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Winning Over Local Communities with New Home Builder Warranties

The nationwide housing shortage is reaching crisis levels in some cities, and everyone is counting on home builders to swoop in and save the day. Increasing new home starts can turn builders into heroes for would-be buyers who are struggling to compete for homes.

But even heroes rarely act alone. In their quest to expand home inventories, builders face many headwinds, from regulatory costs to dwindling buildable land. As a result, solving the housing problem isn't a simple matter of building more homes; rather, it's going to take a collaborative effort between home builders and other local stakeholders.

Maintaining a constructive relationship with community members is more important than ever for builders. Urban markets are growing denser, spurring many communities to consider [infill building](#) in established neighborhoods as a way to expand available inventory. In Portland, Oregon, for example, builders are replacing older homes

with two or three skinny homes as a way to provide more housing units in a limited amount of lot space.

Although buyers can't wait to snap them up, neighbors often worry about how the new construction will impact property values in their neighborhood. Anything builders can do to alleviate their concerns will go a long way toward earning a positive reputation within the community.

The truth is, new construction can have both positive and negative impacts on a community. The key to building friendly relationships with local property owners is to understand how the building project affects them and then incorporate strategies that amplify and emphasize the positives. By demonstrating a commitment to maintaining—or even improving—the quality of life in the neighborhood, builders can forge stronger relationships with the communities in which they build.



The Positive Impact of New Construction

New construction can certainly have a positive economic impact on the community. Because the homes are new and in mint condition, they often elevate property values in the neighborhood.

“One of the most direct benefits for current homeowners in the area would be an increase in property value,” says custom residential home builder [Michael Roberts](#). “Many times an existing home’s property value will increase as newer and more expensive construction moves in.”

New homes also bring in jobs and revenue. [One report](#) found that building 100 single-family homes with an average price of \$378,000 generates astronomical economic benefits for the community.

What About My Property Values?

A single home can drive down nearby property values—especially homes that are vacant, have noisy occupants, or have been allowed to deteriorate. As a result, homeowners are often wary of changes that occur in their neighborhoods.

“In addition to your home’s structural and cosmetic features, appraisers take note of surrounding conditions, such as cluttered yards or noise disturbances,” says real estate broker and [Pocket Sense contributor Meribeth Phipps](#).

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An overgrown yard or a persistent odor in the neighborhood can bring down the value of adjacent homes by [5 to 10 percent](#), according Richard L. Borges II, the president of the Appraisal Institute. And research from the Federal Reserve Bank of Cleveland found that a house in foreclosure can sink neighboring property values by up to [3.9 percent](#)—even if it’s still occupied. If it’s vacant, property values can plummet by twice that.

While these types of problems are more common to existing homes, newly built homes can also become problematic for neighbors. During the recession, for example, it was not unusual for neighborhood developments to be adversely affected by long construction delays or unfinished projects.

Community benefit after one year:

- + **\$28.7 million** in local income
- + **\$3.6 million** in revenue for the local government
- + **394** local jobs

After each recurring year:

- + **\$4.1 million** in local income
- + **\$1 million** in government revenue each year
- + **69** new jobs

How Builders Can Mitigate Community Concerns

In an ideal world, established homeowners would embrace new construction, which is often a harbinger of growth in the area. Home builders can help inject new life into older neighborhoods, replacing neglected buildings with eco-friendly and energy-efficient new homes.

“When a builder decides to undergo new home construction in an area, it’s a good sign,” Roberts says. “It means the economy is doing better and demand is increasing for homes in the area. New homes, existing homes and the local economy can all reap the benefits of watching their community grow.”

It's easy for property owners to forget these benefits when they're worried about their property values. Builders can win over these reluctant neighbors by showing concern for property values and taking pains to preserve (or even improve) the neighborhood's quality of life.

Home builder warranties play a crucial role in demonstrating this concern. When administered by a trusted warranty company, construction companies who offer a builder's warranty on new homes can be a boon for the neighborhood as well as for the new home buyer, ensuring quality construction and helping home buyers keep up with repairs for the first several years.



New construction home warranties help builders:

✓ Maintain a positive reputation

In the new-home market, reputation is everything. Builders who get top marks for customer care net as many as [50 percent](#) of their sales from referrals, compared to the national average of 6 to 8 percent. Plus, builders with a positive reputation are far more likely to be embraced by the communities in which they build.

New home builder warranties administered by a third party demonstrate that the builder has been vetted and approved by a trusted provider. They also show that the builder is willing to invest in relationships—and unwilling to cut corners.

✓ Ensure quality workmanship

Research shows the quality of newly built homes has a [significant effect](#) on both their selling price and appreciation rate. This, in turn, can help maintain the property values of the surrounding homes. Local property owners are therefore much more likely to welcome builders who focus on building quality homes.

New construction home warranties say a lot about the builders who offer them. A robust, third-party warranty typically indicates a higher quality organization and helps build trust by telling the community that the builder is confident in the workmanship and value of their new homes.

✓ Prevent homeowner neglect

When homeowners put off repairs because they're worried about the cost, it can negatively affect surrounding properties. Yet many homeowners do exactly that. [Two in three](#) homeowners stress about overpaying for a home project, while 35 percent report paying more than originally quoted.



Two in three homeowners stress about overpaying for a home project

With a home builder warranty, however, homeowners don't have to worry about paying for a major defect or malfunction. And when the warranty is administered by an independent, third party with [expertise at resolving construction disputes](#), claims may be settled quickly to minimize the time new homes remain in disrepair.

Property owners in the neighborhood are much more willing to welcome builders who genuinely commit to improving the communities in which they build. Working with a trusted third-party warranty company such as PWSC is an important way to demonstrate that pledge and begin forging positive relationships within the local community.



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