2015 New Home Owner Survey Results (Year 1)

Understanding New Home Owner Impressions of Tarion

Submitted to: Tarion Warranty Corporation

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research insights & advice

CRUNCH

nielsen

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Introduction

CRUNCH research insights & advice and *Nielsen* are pleased to present this report to Tarion Warranty Corporation, highlighting the results from a survey of homeowners who recently purchased and took possession of a newly constructed dwelling in Ontario ("homeowners"). Our report synthesizes our findings to help Tarion understand trends and identify the challenges and opportunities of maintaining and improving service to homeowners.

Why the Need for Research?

The primary goal of this research is to understand homeowners' perceptions of Tarion's service and image, among various other factors. Tarion will use the insights gained from this research to gauge perceptions of its corporate performance. In addition, the results will provide current data that can be used in decision-making about future homeowner communications and service improvement strategies.

Research Approach

CRUNCH research insights & advice Inc., worked with Tarion to update a very similar questionnaire last used to survey homeowners in 2014.

In 2015, the research approach deployed multiple methods of invitation requesting homeowners to complete our survey online. In all instances where Tarion had a homeowner's email address on file, we sent the survey invitation by email. High Rise purchasers for whom we did not have an email address on file received a full mail package containing a paper copy of the survey, and a postage paid return envelope. . Freehold purchasers without email addresses received a postcard invitation. A series of reminders were sent to non-responders including email messages and postcards by mail. Paper copies of the survey were mailed to homeowners in response to requests callers made to a toll-free line available to survey invitees. All consumers in Ontario who took possession of a new home between October 1, 2014 and September 30, 2015 were invited to participate. In total, approximately 56,031 survey invitations were sent to new homeowners who purchased from a builder with 1 or more freehold or High Rise possessions in the period of the study. These homeowners represent the entire universe of all new home possessions in the period.

The survey had two parts. The first part asked questions about the homeowners' experiences with Tarion and the second part asked questions about their experience with their new home builder. The results of the second part were used to determine recipients of the 2016 Tarion Homeowners' Choice Awards (formerly the Tarion Awards of Excellence) and are not covered in this report.

Homeowners responded online by visiting a survey website provided in the invitation. For the first time, the survey was offered in English, French, Mandarin, Punjabi, and Farsi. All homeowners received a personal identification number to permit access to the online survey and to prevent duplicate responses. Incentives (draws for one of five cash prizes of $500) were offered to encourage both overall and online participation. Tarion agreed not to discuss the contents of the survey with homeowners at any time while it was in the field.

Survey invitations were sent in October, 2015 and the published deadline to complete the survey was January 7, 2016. Nielsen accepted and tabulated all surveys received on or before January 10th, 2016.

In total, 11,988 completed surveys were received. The breakdown of the 11,988 completed surveys consisted of the following:

- 3571 purchased a High-Rise condominium ("High-Rise Homeowners")
- 3918 purchased a home from a Large Volume builder ("Large Homeowners" i.e., bought from a builder that had 100+ possessions during the previous 12 months.)
- 2856 purchased a home from a Medium Volume builder ("Medium Homeowners" i.e., bought from a builder that had 21-99 possessions during the previous 12 months.)
- 1115 purchased a home from a Small Volume builder ("Small Homeowners" i.e., bought from a builder that had 5-20 possessions during the previous 12 months.)
- 528 purchased a home from a "Micro" builder (i.e., bought from a builder that had 1-4 freehold or low-rise condo possessions.)

The survey response rate was ~21% - which is higher than in previous years due to having more email addresses for 2015 homeowners giving us the ability to optimize email invitations and weekly email reminder cycles throughout the data collection period.

Results are weighted to reflect builder possession volumes across the province and are accurate to within +/- 0.9%, 19 times in 20. Most measures are tracked against a survey of 7892 homeowners completed during the same period of 2014, which had similar statistical accuracy. Results for sub-samples by builder segment have a somewhat higher margin of error as do questions asked among only a subset of homeowners (e.g. those reporting a claim or conciliation home inspection with Tarion).

This report begins with an executive summary outlining the key findings as well as the conclusions from the research, followed by a detailed analysis of the results.

Note: Some percentages in this report may not add up to their individual parts due to rounding. Total percentages (e.g., % favourable) do accurately reflect their unrounded parts. "n/c" denotes no change.

Executive Summary

This executive summary highlights the results from Tarion's 2015 Homeowner Survey. Detailed descriptions of the findings are provided in subsequent sections. A copy of the questionnaire is appended to this report.

Key findings of Tarion's 2015 Homeowner Impressions Survey:

- In general, status quo remains the theme throughout this year's survey – 2015 marks another year of stability in Freehold homeowner satisfaction.
  - However, High Rise homeowner satisfaction has declined on most customer experience metrics and general impression measures.
  - There are a few instances where changes are noted as statistically significant within other builder categories but none as consistently as the declines among High Rise homeowners. For example medium volume buyers' satisfaction with Tarion interactions went down significantly (-4%) as did High-Rise buyer interactions (-3% over 2014).

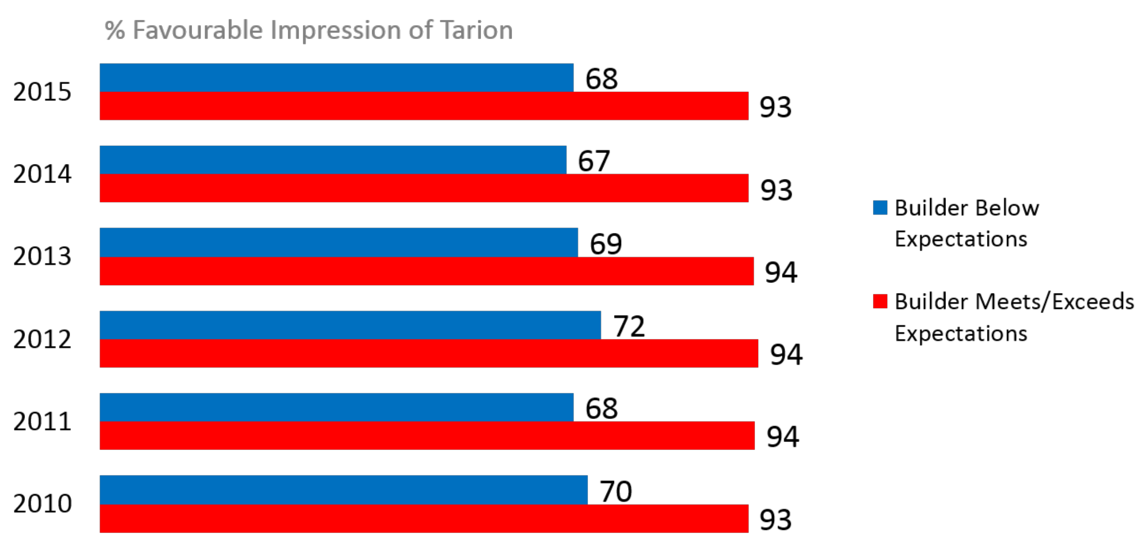
- Overall, impressions of Tarion remain positive. More than 8 in 10 homeowners have a very (33%) or somewhat (50%) favourable impression of Tarion. Two recently added metrics added in 2014 gauge perceptions of Tarion's role in instilling homebuyer purchase confidence and Tarion's fairness in overseeing the warranty rights and obligations of both new homebuyers and builders - both declined from 2014 levels (-2% each) and theses can be attributed to less positive High Rise homeowner impressions.

- The vast majority of respondents (89%) report some contact with Tarion either by telephone, e-mail/mail, through an inspection of their home or submission of a warranty service form.
  - The proportion of survey respondents reporting they've registered for the Tarion MyHome interactive warranty management site were up slightly at 56% in 2015 from 54% in 2014 and is up significantly from 2012 at 39%. MyHome users are more engaged homeowners, showing a much greater likelihood to interact with Tarion across all channels – not just online channels. Importantly, their higher engagement leaves them more positive toward Tarion as evidenced by their higher satisfaction with transactional experience elements in most channels. MyHome registrants have historically been consistently more positive than non-registrants and that holds for 2015.

  - Of those homeowners who report contact with Tarion, 55% are extremely or very satisfied with their overall interactions and another 36% are somewhat satisfied. The percentage of Medium and High-Rise buyers who are highly satisfied with overall interactions has softened (-4%) and (-3%) respectively.

- o Of those who make enquires by telephone, 61% were either extremely satisfied or very satisfied with the timeliness of Tarion's response, 60% feel extremely or very satisfied with Tarion's ability to answer questions. Satisfaction with Tarion's ability to listen and understand their needs (62% extremely or very satisfied) and on overall courtesy (69% extremely or very satisfied) during telephone interactions maintain consistent levels over 2014.
- o Few homeowners report a Tarion inspection (6%). Small sample sizes in each builder volume category limit our ability to detect significant year-over-year changes related to the different aspects of Tarion's conciliation or claim inspection delivery. However we do see a significant increase in the Medium volume buyers satisfaction over 2014 (+17%).

- As is the case each year, builder experience has a direct and significant impact on homeowners' impressions of Tarion and their likelihood to say positive things about the organization. When builders have met or exceeded homeowner expectations, opinions of Tarion are significantly higher. Similarly, when builders do not meet expectations, homeowners' opinions of Tarion are significantly lower. This is particularly the case among High Rise homeowners who are the least satisfied with their builder. And, because High Rise homeowners represent a growing proportion of all possessions in the province, this weighs on impressions of Tarion in 2015 more than ever.
- The following graph shows the strength of this relationship in each year - when builders fall below expectations, homeowners are more likely to have an unfavourable view of Tarion.



Detailed Findings

This report is divided into five broad sections. The first and second sections explore homeowners' impressions of and interactions with Tarion. The third section presents homeowners' evaluations of the home inspection process. The fourth section ties the previous sections together with a summary of how homeowners' impressions and interactions impact their willingness to recommend Tarion. The fifth and final section evaluates the effectiveness of Tarion's communication materials.

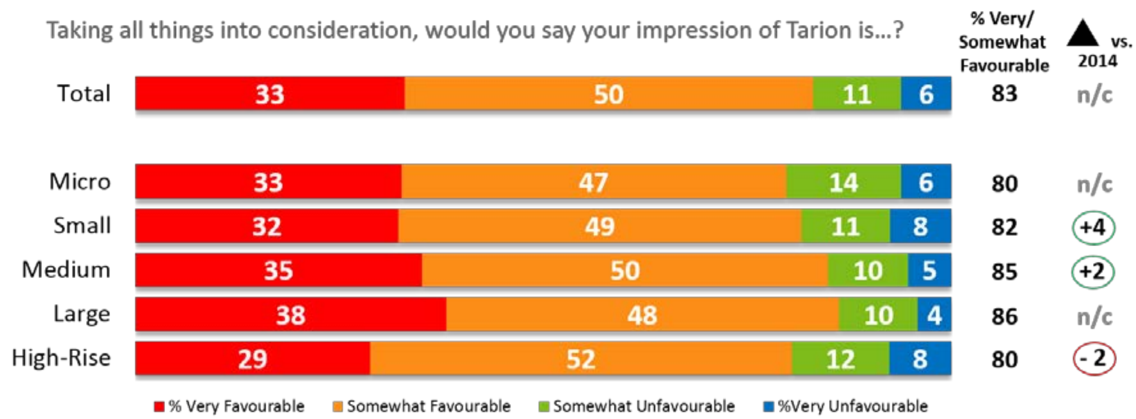
Comparisons of the current survey findings to previous results from Tarion's 2014 homeowner impression survey are presented where comparable questions are included.

Homeowner Impressions of Tarion

Overall Impression of Tarion

A key overall impression measure in our survey assesses Tarion's favourability in the eyes of homeowners. Tarion's overall favourability is quite positive, with over eight-in-ten homeowners (83%) holding a favourable impression, including those who say they have a somewhat (50%) or very (33%) favourable opinion of Tarion. Respondents in all builder categories continue to have a favourable impression of Tarion, which settled back to 2011 levels from all-time high of 87% in 2012. Notably, those who had some form of contact with Tarion in the past year, even if it was simply a form submission, report somewhat higher levels of favourability (83%) than those who had no Tarion contact (78%).

Impressions among Small, and Medium Homeowners increased significantly over 2014. Declines among High-Rise buyers are slight yet statistically significant.

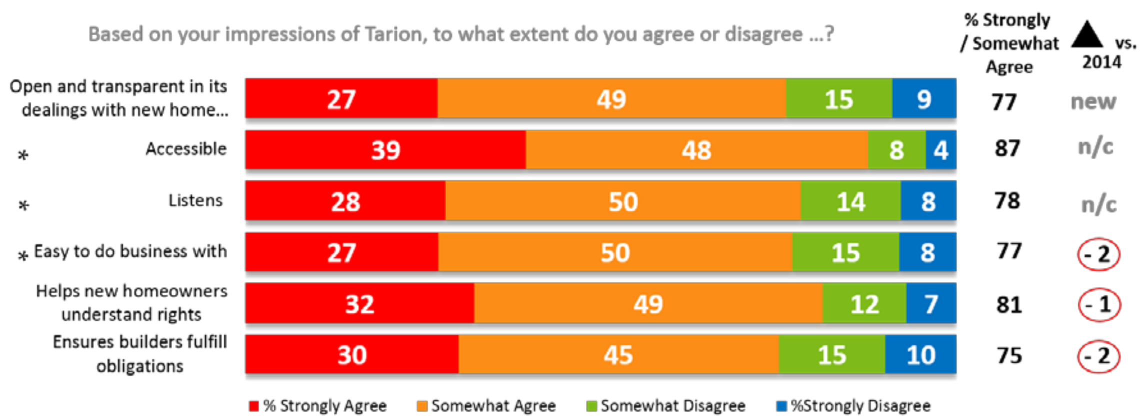


Specific Impressions of Tarion

Homeowners were offered the opportunity to agree or disagree with a number of statements about Tarion. As the following figure shows, 77% of homeowners strongly or somewhat agree that Tarion is easy to do business with – down from 79% in 2014. In addition, 78% feel that Tarion is able to listen to their needs and concerns and 81% agree that Tarion helps new homeowners understand their warranty rights and obligations. Accessibility remains a key strength (87%).

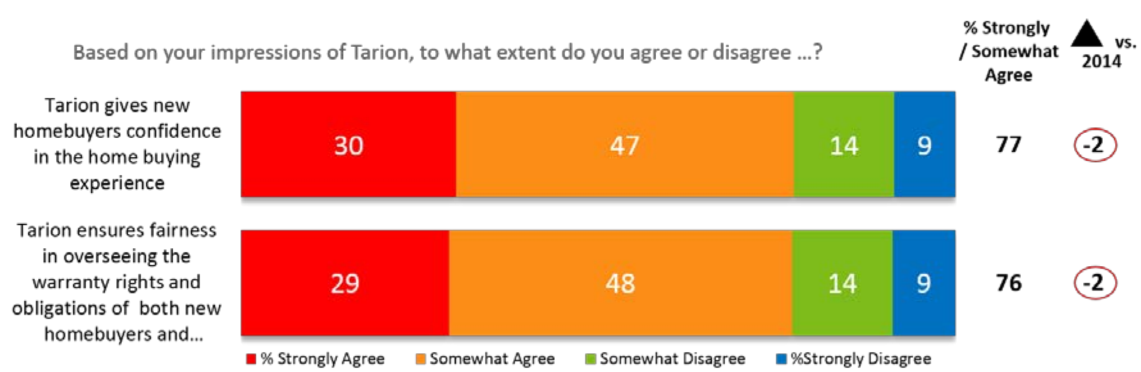
Declines from 2014 levels are solely the result of softening impressions in the High Rise category (Freehold is unchanged).

A new measure was introduced in the 2015 survey asking homeowners if they felt Tarion was open and transparent in its dealings with new homeowners and builders. Three quarters (77%) strongly or somewhat agreed with the statement.



* denotes the measure is included among Tarion's Key Performance Indicators (KPIs)

Two newer metrics gauging perceptions of Tarion's role in instilling homebuyer purchase confidence and Tarion's fairness declined slightly since their introduction in the 2014 survey. Declines are solely the result of softening impressions in the High Rise category (Freehold is unchanged)



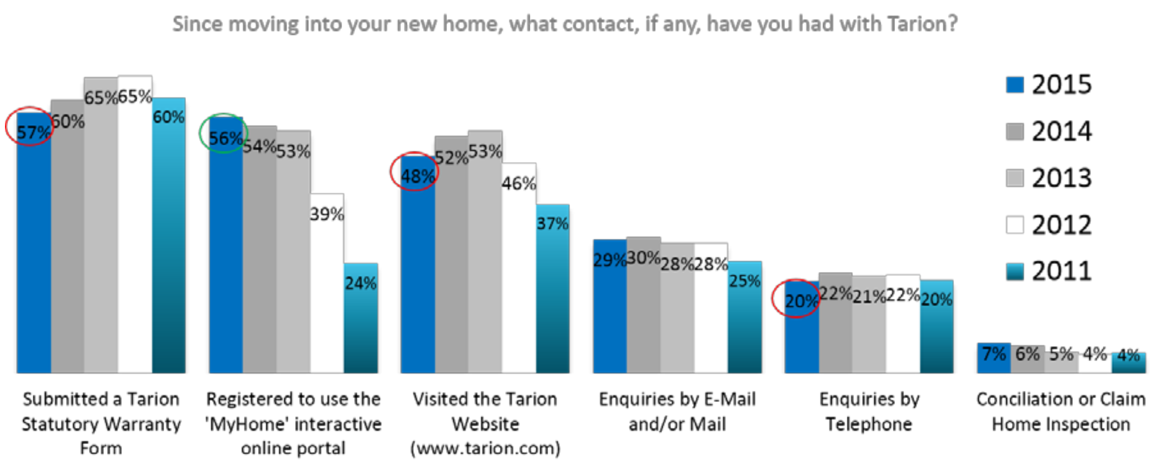
Homeowners Evaluate Tarion's Service Capabilities

Nature of Contact and Engagement Levels with Tarion

The majority of homeowners interacted with Tarion either by submitting a statutory warranty form (57%), visiting Tarion's website (48%), via email/mail (29%) or by registering to use the 'MyHome' portal (56%, up 2% from 2014 levels).

Homeowners are continuing to gravitate towards Tarion's electronic interaction channels, which explains the decline in telephone contact in recent years (decreased now to 20% from a high of 29% in 2007).

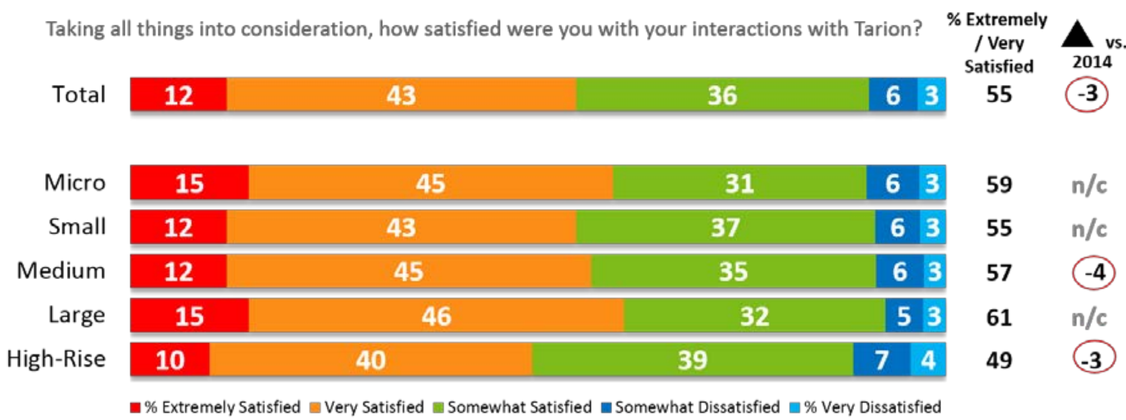
Additional analysis reveals that the more engaged home buyers are (i.e., the more touch points through which they interact with Tarion), the more satisfied they are with their Tarion interactions overall. We find that as engagement with Tarion increases, impressions of Tarion become more favourable, yet these more engaged homeowners are more likely to report their experience with their builder was below expectations. Further insight is found wherein the data show that MyHome registrants are the most engaged with their warranty and they also have somewhat more favourable attitudes toward Tarion when we look at satisfaction with specific interaction experiences (but not general attitudes).



Overall Interactions with Tarion

More than half (55%) of homeowners who interacted with Tarion are extremely or very satisfied with their interactions with Tarion, down significantly from 2014. Fewer than one-in-ten express any dissatisfaction.

Medium volume buyers' satisfaction with Tarion interactions went down significantly. High-Rise homeowners' satisfaction levels remain somewhat below those of other builder categories; and declined significantly by 3% below 2014 levels. On most all other measures, including overall favourability, buyers in Freehold categories report generally similar satisfaction.



Enquiries by Telephone & Mail/eMail

Tarion is showing consistency on most areas of performance for telephone and mail/email interactions:

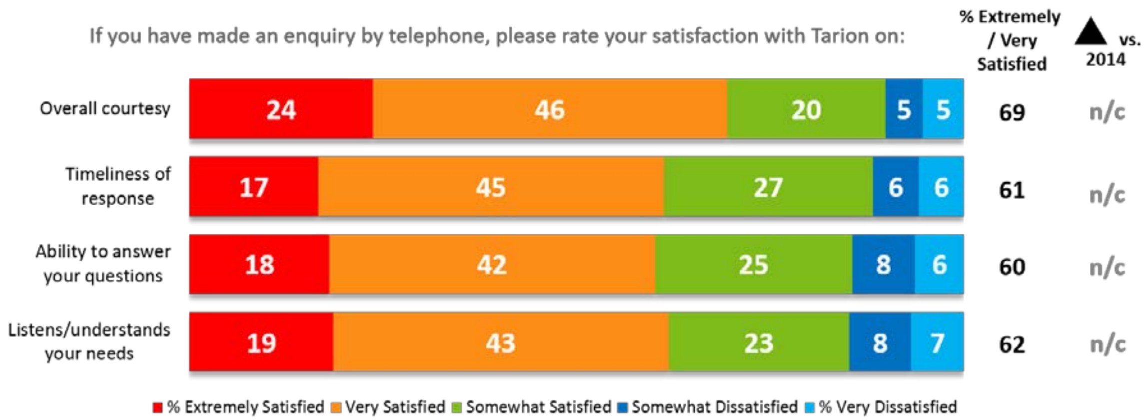
- *Ability to listen to and understand your needs* remained stable for Telephone (62% extremely / very satisfied) and for mail/email (60% extremely / very satisfied)

- *Ability to answer questions* remained stable for Telephone: (60% extremely / very satisfied) but declined for mail/email (59% extremely / very satisfied).

- Views toward the *timeliness of response* for Tarion's telephone correspondence have stayed constant (61% extremely / very satisfied), but declined significantly for mail/email (63% extremely/very satisfied).

- Perception of *overall courtesy* is, again, the highest rated quality, (69% extremely / very satisfied) for telephone enquiries.

Telephone



E-Mail/Mail

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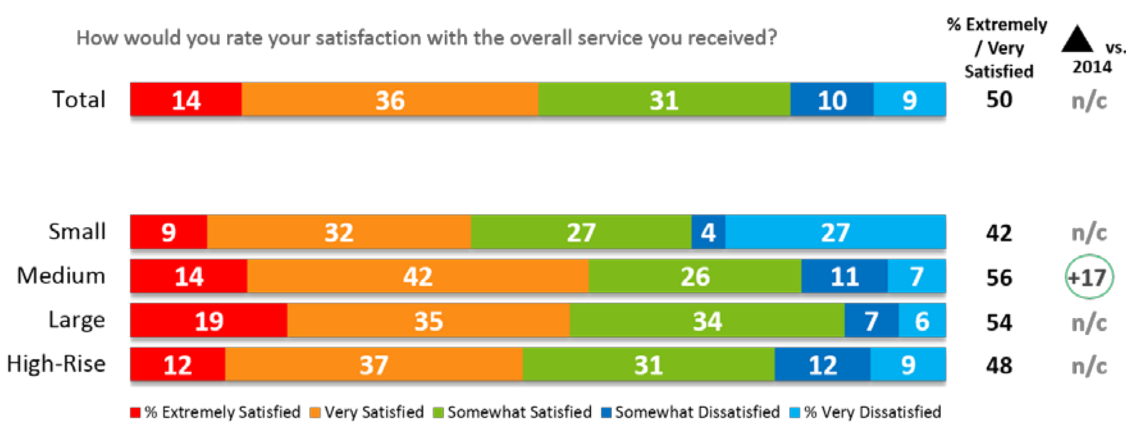
Claim & Conciliation Home Inspections

Overall Satisfaction with the Service Experience

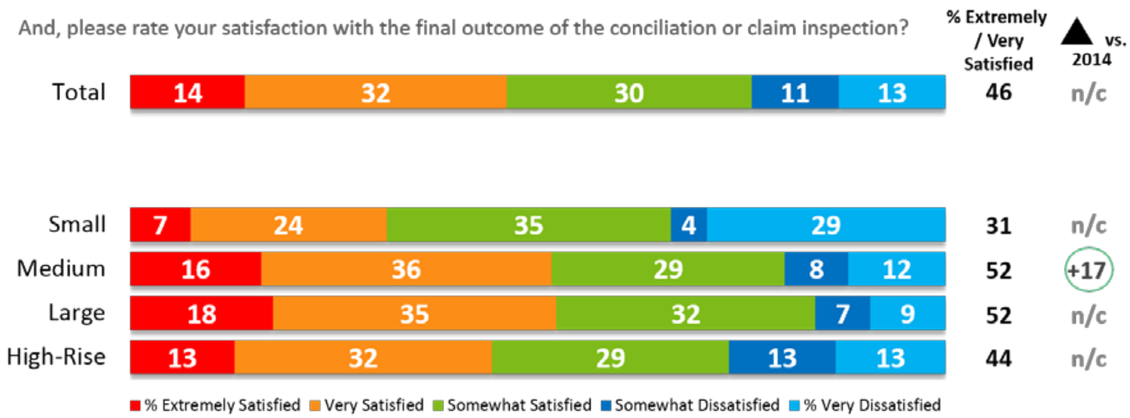
Homeowners reporting Tarion conciliation or claim inspections in recent years (6% in 2015) is relatively static - they represent a very small proportion of the total number of homeowners having interactions with Tarion. Those reporting a Tarion conciliation or claim inspection (CCI) express consistent levels of overall satisfaction with their service experience, regardless of the decision outcome or home type.

Small sample sizes in each builder volume category limit our ability to detect significant year-over-year changes related to the different aspects of Tarion's conciliation or claim inspection delivery. However, we do see a significant increase in the Medium volume buyers satisfaction over 2014.



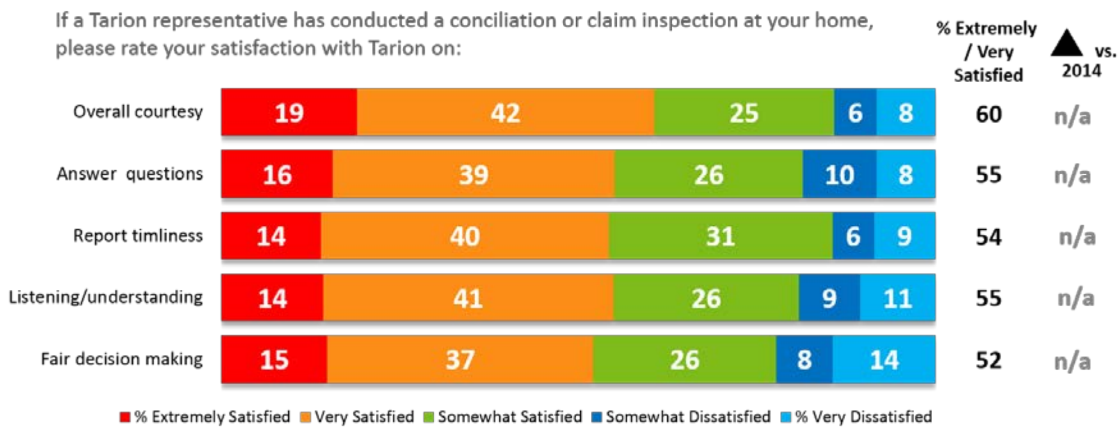
Satisfaction with Home Inspection Decisions

Just less than half of all homeowners are extremely or very satisfied with the outcome of their home inspection. Importantly, satisfaction levels with the actual service experience (50%) remain higher than satisfaction with the final outcome of the conciliation or claim inspection (46%).



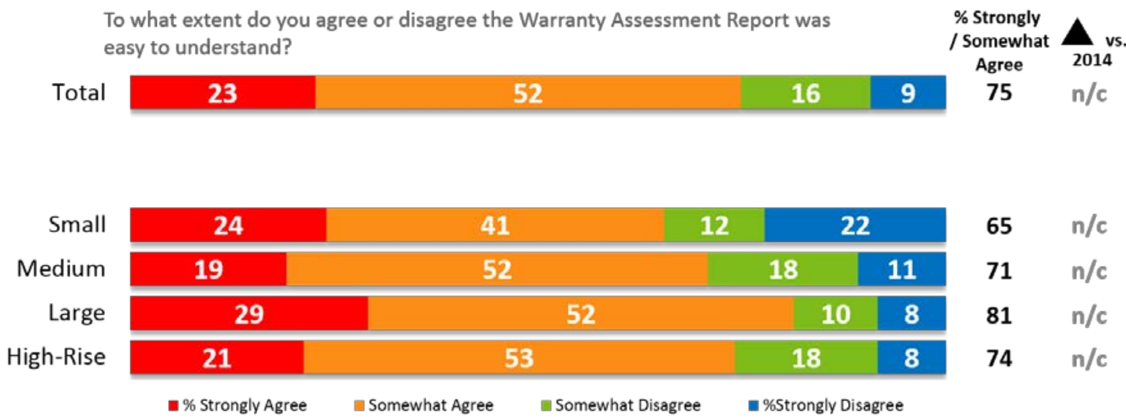
Satisfaction with Specific Aspects of the Inspection Experience

In the 2015 homeowner survey satisfaction levels with the inspection experience remained constant in all areas.



Perceptions of the Warranty Assessment Report

Fully three-quarters (75%) of homeowners who had a Tarion conciliation or claim inspection view their Warranty Assessment Report as easy to understand. Overall, these results remain unchanged from 2014.

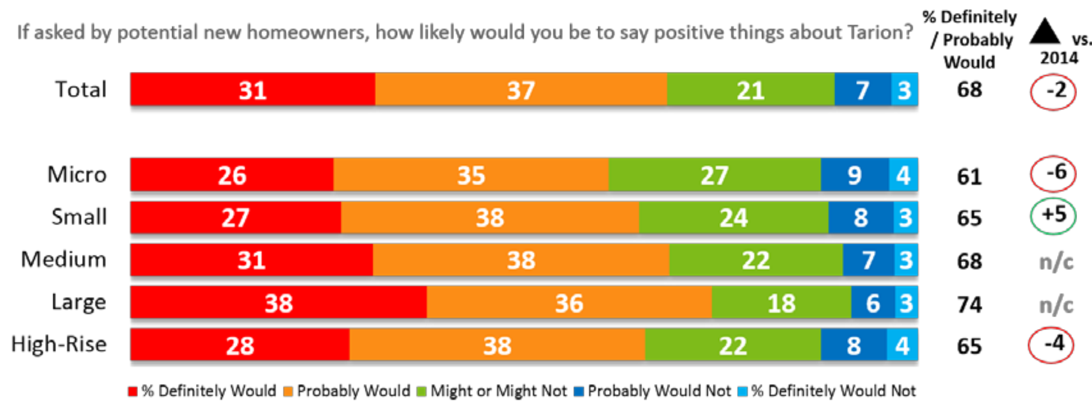


Homeowner Advocacy of Tarion

One of the most sought after metrics in stakeholder and customer satisfaction measurement is “Advocacy”. This is commonly measured by asking survey respondents about their likelihood to recommend an organization or to say positive things about it to others.

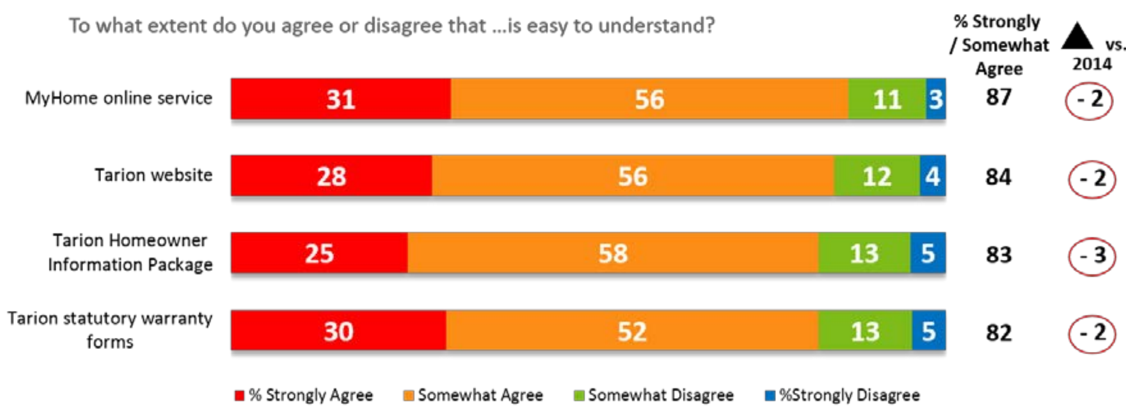
Tarion’s “Advocacy” measure declined by 2% in 2015 for the province overall (68% Definitely/ Probably say positive things vs 70% in 2014).

Homeowners purchasing from Micro “production” builders showed a significant decline in advocacy ratings (61%) as did those from High-Rise (65%), while those purchasing from Small volume builders had an increase over 2014 (65%)



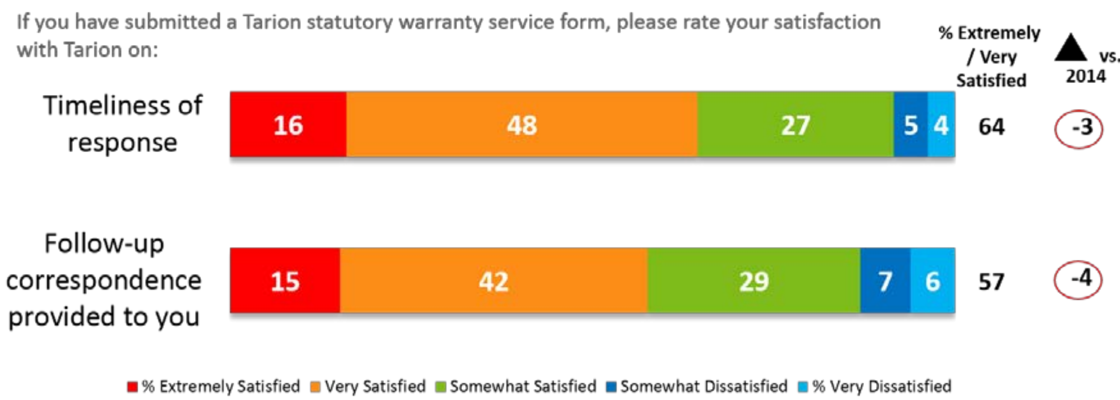
Perceptions of Tarion Communication Materials

Perceptions of the ease of understanding for the Homeowner Information Package (HIP) softened. This declined (down to 87% in 2015 vs 89% in 2014) for the second straight year and appears to be partly linked to the move to electronic-only production of the HIP since analysis shows those who reported their builder actually printed & provided them with a hard copy had somewhat higher satisfaction with the builder's explanation of the HIP and statutory warranty forms (particularly the case in the Small and Medium categories).



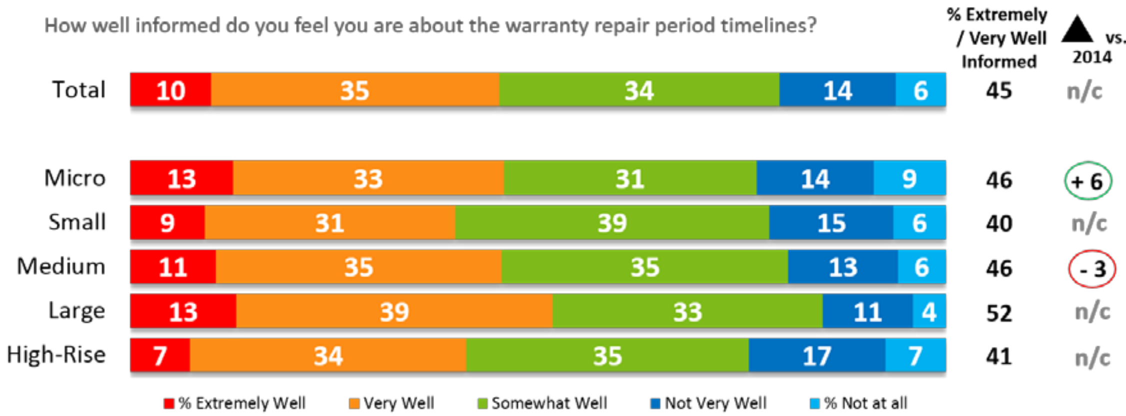
Satisfaction with Statutory Warranty Service Form Submissions

A solid majority of homeowners who submitted a statutory warranty service form remain extremely or very satisfied with the timeliness of Tarion's response and their follow-up correspondence. Satisfaction with response timeliness and follow-up correspondence have declined significantly from 2014.



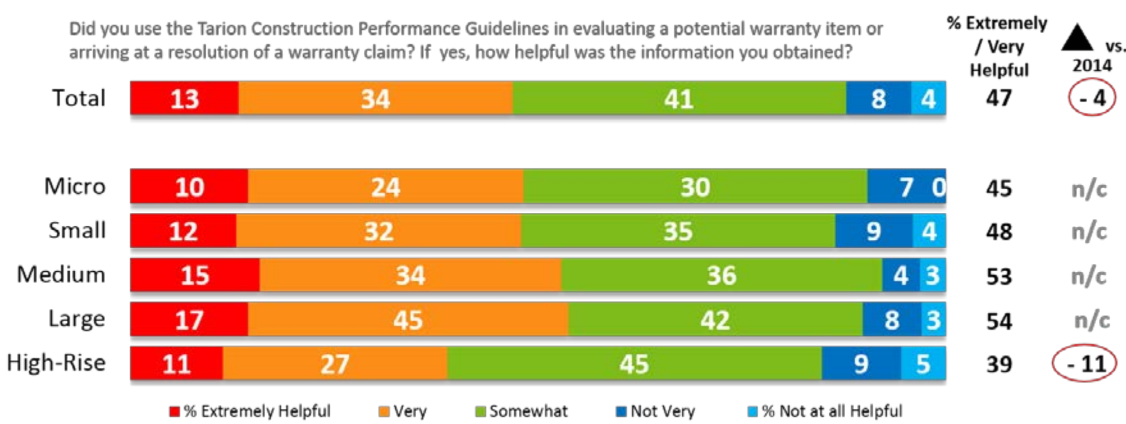
Awareness of Warranty Repair Period Timelines

Another question inquires about homeowners' self-assessed knowledge of the warranty repair timelines. Homeowners are feeling a little less well informed about their warranty repair timelines. Just under half of homeowners (45%) are feeling informed about warranty repair timelines. Those purchasing from Medium builders dropped significantly in their sense of familiarity (down 3% from 2014) – recall their satisfaction with Tarion interactions also slipped this year. Micro buyers increased over 2014 (+6%).



Using the Tarion Construction Performance Guidelines (CPG)

For a fourth year, we've inquired about homeowners' use of and experience with the Construction Performance Guidelines (CPG). While most homeowners (75%) did not use the Construction Performance Guidelines, perceived helpfulness among users softened from 2014 to 2015 at 47%. High-Rise buyers had the most significant decline at -11% over 2014.



APPENDIX