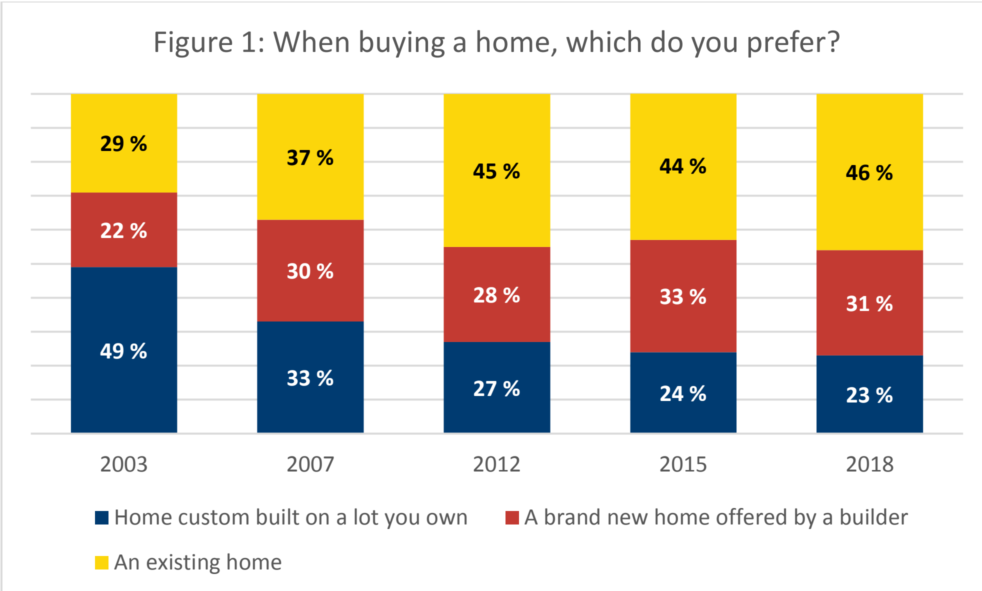
This article analyzes five NAHB home buyer preference surveys, from 2003 to 2018, to give the building community an idea of buyers' trends throughout the years. Through key results, these surveys provide builders and contractors alike the opportunity to transform the way they build to coincide with the ever-changing wants of the consumer.

Key results from these surveys:

- Declining share of buyers who want custom home
- More buyers still want custom homes than the market is producing
- Buyers are more willing to accept smaller house and lot to achieve affordability
- Increasing willingness to give up basement to save cost
- Buyers increasingly more willing to pay extra for higher ceilings
- Increasing share who want more, and larger, master bathrooms

The data used in this study were collected in five surveys done over a fifteen year period from 2003 to 2018. These were conducted by surveying recent and potential buyers in two different consumer panels. The data in the 2003 and 2007 surveys was collected using a TNS (formerly NFO) panel. The data in the 2012, 2015, and 2018 surveys were collected using the consumer research panel maintained by Home Innovation Research Labs. The targeted respondents used for these surveys were either those who had bought a house in the last three years or those planning on buying a house in the next three years. The surveys focused on home buyers' housing preferences. These samples were stratified by population characteristics weighted to reflect the characteristics of current home owners.

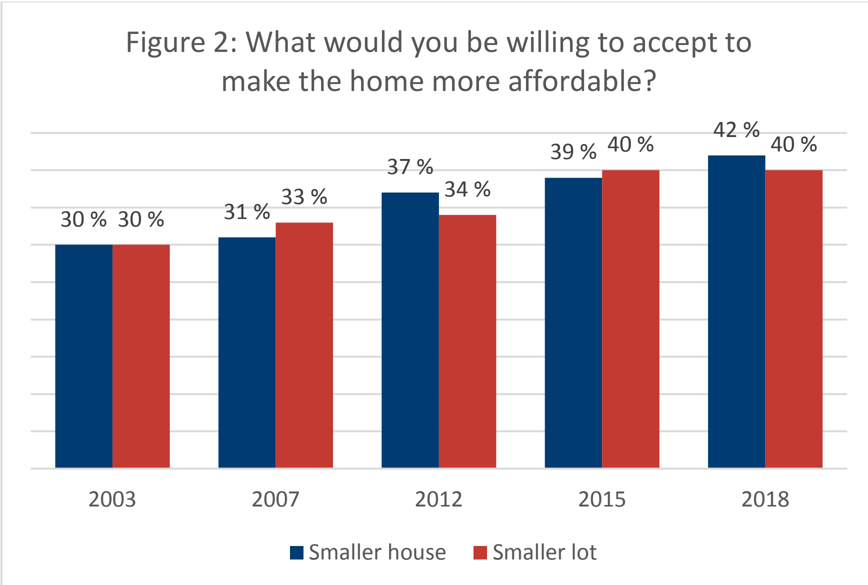
Figure 1 shows consumer preferences when buying a house. In 2003, almost half (49%) of the respondents reported that they would prefer a custom built home on a lot they own. This number has dropped significantly to 23% by 2018. The share of those who prefer an existing home has increased from 29% in 2003 to 46% in 2018. Over that span, the share would prefer a custom built home has declined consistently, while the shares for both an existing home as well as a brand new home offered by a builder have increased.



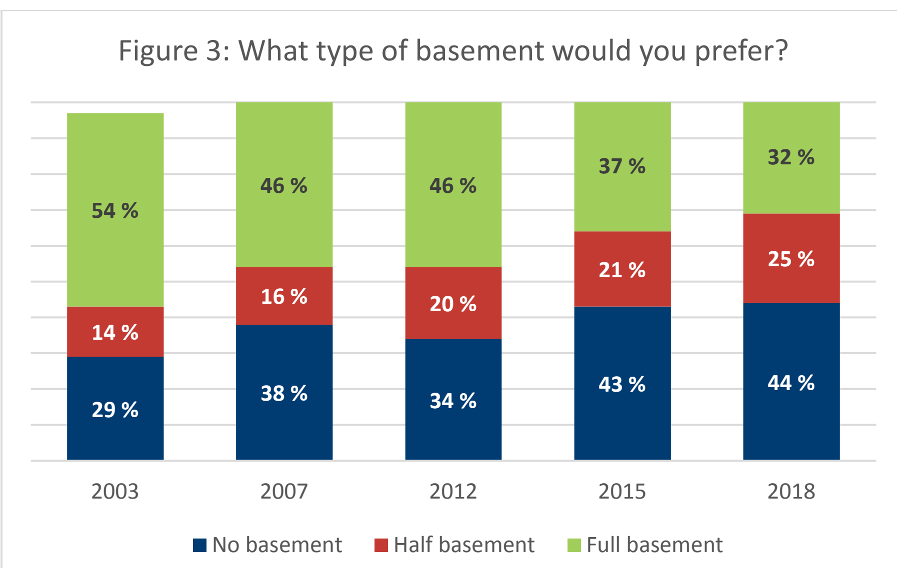
However, data from the U.S. Census Bureau and the National Association of Realtors, show that new single-family home starts and existing-home sales in 2017 totaled roughly 5,704,000. Of that, 85.8% were existing home sales, 11.2% were starts of homes built for sale, and only 3% were new custom home starts (homes started on the home owner's land, whether or not the owner hires a general contractor).

Therefore, although consumer preferences for new custom homes has been declining throughout the years, the actual market share of new custom homes (3% in 2017) is still well below the share of buyers who prefer custom homes (23% in the 2018 survey).

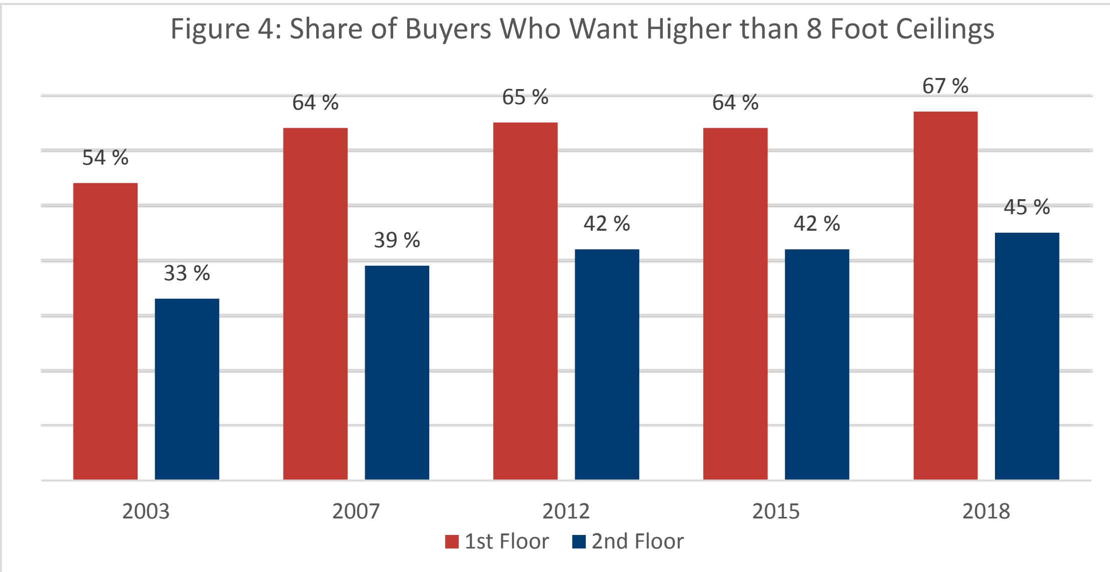
Although the median preferred square footage of a home has only changed slightly, the surveys show that buyers are increasingly willing to accept smaller houses and smaller lots in order to achieve affordability (Figure 2). In 2003, 30% of buyers reported willingness to accept smaller houses to lower the price of their home. By 2018, this percentage had increased to 42%. Likewise, in 2003, 30% of buyers were willing to accept a smaller lot in order to lower the costs. By 2018, this increased to 40%.



The surveys also capture the willingness of buyers to give up a basement in order to save money. As shown in Figure 3, the share preferring "no basement" was at 29% in 2003, while 54% of buyers preferred a full basement. By 2018, the preference had changed. Only 32% of buyers preferred a full basement while 44% decided the saved cost would be worth no basement at all. Furthermore, in 2003, only 14% of consumers preferred a half basement. This number increased by 11 percentage points in 2018, when one out of every four consumers said they would prefer a half basement considering the cost savings.



However, they want higher ceilings despite the extra cost up front and the ongoing expense to heat and cool the space (Figure 4). In 2003, on the first floor, 45% of buyers preferred eight foot tall ceilings while 54% wanted higher than eight feet. By 2018, 67% of buyers were willing to pay extra for ceilings higher than eight feet on the first floor. Consequently, only 32% of consumers preferred eight foot tall ceilings in 2018 -- a 13% point drop from 2003. These results match those in a study done by Home Innovation Research Labs in 2018 which reported the average first story wall height to be nine feet in the U.S.



Results for second floor wall height preference were similar. In 2003, on the second floor, 66% of buyers preferred eight foot tall ceilings and only 33% preferred more than eight feet. By 2018, the share of buyers wanting eight foot tall ceilings dropped to 42% and the share wanting more than 8 feet increased to 45% (on the second floor).

As shown in Figure 5, buyers were asked, "How concerned are you about the impact of building your home on the environment?" Surprisingly, the percent of home buyers who are concerned and would pay more for an environment friendly home has slightly decreased over the years. In 2003, 16% of buyers would pay more for an eco-friendly home. This percentage slightly increased in 2007 but fell back down to 14% in 2012, 2015, and 2018. Meanwhile, those "not concerned" about the environmental impact of building their home jumped from 10% in 2003 to 18% in 2018. The data also show an increasing trend of home buyers not considering the environment when making a purchasing decision (from 26% in 2003 to 32% in 2018).

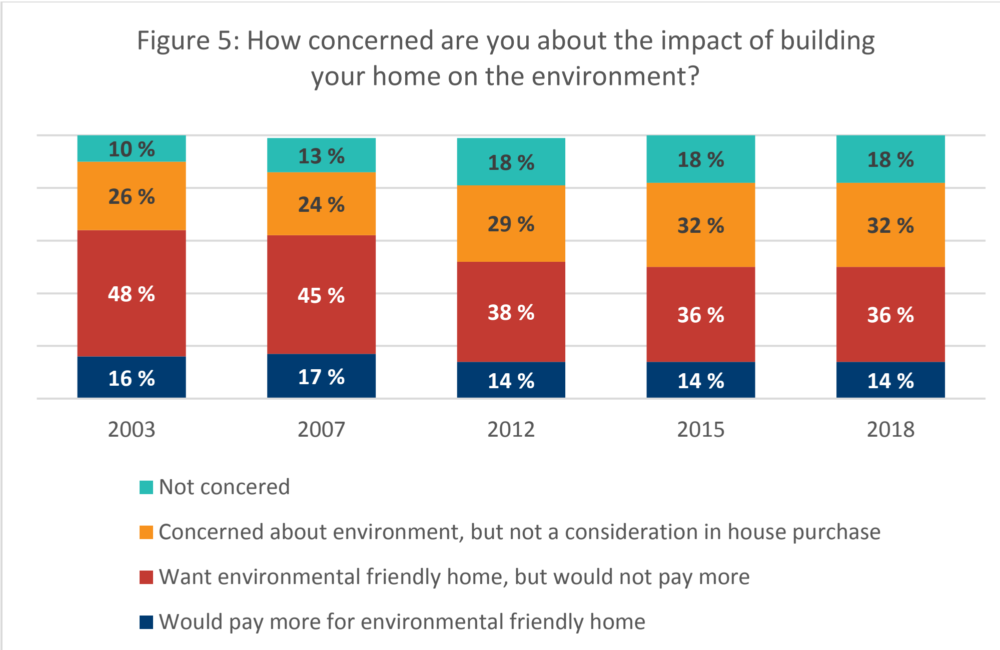
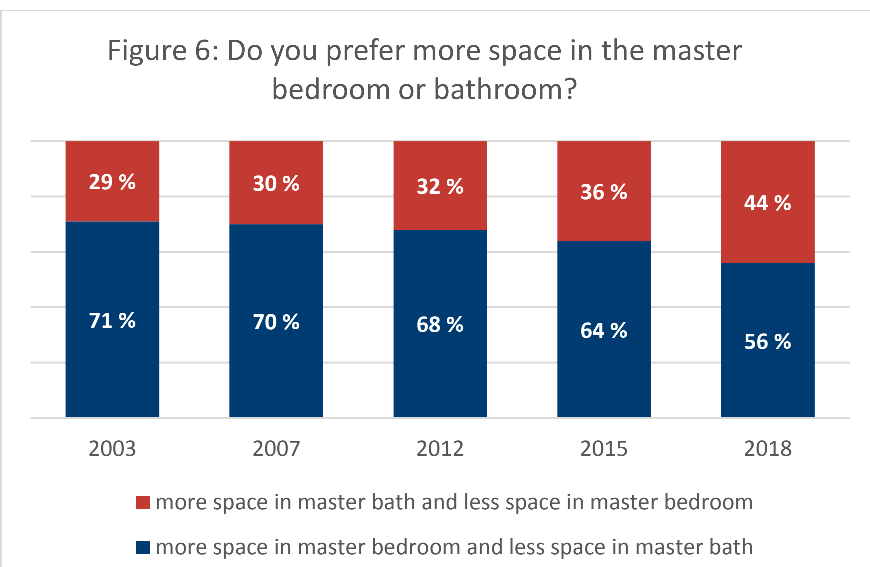
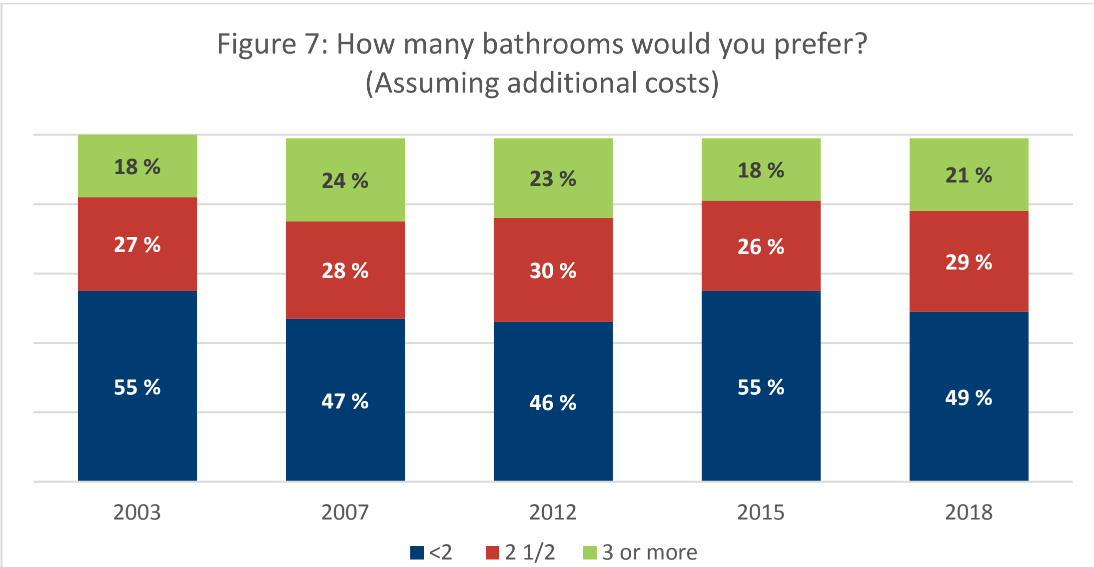
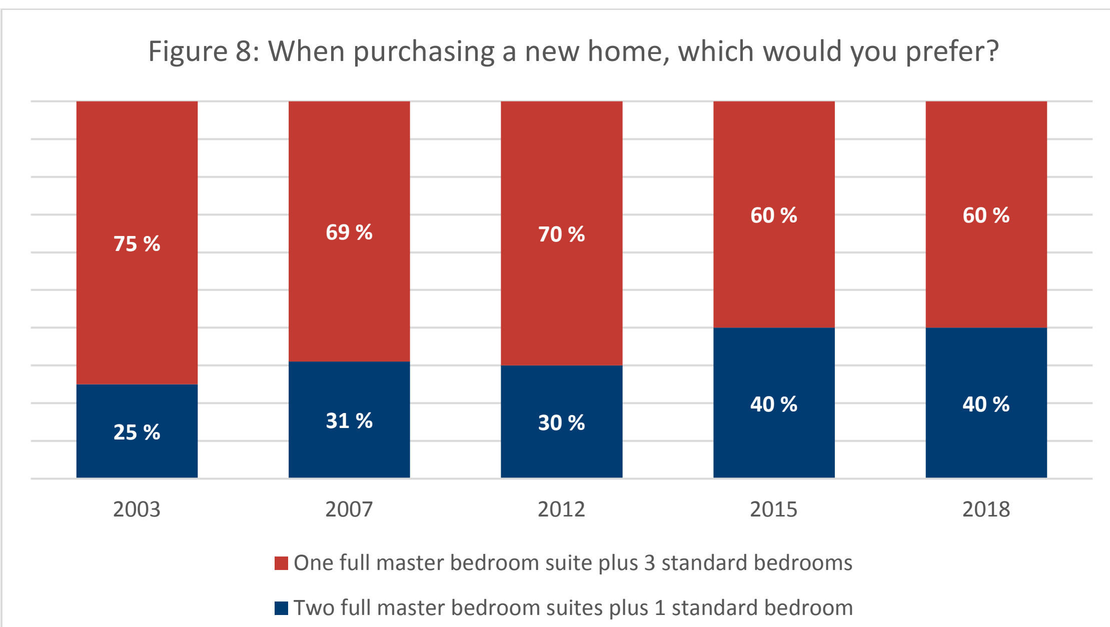


Figure 6 shows that buyers have consistently preferred more space in the master bedroom than in the master bathroom. In 2003, 71% of home buyers preferred more space in the master bedroom and less in the master bath. Yet the trend shows that the gap is closing. By 2018, consumer preference for more space in the master bedroom had decreased to only 56%. Consequently, by 2018, 44% of consumers preferred more space in the master bath and less space in the master bedroom as compared to only 29% in 2003. This shows an increased preference for larger master bathrooms.



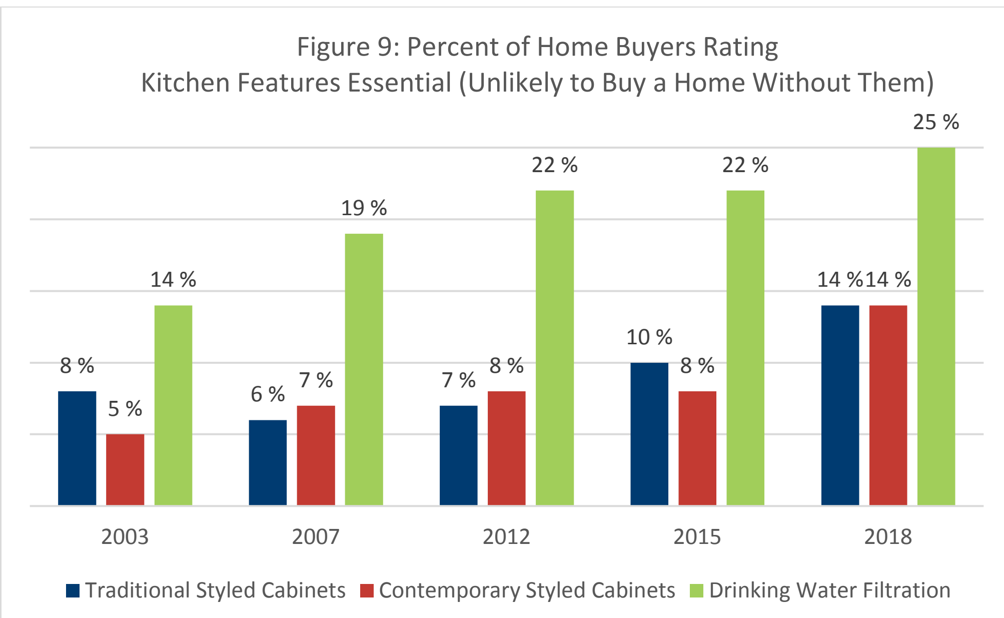
As you can see in Figure 7, the desired number of bathrooms hasn't changed much over time, but there is an increasing preference for "two full master bedroom suites plus 1 standard bedroom" (from 25% in 2003 to 40% in 2018), as seen in Figure 8. Meanwhile, the preference for "one full master bedroom suite plus 3 standard bedrooms" has gone down from 75% in 2003 to 60% in 2018. These results show that there is an increasing consumer preference for more, and larger, master bathrooms, although not necessarily for more bathrooms in general.





A useful section of NAHB preference surveys over the years has been an extended list of features that buyers are asked to rate on a four tie-tier scale: Do Not Want (not likely to buy a home with the feature), Indifferent (would not influence the purchase decision), Desirable (would seriously influence the buyer to purchase the home if included), and Essential (unlikely to buy a home without the feature).

Preferences for many features have been relatively stable, but Figure 9 shows a rising trend for certain kitchen features. This includes traditional cabinets, contemporary cabinets, and water filtration. In 2003, 8% of consumers listed traditional styled cabinets as essential (meaning they were unlikely to purchase a home without this feature). This number increased to 14% by 2018. Likewise, consumers listed contemporary styled cabinets as essential 5% of the time in 2003. This number increased to 14% by 2018. Lastly, water filtration was considered essential by consumers 14% of the time in 2003. In 2018, this number increased to 25% of consumers.



Conclusion:

The above has shown historical trends in home buyer preferences throughout the years starting in 2003. Comparing these surveys across time shows that buyers are increasingly willing to sacrifice the size of the home and lot in order to achieve affordability. In 2018, around 40% of home buyers answered that they would be willing to accept a smaller house and lot to lower the price. Likewise, in 2018, 44% of consumers answered that they would be willing to accept having no basement to make their home more affordable. On the other hand, buyers are increasingly willing to pay extra for higher ceilings.

Dozens of other items not mentioned in this article were captured in the NAHB home buyer preference surveys. The 2015 survey is currently available for purchase on BuilderBooks.com. The 2018 survey will be available for purchase at the 2019 International Builders' Show.