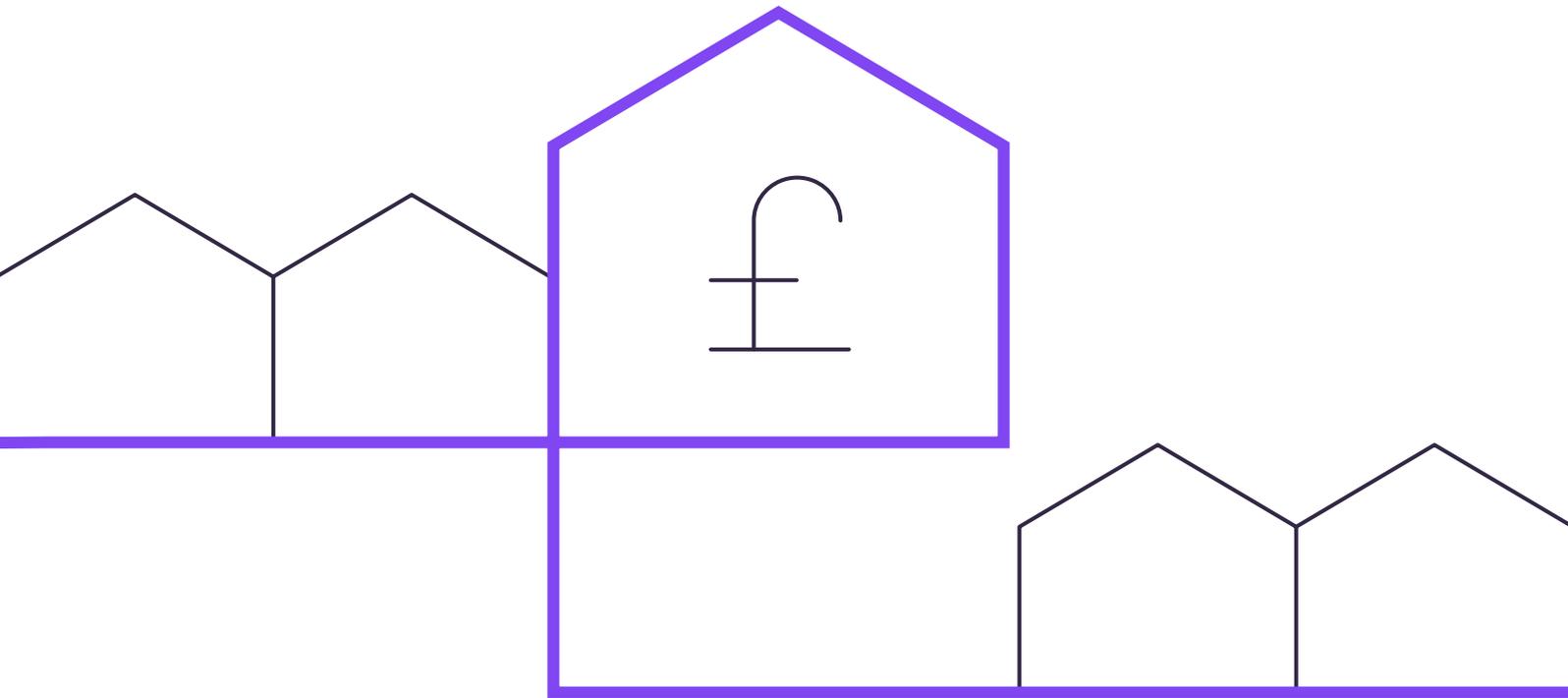


Unlocking demand

Size matters

Analytics to understand how new build demand can vary on a plot-by-plot basis



Executive summary

- New homes drive a wider catchment of demand than second-hand properties, but the size of a home also has an impact on the demand radius with larger homes driving a 20% increase in the distance buyers are willing to move to their next home.
 - While the broad trend above can be established through the data, on a localised basis the picture becomes more nuanced, with different locations driving different-sized catchment areas.
 - Our analysis shows that buyers who express an interest in larger homes move from locations where a similarly sized property would typically be out of their price range. Nationally, the differential in price between the desired property and a similar property in the buyers' location equates to -18%, with this discount as high as 20% for those looking to move to Scotland and the South.
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Introduction

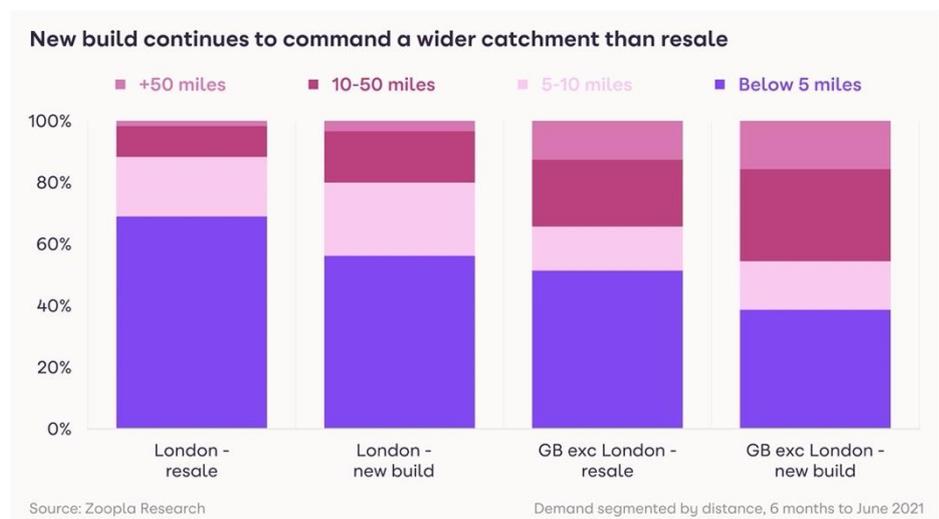
Builders are market makers, building new supply and seeking to fill gaps in current supply and unlock demand for homes from local markets and wider catchment areas.

When the first COVID-enforced lockdown ended in May of 2020 the search for space - both internal and external - became a key theme amongst buyers. Though demand has since returned to more urban areas, living space continues to remain a priority.

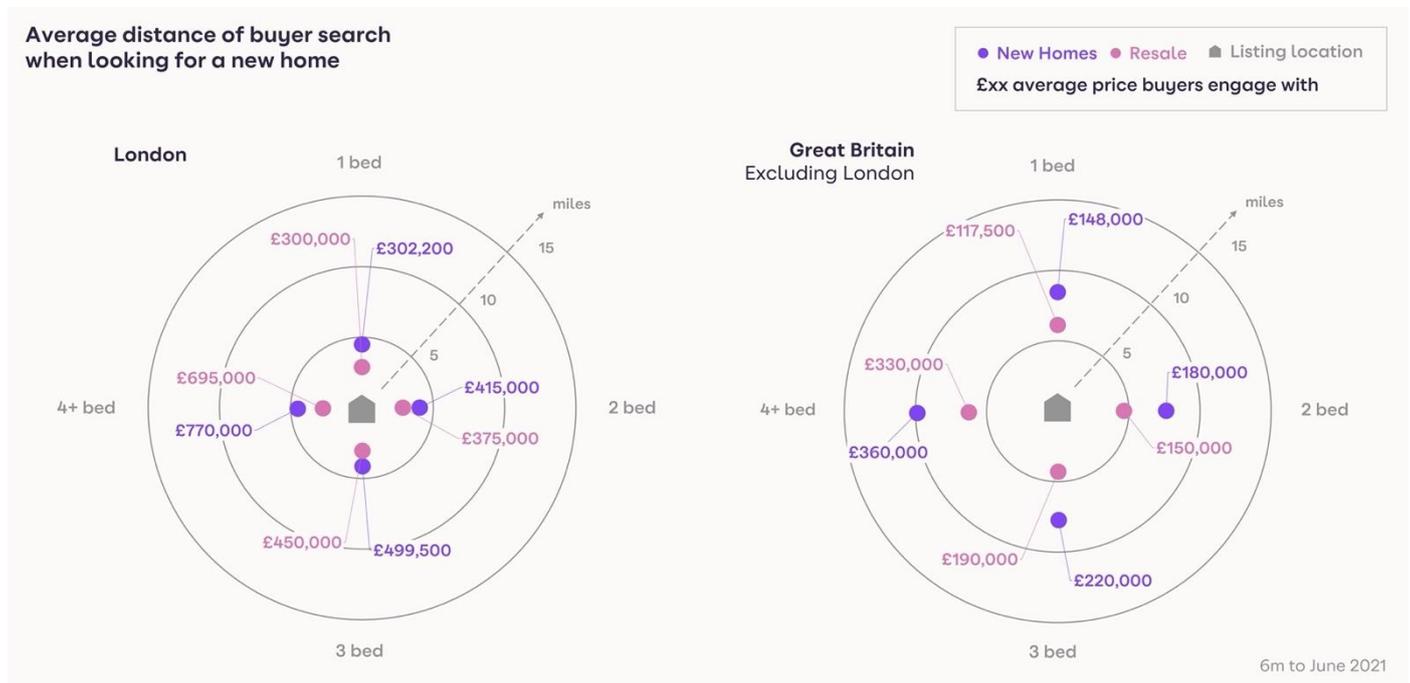
That being said, the demand pool for larger 4+ bed homes can often be smaller than for other property types. This has been further compounded by the recent changes to Help to Buy with homemovers no longer eligible, and the introduction of regional price caps, which has ruled out using Help to Buy to purchase many larger homes.

This report builds upon the analysis undertaken in October 2020, where Zoopla investigated the reach of buyer demand for new build homes relative to second-hand property, and how this differed between local markets. The chart below shows that new homes still drive a wider catchment than the resale market with buyers willing to move on average 35% further than those looking to buy a second-hand property

We have updated and extended our analysis to consider how the reach of buyer demand varies by bed count to show how the mix of a development can influence the relative size of the catchment area required when targeting audiences. By understanding the extent of demand for different property types, housebuilders can proactively manage their marketing strategy earlier in a development’s lifecycle to optimise lead generation.



How does the radius of demand vary by bed size?



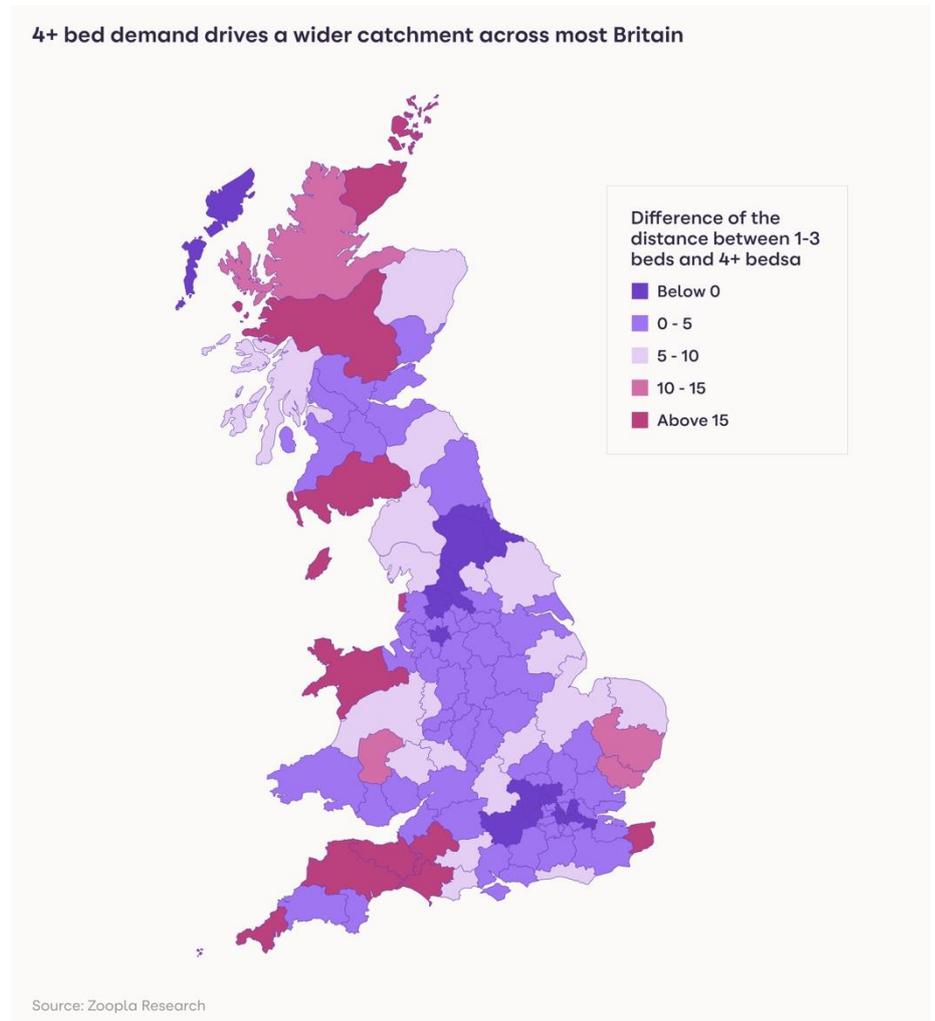
The charts above looks at the relationship between price and the radius of buyer demand by bed count for new build homes in London and the rest of Britain. In addition to plotting new homes, the pink circles represent how the resale market fares by comparison.

As can be seen above, the resale market drives a more local catchment than new build in both London and the rest of Britain. In London, buyers operate out of catchment of just under three miles across all bed-types. With the exception of 1-beds, prices, the median price of resale homes is slightly lower than new build homes, but these purchases are not supported by Help to Buy, which drives buyers towards new homes as the affordability profile is more favourable.

When it comes to new build homes, demand in London is more concentrated, with the catchment areas within half a mile for all four bed types.

Outside London, the picture changes. Buyers of new build homes with up to 3 bedrooms will look within an 8-mile radius from their current location, almost double the distance of their London counterparts. The demand pool grows even wider for larger homes, with demand extending out to 10 miles - but there are variances once we drill down into more local markets, which we look at in further detail in the next section of this report.

What is the range of distance for buyer interest in new homes?



When we look at the difference between the median distance of demand for 1-3 bed homes and 4+ bed homes across all property (new homes and resale) we see how the radius of demand varies by location, with larger homes driving a 20% increase in the distance buyers are willing to move.

Coastal and rural locations register the largest differential as buyers put outdoor space at the top of their priorities; buyer interest in the South West for 4+ bed homes comes from a radius five times that than for interest in 1-3 bed homes.

In London, where the demand radius is more narrow, the distance buyers are willing to move for one-bed homes relative to 4+ bed homes bucks the national trend, with 1 bed homes driving a radius of 4.1 miles compared to 3 miles for larger homes.

A possible explanation for this is that income required to buy a 4+ bed home in London is greater, and the supply of these homes is relatively small so the market is more self-contained, whereas those looking to buy smaller new build homes have a greater choice supported by schemes such as Help to Buy.

Although the commuter belt around London registers a smaller differential of 0-5 miles between 1-3 beds and +4 bed homes, the overall catchment for these areas is greater as buyers priced out of London look to move to the suburbs.

What drives would-be buyers of larger properties to travel further for their next home?

Region	4+ bed price (Listing)	4+ bed price (buyer location)	Difference (£)	Difference (%)
London	£700,000	£700,000	£0	0%
Midlands	£283,500	£325,000	-£41,500	-15%
North	£240,000	£270,000	-£30,000	-13%
Scotland	£249,000	£300,000	-£51,000	-20%
South	£475,000	£575,000	-£100,000	-21%
Wales	£275,000	£325,000	-£50,000	-18%

It is clear that affordability plays a major part in buyer's decisions when moving to a larger home.

The table above sets out the average price of 4+ beds by the location of the listing/site relative to the buyer's current location. Nationally, home buyers are looking to move from homes that are 18% more expensive than where they are looking to buy. In the South and Scotland, this goes up to 21% and 20%, respectively.

Conclusion

Living space has become an increasingly important part of buyers' priorities as part of the 'once in a lifetime' reassessment of the home which has been happening since the pandemic hit UK shores and the subsequent lockdowns.

While builders cater for demand of larger new build homes, affordability can be a barrier to buyers moving locally which leads them to expand their search to find the right home.

The demand profile for new homes varies not only by locality but also by property size. By understanding the demand catchment different property sizes drive, builders can tailor their marketing to reach the relevant audiences.

By tracking these trends, housebuilders can continue to support sales rates for existing sites, and better plan future investment and site mix to capitalise on future demand for living space.

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