

Unlocking demand for new housing

New research to help builders optimise their new homes marketing spend

59%

Of new homes demand comes from more than 80 sq miles from site

11%

Further is how much buyers look for schemes with Help to Buy'

£1.5bn

The annual marketing spend of major housebuilders

Executive summary

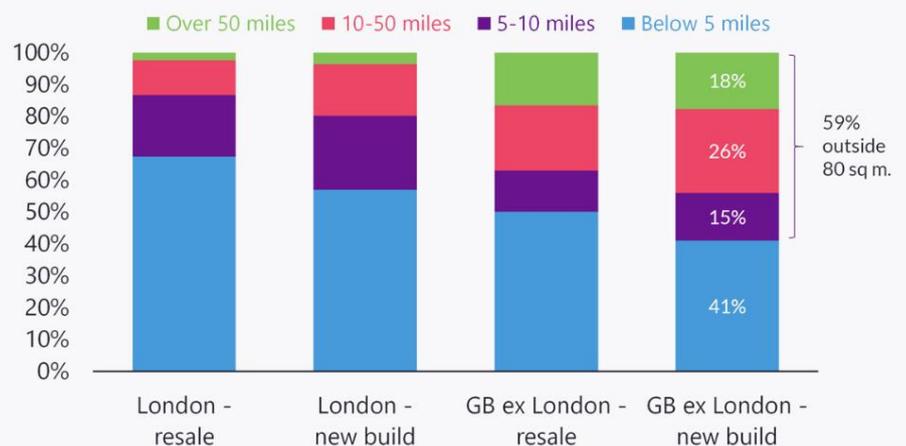
- New home buyers on average are willing to move 38% further than those looking to buy a second-hand property
- The breadth of new home demand varies by location - 80% of would-be buyers in London come from within 10 miles compared to 56% nationally
- There is no 'one-size-fits-all' approach to new homes marketing with different locations driving different sized catchment areas.
- Zoopla estimates housebuilders spend over £1.5bn on marketing new developments. Understanding where demand originates from enables housebuilders to grow and target the right audiences more effectively

Understanding the size and origin of new home buyer demand drives efficiencies in marketing spend and provides developers with the necessary confidence to continue strategic investment into 2021

Rob Owens
Senior Property Analyst, Zoopla

New build drives a wider catchment than resale

Zoopla



Source: Zoopla Research

Demand segmented by distance

Introduction

Major housebuilders spend an estimated £1.5bn a year marketing their homes to would-be buyers. There are two primary channels where this spend is allocated:

- The core local catchment where print media, billboards and showrooms are the principal levers to attract buyers
- The areas 'beyond', where portals and targeted social media are used to reach a wider audience base in a more targeted manner

Normally this approach can yield effective results for housebuilders. However, we are facing structural changes to buyer demand in the wake of COVID-19. Our data shows that we are seeing a 'once-in-a-lifetime' reassessment of how, and where, people want to live, especially after the country emerged from lockdown in May.

In addition to this change, the policy landscape is shifting from March 2021, with the Help to Buy Equity Loan available to first-time buyers only and the introduction of regional price caps.

The likely end of the stamp duty holiday in the same month also increases uncertainty around the strength of demand, sales volumes and pricing into the second-half of 2021.

This report draws upon Zoopla's applicant leads database to track domestic buyer's interest in new-build and second-hand homes and looks at the distance buyers are willing to move and the local factors that may influence their decision. A deeper understanding of buyers and the behaviours they exhibit can help housebuilders target and grow leads more effectively.

New homes drive a wider catchment area than second-hand homes

Our analysis shows that, on average, those purchasing a new-build property are willing to move further to their new home. New-build buyers look 38% further than those moving to a second-hand property according to data collated over the 18 months to July 2020.

In London, the data also shows that a significant share of buyers (20%) don't stay 'local' in their search for a new-build home, with a fifth looking at properties more than ten miles away from their current address (which may still include properties within the capital). This compares to just 12% of London buyers who are looking for a second-hand property who search beyond a ten-mile radius.

Outside of London, almost 60% of new-build buyers are interested in new homes that are more than five miles away from their location with 44% of demand extending beyond ten miles, well beyond the influence of billboards and print media.

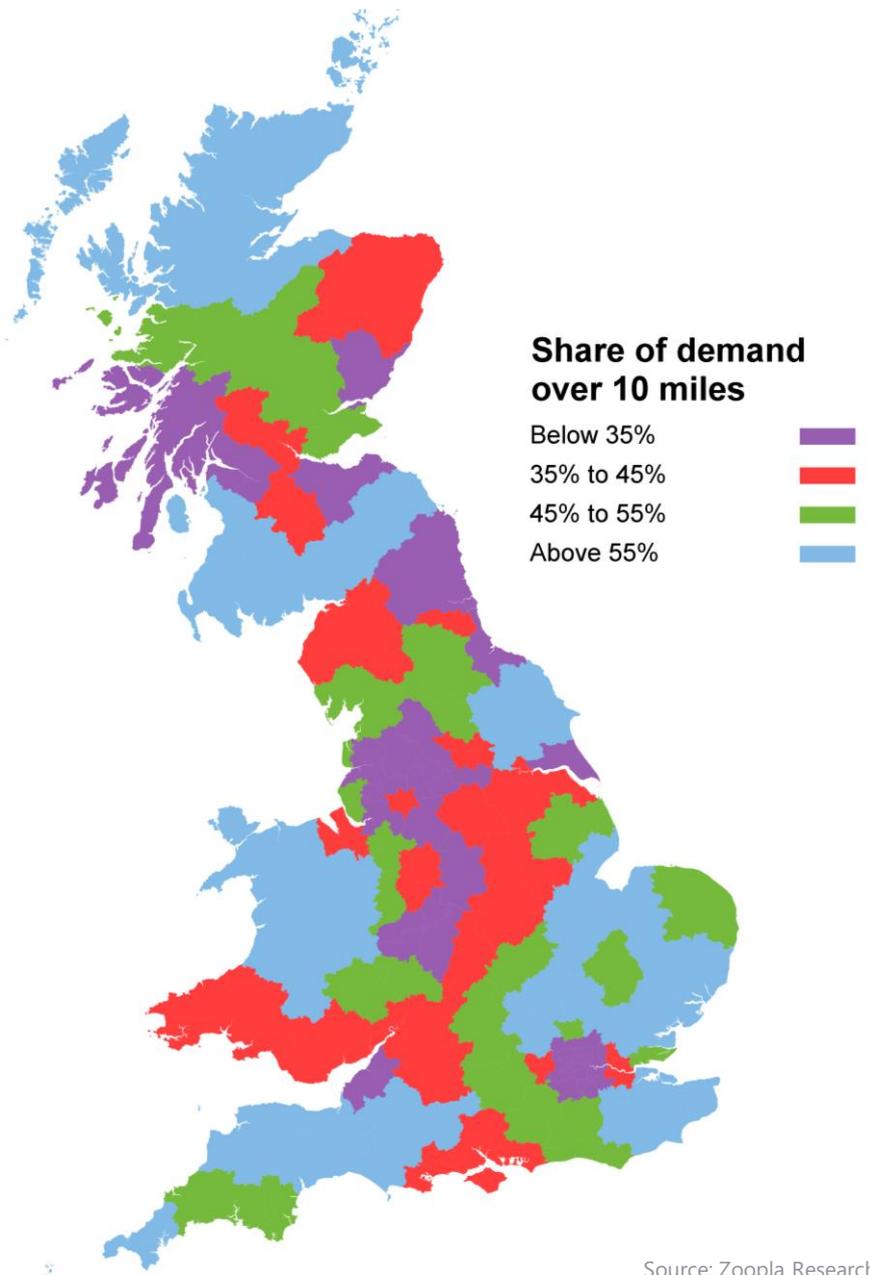
The availability of Help to Buy increases the 'pull' of a scheme with buyers prepared to look 11% further than those homes without. As the impact on buyer priorities around space, and the changes to Help to Buy exert greater influence on decision-making, we expect to see the reach of the government scheme extend further.

The localised impact of new homes buyer demand

The map below shows the share of buyer demand varies from market to market based on available supply and demographics.

Closer examination of the south east reveals buyers are looking at new homes here from much further afield than in developments the midlands and north. The markets with the greatest draw are the areas with some of largest supply, such as Luton, Chelmsford (both 61%) and Canterbury (59%).

Moving further north, developments are seeing a slightly tighter demand radius, with potential buyers more likely to come from the same postcode area as the site. However, 35% of buyer demand still comes from more than ten miles away.



In the next section of the report we drill down into three local markets to showcase differences in the share and radius of demand and how this can influence a more targeted approach to new homes marketing.

Unlocking new homes demand: case studies

The charts below examine demand for new-build schemes in Croydon, Milton Keynes and Preston, areas with some of the largest development pipelines across the country - identifying the different trends in demand across these markets.

Croydon (Postcode area: CR)

Some 10,760 new homes are planned in Croydon between now and 2024 as part of a wider regeneration project that started in the mid-2010s.

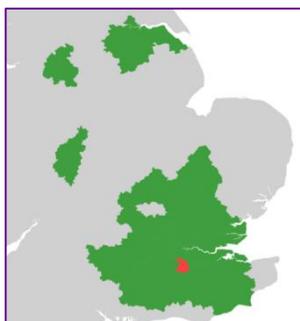
Combining demand data for developments in this area reveals a key trend.

While the map shows a slightly scattered picture of demand, a trend uniting these postcodes starts to emerge in the chart below.

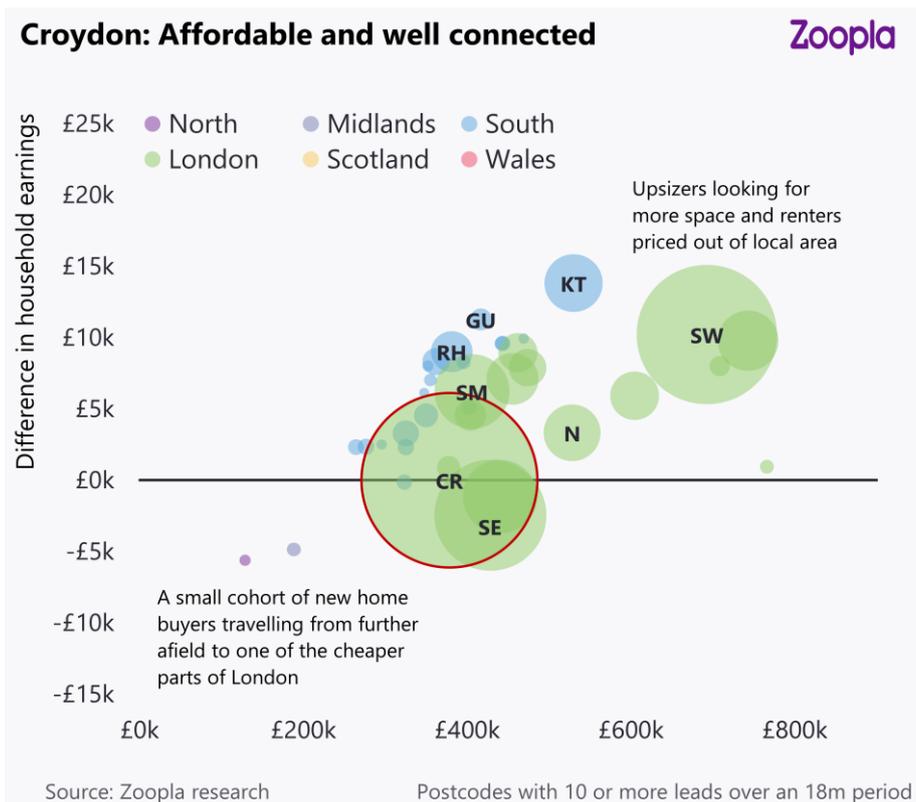
The size of the bubbles indicates the volume of demand for new homes in Croydon by location - the postcode districts from where the most substantial demand originates. Demand from within Croydon is outlined in red.

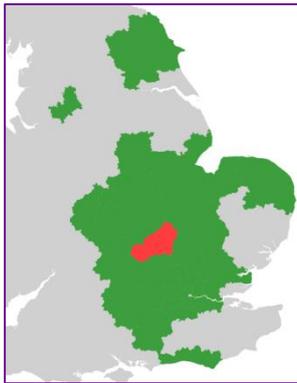
The horizontal axis shows average house prices in each postcode area, while the vertical axis shows the differential in average earnings compared to Croydon - this signals that both average values and average earnings are higher in the areas from which most demand emanates.

Within these areas buyers will be in different positions, some may be looking to buy in cash as a downsizer, others may be looking to upsize to a larger property, and renters looking to buy their first home who are currently living in areas in which they cannot afford to purchase a property.



Croydon demand map





Milton Keynes demand map

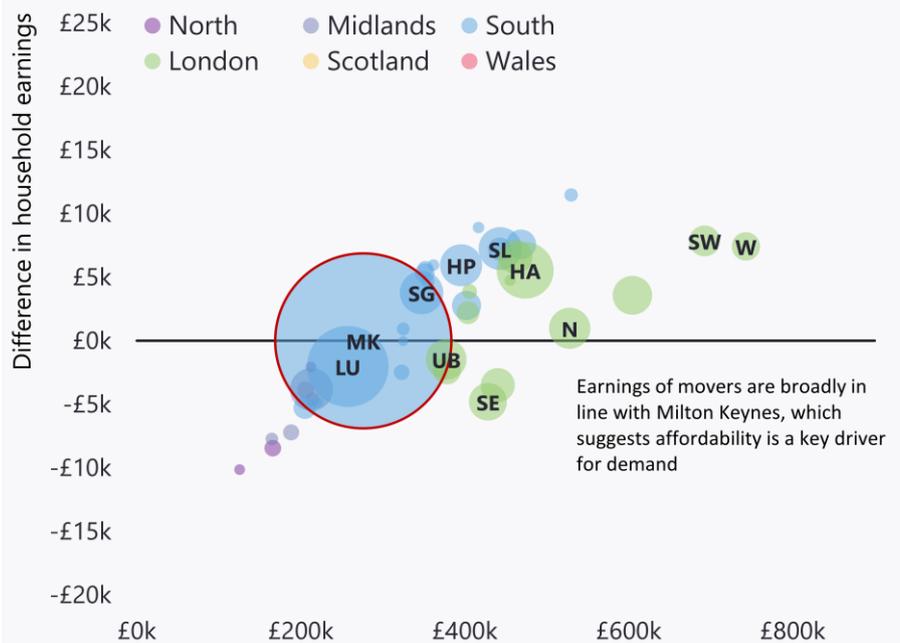
Milton Keynes (Postcode area: MK)

Moving further from London, into Milton Keynes, there is a much wider geographical demand spread, with 53% of demand coming from 31 postcode areas outside Milton Keynes,

This wider appeal could in part be due to higher levels of supply in Milton Keynes, and also the type of housing stock, with 57% (c10,400 homes) of the 18,300 homes set to be built between 2016 - 2031 being 3-bed houses, the most popular type of property amongst buyers in the South East and the Midlands. Average capital values are also closer to the UK average, at £220,000.

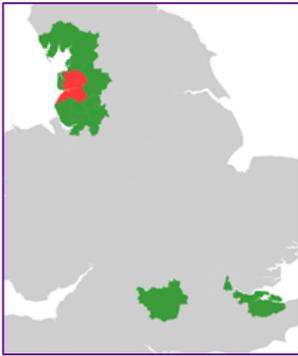
As the bubble chart below shows, the trend differs from Croydon. Demand flows from postcode areas where average values are only slightly lower, the same or slightly above the Milton Keynes average. Likewise, postcodes where earnings are higher, but within £10,000 of Milton Keynes, are also showing elevated buyer interest.

Milton Keynes: New supply drives demand



Earnings of movers are broadly in line with Milton Keynes, which suggests affordability is a key driver for demand

Source: Zoopla research Postcodes with 10 or more leads over an 18m period

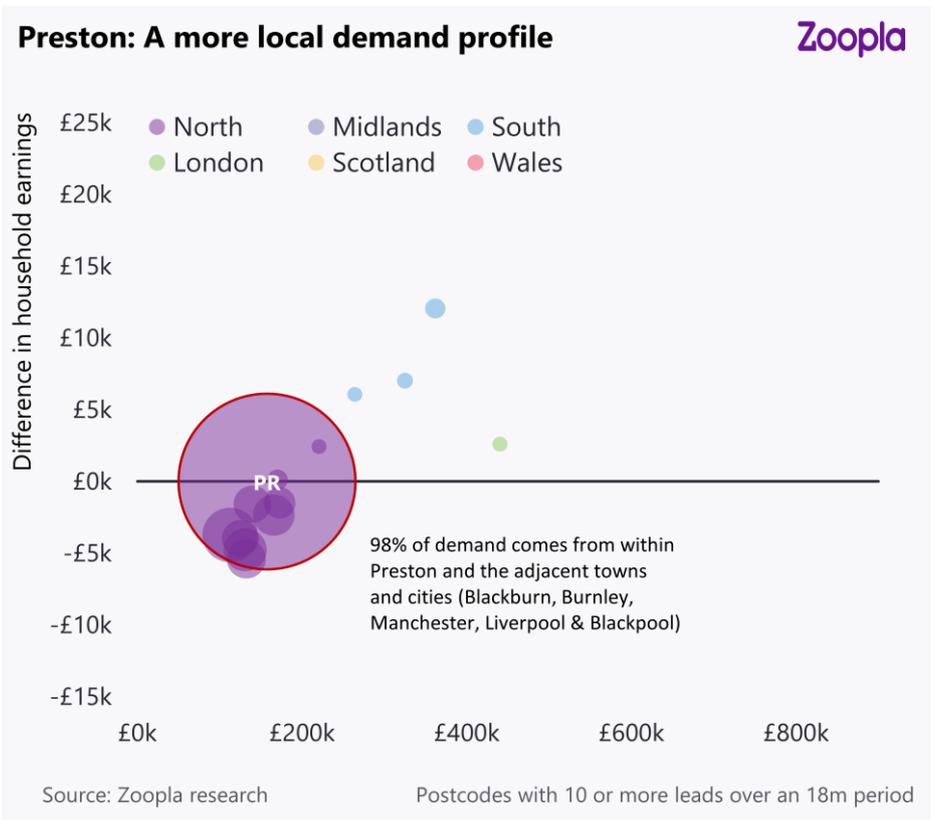


Preston demand map

Preston (Postcode area: PR)

Preston’s demand profile shows a much more localised market, with 70% of leads for new homes originating from the city; the remainder (27%) is made up from nearby Greater Manchester and Liverpool. There’s a small share of interest from London and the south, which could be investors, or London renters moving back home.

The bubble chart reflects this local demand, but also shows that the differentials between earnings and house prices in areas where demand originates is quite closely aligned to Preston, with a bias to areas with slightly lower house prices. Added to the larger uptake of Help to Buy in northern cities, including Preston, signals that demand in this area may be largely reflecting a desire among homeowners to trade up into a new home, either as a first-time buyer or a home mover.



Summary

New homes developments draw a wider pool of buyer than the second-hand market. Nationally, 59% of buyer demand is generated beyond a five-mile radius of the subject site compared to just 50% of those looking to move to a second-hand property.

The demand profile for new homes developments varies from city to city, as illustrated in this report. Price, product mix, availability of Help to Buy and local market trends all feed into a demand model which can inform decisions on how to target site-level marketing campaigns.

Understanding the distance and the magnitude of would-be buyers willing to move for new home development can help house builders tailor their marketing to the right audience.

Monitoring these trends will become increasingly important post-COVID as developers look to support sales rates for existing sites, plan future investment and start to consider the change in buyer requirements as space becomes a priority.

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