

# EMERGING TRENDS

## IS THE APPEAL OF NEW-BUILDS RISING AMONG UK HOMEBUYERS?



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The UK's property market has been a hive of activity over the past 18 months. Against the backdrop of a global crisis and with the economy still in the grips of the Covid-19 pandemic, house prices have continued their gravity-defying ascent, reaching record highs over the course of 2021.

In fact, in the midst of economic turmoil, average property prices increased by 10% over the year to November 2021, according to the Office for National Statistics (ONS) UK House Price Index. Several key trends underpinned this growth.

For one, the stamp duty holiday triggered a flurry of transactions, counteracting an initially depressed property market, with homebuyers further incentivised by historic low-interest rates.

The pandemic also induced a 'race for space' among homebuyers, which, coupled with the shortage of available housing, has led to a striking imbalance in the market, exerting increasing pressure on prices and further deepening a nationwide housing shortage.

According to the current estimates guiding the Government's policy on the housing shortages, the UK will need to produce 340,000 new homes every year for the next decade to meet the demand for residential property. Naturally, the pandemic's knock-on effect on the construction industry, added to the impact of Brexit, has further slowed housing delivery. The housebuilding sector has been hit by lockdown restrictions, labour shortages, supply chain disruptions and financing strains.

Data from the Office of National Statistics (ONS) shows that in 2020 there were only 147,880 new-build completions in England, down 10% from the 165,490 recorded in 2018 and less than half the required annual target. Alongside the critical need to tackle the under-supply of housing, the Government continues to face pressures to ensure higher quality standards are upheld and affordability criteria is met in new-build construction.

Positively, in recent years there has been a greater emphasis in the industry on fostering transparency and tackling the issue. This is

evidenced by the annual national surveys conducted by housing and construction bodies such as the Home Builders Federation (HBF), National House Building Council (NHBC) and The HomeOwners Alliance.

Yet questions remain in how and where new-builds are delivered. Are buyers' housing needs and evolving home priorities increasing the appeal of new-builds? And to what extent are concerns over construction standards deterring would-be buyers?

To answer these important questions, FJP Investment has commissioned research among more than 1,000 UK-based homeowners and property investors. The survey, which was carried out independently in January 2022, reveals how homebuyers' sentiment towards new-build properties is evolving as a result of the pandemic, as well as the issues that need to be addressed to improve the desirability of new homes.

**340,000 homes must be built every year Only 147,880 completions in 2020**



## BUYER INTEREST IS GROWING

FJP Investment's study revealed that the appeal of new-builds has risen since the onset of the Covid-19 pandemic. Over a quarter of homeowners and homebuyers (26%) said they are now more likely to consider purchasing a new-build property compared to before the outbreak.

The research showed that half of respondents (50%) would be willing to buy a new-build for their next home, with the figure jumping to 65% among those aged 18-34. It found that nearly two fifths (39%) of homebuyers viewed new-build developments as part of the search for the last property they bought.

Further, the study highlighted that new-builds are becoming an increasingly attractive investment consideration, with almost a quarter (24%) of respondents inclined to purchase a new-build property as an investment rather than a home to live in.



## ADVANTAGES OF NEW-BUILDS

FJP's survey also uncovered the perceived main advantages of new-build ownership. First and foremost, the greater energy efficiency of new homes emerged as a key benefit, according to nearly three quarters (74%) of homeowners and investors. Looking ahead, this factor is likely to become increasingly important, given that households are facing steep increases in energy costs in the months to come once Ofgem increases the price cap in the Spring of 2022.

Further to this, over two thirds (68%) of respondents consider the modern facilities and furnishings benefitting new developments to be a key selling point. With home-based working patterns increasingly embedded in people's lives, the research points towards a greater appreciation of modern homes designed in line with today's living standards and lifestyles.

The benefit of a brand-new home's 'blank canvas' was not lost among homebuyers; 45% were drawn towards the convenience of moving into a property that is free from the complications that can result from the previous owners, such as issues with unpleasant interior design features, damages or questionable repair work.

50% of homebuyers would be happy to buy and live in a new-build



68% praised the modern facilities



39% viewed new-builds as part of their last search

26% more likely to buy a new-build than prior to the pandemic



74% are drawn towards their greater energy efficiency



## AREAS OF CONCERN

While FJP Investment's research underlines the growing desirability of new-builds among many UK homebuyers, when it comes to perceptions around their aesthetics, quality, and value for money, some causes for concern remain.

First and foremost, the majority (64%) of UK homebuyers consider them to be overpriced. Indeed, data shows that in 2021, the average premium paid to purchase a new-build property compared to the price of an existing home in Britain was 29%. However, these average prices do not account for the size or location of the respective properties, so like-for-like comparisons are difficult.

Meanwhile, over half (58%) of UK homeowners and homebuyers feel new-build homes are devoid of style and character. Further, 48% consider modern developments to be usually unattractive. Clearly, there is a perceived trade-off among would-be buyers between beauty and function, as many feel that aesthetically pleasing features are too often side-lined in new-build construction for the sake of practicality or cost.

Aware of this issue, the Government launched its 'Building Better, Building Beautiful' commission in 2019, with a report published early the following year. The Government's response was published in January 2021, exploring how to promote and increase the use of high-quality design for new-build homes and neighbourhoods.

Returning to FJP's research, the data also indicates a lack of confidence in the quality and standards of new homes being built. Over two thirds (67%) of respondents feel that having never been lived in before, new-builds carry a higher risk of problems emerging within the first year of someone living there. More than half (53%) fear new-builds are often finished to a low standard and use poor



quality materials, with poor workmanship raising a red flag among prospective buyers.

Another common concern was regarding the poor infrastructure surrounding many new-builds, with nearly half of respondents (48%) identifying this as a drawback. Meanwhile, 39% consider new developments to be situated in less desirable locations.



53% fear they are finished to a low standard using poor quality materials

64% consider new-builds to be overpriced



48% feel new-builds are usually unattractive





## BUILDING BETTER

Incentivising the delivery of new developments will be essential in addressing the UK's housing crisis. However, FJP's research shows that if the homes being built fail to meet buyer's affordability needs and quality standards, little will be accomplished.

We found that the majority (79%) of homebuyers surveyed believe the Government should do more to ensure newly built homes are completed to a higher standard. When it comes to improving the aesthetics of new-build developments, over half (54%) would like to see the Government play a bigger role in ensuring newly built homes are beautiful. This was closely followed by a desire to significantly increase new-build construction over the coming five years, as cited by 53% of respondents.

79% feel the Government should do more to improve the standards of new-build construction



## THE THOUGHTS OF FJP INVESTMENT

"The UK property market has continued to maintain its momentum and our research clearly shows that more people are now considering new-builds for their next home or property investment. The greater energy efficiency and conveniences that modern developments afford stood out as key factors working in the favour of new-builds. With households facing rising energy costs and remote working patterns becoming the norm, these factors are likely to be prioritised in homebuyers' property search going forward.

"That said, we cannot ignore the concerns homebuyers voiced. The findings from our research deliver a stark reminder of the urgent need for the industry to firstly understand the negative preconceptions surrounding new developments, and to then ensure these issues are addressed by improving and upholding construction standards in new-build homes.

"It is clear that prospective buyers are burdened with fears of investing into a home that is not finished to a high enough quality or fails to meet their needs. For example, many are wary of purchasing a poorly-built home, while others consider them to be located in less desirable areas or to lack character.

"The Government has already stated its desire to build beautiful homes. It must support those claims by investing in infrastructure and supporting the construction industry to ensure the standards of new-build developments are improved."



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