

**2005 New Home Buyer and Home Builder Survey  
Executive Summary**

**Conducted for NAHB's Institute of Residential Marketing**

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In Association with: HomeBuilder.com™

## **Background and Objectives**

In October 2005, the National Association of Home Builders' Institute of Residential Marketing (IRM), in association with HomeBuilder.com™, sponsored a research study to understand media usage in the current new home construction-buying environment. Specifically, the Institute of Residential Marketing is seeking to better understand how consumers search for new homes and how home builders are spending their marketing dollars to attract potential customers. In addition, IRM seeks to understand if home builders' current Internet marketing efforts are meeting home buyers' needs.

Industry research from the NATIONAL ASSOCIATION OF REALTORS® indicates that more than 50 percent of home buyers used the Internet "frequently" as part of their home search. However, additional anecdotal feedback from Harris Interactive builder focus groups suggests that some builder segments, particularly custom builders, are not as active online as other businesses or industries, in either marketing or communicating with their customers. Similarly, recent research from Forrester points to a similar gap, indicating that consumers spend one third of their time online, while only four percent of total ad dollars currently go toward online media. We are seeing these same trends in our own tracking among consumers of all kinds, across all purchases, including durables and non-durables, and in the results of this survey.

These facts all point to the conclusion that there is an enormous opportunity and upside for builders to produce more effective and integrated online marketing programs, thus reaching a wider range of home buyers and providing them with a more satisfying home-search experience.

## Research Methodology

From October 24 to November 17, 2005, Harris Interactive conducted an online survey of homeowners for HomeBuilder.com™—specifically adult Americans, aged 21+, who have purchased a newly constructed home in the past 12 months. The sample was generated using Harris Interactive’s online panel of American consumers. Harris Interactive used an invitation/screening methodology to select qualified respondents who met the study criteria. A total of 1,001 responses were collected, which represents a sampling error of  $\pm 3.1$  percentage points at a 95 percent confidence interval.

Of those 1,001 home buyers who participated, 45 percent were first-time new construction home buyers who were also making their first home purchase, 40 percent were multiple new construction home buyers, and 15 percent were repeat home buyers purchasing their first new construction homes. These data were analyzed to compare and contrast differences by demographic, attitudinal and behavioral segmentation. The segmentation analysis identified three distinct consumer segments based upon attitudes and preferences regarding marketing information.

Please note that while HomeBuilder.com™ was a sponsor of this study, respondents of this study were not made aware of this fact in any part of the email invitation to participate or in the survey itself. Further, all questions that included Web site names in either the question or response categories pertaining to awareness of, usage of, and ratings of specific Web sites, were randomized to eliminate selection bias.

Additional segmentation of new construction home buyers fit consumers into three broad categories based on information needs and expectations. Interestingly, all three segments used their primary information sources to educate themselves before meeting with a REALTOR® or the on-site salesperson to continue the home buying process. The segments are defined below:

- **TECHNOLOGY**—Rely on Internet Listing Services, builder Web sites and search engines for most information.
  - *Profile:*
    - High education
    - High income
    - Purchase higher-priced homes
    - Travel further distance to purchase home
    - Professional women

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- Satisfied with home buying process
  - 62% used a REALTOR®
  - Median age
  - Majority were white/Caucasian
- **TRADITIONAL**—Rely on tried and true sources of information such as newspapers, local signage and drop-in visits on location to gather information.
- *Profile:*
    - Only 44% used a REALTOR®
    - Slightly more female
    - Median age
    - Highest percentage of retired
    - Slightly lower income
- **MIXED**—Rely on a combination of information sources; considered “information junkies.”
- *Profile:*
    - Highest percentage of younger males (ages 21 – 40)
    - Highest percentage of ages 31 to 40
    - First home buyers
    - 55% used a REALTOR®
    - Highest percentage of employed full time (78%)
    - Median income
    - Most ethnic/racially diverse – more Asians, more African Americans

Statistical differences by subgroup have been included where appropriate within the key findings of the report.

Harris Interactive also conducted an online survey of new home builders from October 31 to December 2, 2005. A total of 186 builders (specifically, individuals who work for companies that sell newly constructed homes and are responsible for recommending how marketing dollars are spent for the sale of new homes at their companies) completed surveys. Builders were then separated into four segments:

- Custom – Builds up to 25 homes per year
- Small Volume – Builds 26 or more homes per year in 1 -10 communities

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- Large Volume – Builds 26 or more homes per year in more than 10 communities
- National – Top-50 Builders and Affiliated Brands

52 percent of the sample is comprised of custom builders, 25 percent small-volume builders, 12 percent large volume builders and 10 percent national builders. The sample was provided from a mix of industry sources and research-list brokers. This represents a  $\pm 7.2\%$  sampling error at a 95 percent confidence level. Where possible, we compared the data by builder segment, looking for attitudinal and behavioral differences.

## Executive Summary

### **1. Consumers Who Are Online Value Online Resources Most In the Search for New Homes, While Builders' Use of Traditional Media Continues to Dominate.**

Home buyers surveyed say they use builders' Web sites (27%), signage (27%), Internet Listing Services (26%) and newspapers (23%) the most when searching for their newly constructed homes. Builders' perceptions of what consumers use, however, are quite different. Builders report that consumers use signage, newspapers/home magazines and REALTOR® promotions most often to find their new homes. The disparity is even greater when we asked consumers what media sources they would recommend – a potentially more sophisticated question aimed at unveiling consumers' true attitudes.

### **2. Online Resources Are Believed to be the Most Useful and the Most Important to Consumers, and Builders Agree That Their Own Web Sites Produce the Highest Quality Leads.**

New home buyers surveyed are turning to the Internet as a highly valued information resource in their new home search—rating builder Web sites and Internet Listing Services, along with the interaction with REALTORS®, as the most useful and important information sources in finding and evaluating new-home opportunities.

Further, consumers find the depth and comprehensiveness of information found on builder Web sites and Internet Listing Services to be quite helpful in their search. These sources are providing consumers with comfort and satisfaction in knowing that they can find new homes through Internet searches.

By contrast, home builders believe that more traditional forms of media, such as signage, newspapers and REALTOR® promotions, produce the highest quantity of leads of prospective home buyers. However, home builders surveyed admit that the highest numbers of quality leads are generated using online media sources, such as builder and community Web sites, REALTOR® promotions, and Internet Listing Services.

### **3. Gaps Persist Between Consumer and Builder Marketing Behaviors.**

New home buyers report that their new home buying process is approximately 180 days long—from initial research to final purchase. Home builders' perceptions about the length of the research and buying cycle constitute about half of what consumers claim. This also relates to builder marketing practices that emphasize episodic and special event print marketing, rather than consistent online exposure.

Builders surveyed believe that 18 percent of consumers find their new homes through builder websites and 11 percent through the Internet Listing Services when, in fact, more than 25 percent of consumers surveyed say they found their homes through each of these sources.

Builders allocate less than one-fifth of their budgets to Internet-based media, while online consumers spend one-half of their time using online media. Furthermore, home builders plan on allocating significantly more of their marketing dollars to more traditional media, such as newspapers, and plan to make only minor increases in allocations to online media.

### **4. Online Consumers Look to the Internet and Recommend Online Sources, Along with REALTOR® Recommendations, for Future Search Needs.**

It is important to note that online home buyers, when asked to recommend one information source to another prospective home buyer, would recommend using a REALTOR® first (26%), followed by Internet Listing Services (20%) and builder Web sites (17%). All other traditional information sources measured garnered limited support. When asked which one information source they would use to start their own next new home buying search, home buyers were consistent in their selection of Internet Listing Service (28%), a REALTOR® (24%) and the builder's Web site (13%) as their top three choices, with a number of traditional sources receiving weak support.

Nearly six-in-ten home builders surveyed report using third parties to represent them and sell their homes—individual real estate agents make up the bulk of third-party representation. Home builders' use of third-party representation is well-founded, with 52 percent of home buyers reporting that they used a real estate agent when purchasing their home. Most third-party activity is dedicated to managing sales and marketing.

## 5. Consumers' Online Behavior.

Search engines used by online home buyers surveyed: Google® (60%), Yahoo!® (44%) and MSN® (20%).

Six-in-ten online home buyers use key-word searches the most, while three-in-ten favor the real estate Web site sections, when using a search engine or portal to find new home information.

REALTOR.com® is rated as the single best Web site by nearly three-in-ten online home buyers (29%), followed by HomeBuilder.com™ (9%). NewHomes.com (6%) and iNest.com (5%) were named the next highest rated Web sites.

Quantity and comprehensiveness of information, ease of navigation, and comprehensive listings are cited as the best components of these Web sites.

## 6. Consumer Segmentation Results and the Consumer Outcome.

The home buyer audience has been segmented into three general groups, all with varying experiences and needs when it comes to buying a home. These segments are defined as:

- **TECHNOLOGY**—Rely on Internet Listing Service, builder Web sites, and search engines for most information.
- **TRADITIONAL**—Rely on traditional sources of information, such as newspapers, local signage, and drop-in visits on location to gather information.
- **MIXED**—Rely on a combination of information sources; considered “information junkies.”

Only 26 percent of home buyers overall are “very satisfied” with how builders kept them informed on the progress of their new homes; 39 percent of the technology segment was “very satisfied.” Further, only 33 percent overall were “very satisfied” with their new-home builders; 51 percent of the technology segment were “very satisfied”; and, 32 percent of home buyers were “very satisfied” with the overall process of finding a home.

Builders must anticipate that as consumers embrace Internet-based information sources and have their expectations of quality and comprehensiveness met, their craving for Internet sources will likely increase. These findings suggest that if builders act now to boost their online-marketing dollar allocations and improve their Internet presence by driving traffic through Internet Listing Services and builder Web sites—and by improving online content to meet the increased online traffic—they may benefit from greater sales activity. Potential for a higher volume of quality traffic and leads through these channels would allow them to focus the remainder of their marketing resources on what they identify as are the most effective offline marketing tools.

Online content improvements should center around more effectively communicating the full range of new home offerings, through comprehensive listings, visuals, and virtual tours of the homes and neighborhoods.

Lastly, builders who measure their sales volume and marketing success by the number of Web site hits are further misunderstanding the importance of the Internet as an overall resource for consumers. As this study shows, no matter which media source is used, six-in-ten (59%) consumers are initially contacting a builder by walk-in or on-site visits; whereas, only two percent of online home buyers initially contact a builder via email.

## **7. Builder Behaviors Online.**

- 73% of builders surveyed say they have a Web site.
- 47% of custom builders say they do not have a Web site.
- Most builders use mass media advertising and new home listings on third-party Web sites to drive traffic to their site.
- Of the 2% of online consumers who contacted a builder by email, the majority (69%) of online builders responded to their inquiries via a personal email; over one-quarter (27%) responded with a phone call.
- On average, most online home buyers who emailed the community or builder said it took one day to receive a response. This timeframe is what most buyers considered an appropriate amount of time for a response.
- Nearly three-quarters (72%) of those surveyed who emailed their community or builder were influenced by the timeliness of their response in their decision to work with that builder.

## 8. Builder Lead Generation.

Earlier in this summary, it was revealed that builders surveyed reported the best quality leads originated from online sources. HomeBuilder.com™ is recognized by more than one-third of builders surveyed as being the Web site that *generates both the greatest number (35%) AND most qualified (30%) leads*. REALTOR.com® is rated second on both measures (21% and 23%, respectively).

- *Only 8 percent of participating builders claimed having a dedicated Internet salesperson to handle leads.*
- *Similarly, of the custom builder segment measured, one-quarter (24%) state that no one in the organization handles Internet leads.*
- *Builders are missing an easy opportunity to connect with the target audience and would benefit by having a staff person dedicated to handling Internet leads.*