4 years and counting – do buyers really care?

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If we wish to develop a housing stock that is truly sustainable its characteristics need to meet consumer preferences.

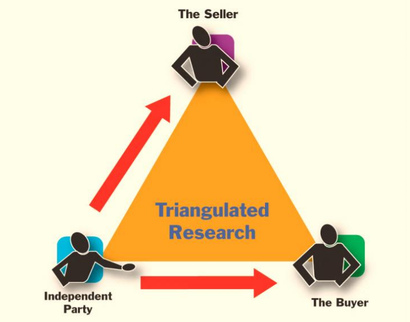
Introduction

- Four years remain to achieve the Governments target[1] that all new homes be built to zero carbon i.e. Code for Sustainable Homes (CSH) 5 star rating[2].
- Since 2007 less than 100 private sector homes have received a 5 star rating or higher[3].
- In 2010 England saw the lowest peacetime house building rate since 1923 – just 103,000 completions with official projections showing a need for 232,000 per year[4].
- Valuers are being asked to reflect sustainability characteristics in valuations[5,6].
- Building new homes is vital to economic growth and crucial to the creation and maintenance of sustainable communities[4], but will price differentiation create the demand needed by developers to build to high levels of sustainability[7].

Methodology

An empirical study of private sector residential homes taking a geographical analysis and the observed impact on selling price and consumer preference of CSH sustainability credentials.

- Hedonic regression ✘
- Conjoint analysis ✓
- Triangulation ✓



Hypothesis

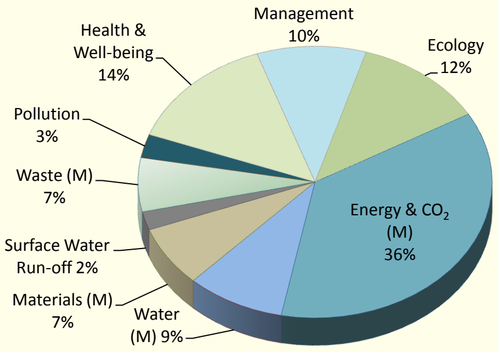
As the market becomes more sensitised to sustainability issues this will be reflected in consumers willingness to pay for sustainability characteristics.

Research questions

- ❑ What sub-markets are sensitized and to what extent?
- ❑ To what extent is there economic substitution between new and 2nd home homes?
- ❑ Are they discrete markets and if not how do they interact?
- ❑ The Code is wider than energy but how are developers and buyers responding?

Expected conclusion

Rhetoric of differential pricing based on willingness to buy will not translate into market transformations. Unless a price structure allows for developers profit this might negatively affect new housing supply. Legislation will be the driver.



9 CSH categories & % weighting
(M) denotes a mandatory requirement
Source: GB, DCLG, 2010[2]

References

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