Guide to Purchasing a

New Construction Home

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Introduction

Purchasing a new home is an exciting process and there are many things to consider. These include which neighborhood you want to live in, what type of home (single family, townhome or condo) and whether to purchase a new construction home or a resale.

When considering new construction versus resale, there are a number of questions you should ask yourself. Do you love the idea of fixing up a home or would you prefer a home with low maintenance? Is it important for you to have a smart home with the latest technology and energy saving features?

This guide is intended to help you decide if purchasing a new construction home may be the right choice for you. We'll compare the benefits of purchasing a new home versus an older home, describe the construction process and more.

New Construction Home or Resale?

Should I buy a new construction home or resale? This is a question many home shoppers ask when beginning their new home search. Which one is right for you can depend on many factors, including lifestyle preference and personal priorities. If your ideal home has the latest new home technology, energy efficient features and requires little to no maintenance, then new construction may be the better choice for you. If you love the idea of fixing up a home and prefer to live in a developed neighborhood with mature landscaping, then an older home may better suit your lifestyle.

Below are some preferences to consider to help you determine which type of home may better suit your lifestyle and priorities.

	New Construction	Resale
Want peace of mind knowing that everything is new	✓	
Love the idea of fixing up a home		✓
Want less maintenance with few unexpected repairs	✓	
Don't mind the uncertainty of unexpected repairs		✓
Want increased energy efficiency and savings	✓	
Want the latest smart home technology	✓	
Prefer homes with old world character		✓
Want improved indoor air quality	✓	
Excited about the ability to customize the home	✓	
Prefer an established neighborhood with mature landscaping		✓
Don't want to live in a neighborhood with potential ongoing construction		✓
Would rather purchase now but move later	✓	

8 Reasons a New Construction Home

May Be Right for You

1 Less Maintenance

One of the main benefits of buying a new construction home is that EVERYTHING is new. From the appliances to the heating and cooling systems to the windows and the roof, everything in the home is new and less likely to need repairs. Taking care of home repairs requires time and can be costly. New home construction offers a low maintenance lifestyle that allows you to spend more time doing the things you love.

2 Increased Energy Efficiency

Energy efficient homes offer benefits to both the homeowner and the environment. Homes built today are subject to much stricter standards for energy efficiency than previously built homes. Energy efficient features, such as an airtight building envelope, properly installed insulation and Energy Star windows and doors, can help improve comfort in the home and significantly reduce your utility bills. In addition to saving money, building homes using the best in green building practices minimizes the impact on the environment.

3 Ability to Personalize

Even if you aren't purchasing a custom home, most builders offer the opportunity to personalize home features. Personalization may include structural options such as the number of bedrooms and baths and/or selections options such as upgrade appliances, finish choices and more. If you prefer to have your home customized prior to moving in, then new home construction may be the right choice for you.

4 Latest "Smart" Home Technology

If you love the latest technology and want your home to include "smart" features, new construction may be a better option for you. Building a new home offers the ability to include sophisticated wiring that may be needed for advanced home technology, including security monitoring, lighting control systems and sound.

5 Improved Air Quality

New homes may offer superior indoor air quality versus older homes, resulting in a healthier home environment. Elements that improve indoor air quality include an airtight and watertight building envelope, properly installed building wrap, air sealant and insulation and the use of low-VOC (volatile organic compounds) paint and carpet. Check with your builder to see if the company provides these air quality improvement features.

6 Includes Builder's Warranty

Purchasing a new construction home can reduce the stress of potential home repairs covered under the builder's warranty. A builder's warranty typically includes features such as appliances, fixtures, materials, workmanship and structure. If you are concerned about unexpected home repair costs, then new home construction may be the better option for you. Be sure you understand what items may be excluded from warranty and what can cause a warranty to become void.

7 Wider Buying Timeframe Options

New home builders typically offer more buying timeframe options than if you are purchasing an existing home. Buying timeframes may range from immediate to next year. Perhaps you need more time to prepare your current home for sale, but want to lock in a low interest rate. Purchasing new construction allows you to lock in an interest rate today while providing more time for you to prepare for your move.

8 Peace of Mind

Buying a new construction home can offer greater peace of mind. You see your home being built and know everything from the foundation to frame is new and under warranty. When purchasing a resale, there is uncertainty as to what the inspection may uncover, creating added stress up to settlement and well beyond.

Cost Comparisons

When comparison shopping, one may find that a new construction home costs more than a similar sized older home. However, it is important to take into consideration that with a new construction home, there will likely be far fewer repairs and renovations needed throughout the time you are living in the home. Not only is EVERYTHING new, but you have already customized the home so you won't need to update it to suit your personal style.

According to Home Advisor*, below are the average costs in the DC area to:

Remodel a bathroom = $10,992
Remodel a kitchen = $23,172
Build an addition = $83,658

There is a lot to consider when deciding what type of home will be right for you – what features you want in the home, what type of neighborhood you want to live in, how much maintenance you are willing to do, and more. Talking to experienced professionals such as Realtors and home builders, as well as doing your own research, can help you make the best decision for you in your new home search.

**Source: https://www.homeadvisor.com/cost/*

Helpful Links

New Home Source: The Top 10 Reasons Home Buyers Prefer New vs. Used
https://www.newhomesource.com/guide/articles/top-10-reasons

Realtor.com: Is it Cheaper to Buy or Build a House?
https://www.realtor.com/advice/buy/is-it-cheaper-to-buy-or-build-a-house/

New Home Source: New Home or Resale, Which is Right for You?
https://www.newhomesource.com/guide/articles/new-homes-vs-resale-which-is-right-for-you

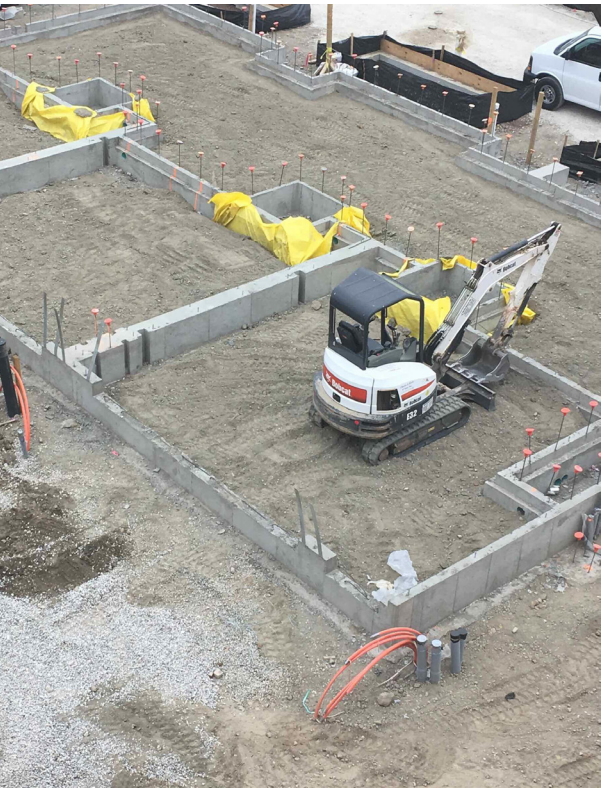
Home Advisor: The True Cost of Home Improvement
https://www.homeadvisor.com/r/true-cost-of-home-improvement/

Realtor.com: How Much Does It Cost to Renovate a House? Bathroom, Kitchen & Beyond
https://www.realtor.com/advice/home-improvement/how-much-does-it-cost-to-renovate-a-house/

Remodeling Calculator: Remodeling Costs for 2021, Complete House Renovation Guide
https://www.remodelingcalculator.org/remodeling-costs/

Construction Process

Watching your dream home come to life is an exciting experience and a lot more goes into building your home than you may be aware of. While the following list is not exhaustive of every step included in building a home (and processes may vary by builders), below are the basic phases in the home building process, in approximate order.



Building Pad Preparation

Before any of the walls are installed, a lot of preparation must first go into the soil in which your home is sited. In this photo, it may not seem like a lot of the work has been started, but beneath the ground lays hidden utilities such as plumbing, gas and electrical services.

Once a homesite is surveyed for its proper location, the ground will be compacted sufficiently to support the weight of your home. Footings and foundation walls are carefully located to transfer the weight of the house to the building pad. After the underground utilities are installed, the concrete slab is placed in preparation of the lumber framing, which begins the preparation for the walls of your home. Attention is given to the proper drainage around your home and waterproofing (if applicable) is applied to the foundation walls.

Framing and Carpentry

Framing is an exciting stage in the home building process as this is your first glance at the three dimensional size of your new home. The framing process includes assembling the subfloor, walls and roof, and then installing windows and doors.

Rough-In, Air Sealing & Insulation

Often called the "rough-in stage," this phase includes HVAC contractors installing ductwork, electricians running wires throughout the home and plumbers installing sewer pipes and water supply lines. Once these rough-in systems are complete, builders typically invite the purchaser to a pre-drywall walk-through, which is a behind-the-walls look into their home. Air sealing material and insulation is also added before the start of drywall installation.

Drywall & Interior Finishing

The finishing stage is when the house really starts to feel like a home! After patiently waiting months, the house begins to change almost daily into your future home. Once the drywall is hung, the interior finishes are installed. These include many of the selections you made when designing the home–cabinets, countertops, appliances, lighting, plumbing fixtures, flooring and more.

Exterior Finishing

Exterior finishing will often take place at the same time as the interior finishes. This includes installing brick or siding, trim, painting, paving and landscaping.

Final Walk-Through & Quality Assurance

Once your new home is completed, cleaned and inspected, the builder will walk you through the home to acquaint you with the systems and maintenance responsibilities. This is your opportunity to ask questions or point out any issues prior to settlement. Once the final walk-through is complete and any issues have been addressed, the new home is ready for move-in.

How long does it take to build a home?

How long it takes to build a home will vary due to many factors such as the type of home being built, time needed to obtain permits, weather conditions, your location and more.

According to a 2019 Survey of Construction from the Census Bureau, the nation-wide average time to build a single family home is 7 months.* Production homes take less time (average 6 months) while custom homes take longer (average 9 months). Production homes are built as part of new community and typically offer fewer options. Custom homes may be a single home or part of a community and offer more options and customization. Build time also varies by region, with the Mid-Atlantic region averaging over 10 months.

The average time it takes to build a home in the Mid-Atlantic region = 10+ months

If you are purchasing a condo in a brand new building, it may take two years or more for the building to be completed.

One thing to keep in mind is that construction delays are possible and may be due to circumstances outside a builder's control. Be sure to keep in regular communication with your builder to stay informed of any potential delays.

**Source: https://www.newhomesource.com/guide/articles/how-long-does-it-take-to-build-a-house*

What is a Spec Home?

Due to various factors, builders may begin the construction process on a homesite before anyone has purchased it. For example, if a builder is building a row of townhomes and all of the homes in the row have sold except for one, that home still needs to be built along with the others. If that home gets built to completion without anyone purchasing it, it is often referred to as a "spec home." Spec homes are finished (or almost finished) homes that have a quick move-in timeframe.

The advantage of a spec home is that you could move into a brand new home right away. The disadvantage is that you wouldn't have the opportunity to customize the home as it is already completed. Whether or not a spec home may be the right choice often depends upon a person's desired moving timeframe.

Helpful Links

New Home Source: A Step-By-Step Guide to the Home Building Process
https://www.newhomesource.com/guide/articles/a-step-by-step-guide-to-the-home-building-process

Home Building Answers: The Steps of Building a Home
http://www.home-building-answers.com/step-by-step-home-building.html

New Home Source: How Long Does it Take to Build a House?
https://www.newhomesource.com/guide/articles/how-long-does-it-take-to-build-a-house

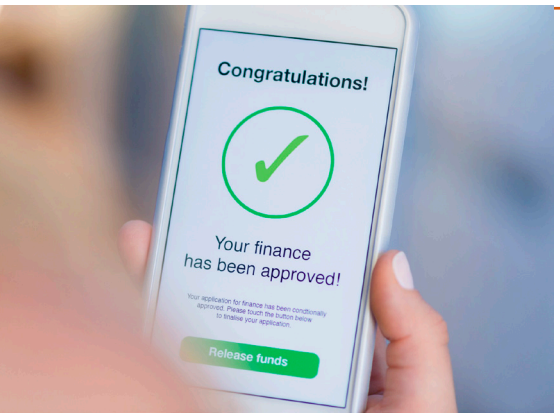
Buying Process

Many of the steps in purchasing a new construction home are similar to purchasing a resale. You will need to sign a contract, secure a loan from a bank (or show you have the assets to cover the cost of the home) and go through the closing process. However, there are some additional steps in purchasing a new construction home, such as selecting options for the home and meeting with the builder for walk-throughs during various stages of the building process.

While the processes will vary by builder, below is a general overview of the purchasing process for new construction homes.

1) Purchase Agreement

Once you have decided on which home/homesite to purchase, you will need to enter into a contract with the builder. Some builders may take lot hold reservations, while others may not and will go directly to the purchase agreement. The purchase agreement is often a long document so be sure to take the time to read it thoroughly before you sign. Once both parties have signed, it is then called a ratified contract, by which the builder and purchaser are now held accountable. A financial deposit is typically required at this stage. The deposit may be split into two—an earnest money deposit and an options deposit.



2) Securing a Loan

Before the contract is signed, you will either need to have pre-approval for a loan or show that you can cover the cost of the home with your current assets. Builders often have preferred lenders who they frequently work with, who understand the process and can provide competitive rates. Potential benefits of working with preferred lenders include possible closing cost benefits and better communication among all parties. An added benefit of purchasing a new construction home is that lenders may offer to lock in rates for longer terms. If interest rates are expected to go up over the coming months, your loan will be secure until your closing date months down the road.

3) Options Meetings

Part of the fun and excitement of buying a new home is selecting options and designing the home with your preferred choices of flooring, cabinets, countertops and more. As your home is being built, you will meet with the builder to select the options you would like in your home. This includes structural options (such as changing an open study to a bedroom) and finish options (such as color and type of cabinets and countertops). See page 16 for more information on selecting options.

4) Home Walk-Throughs

Throughout the construction process, there should be a series of walk-throughs with the builder. These may include pre-construction, pre-drywall and pre-settlement. Take "inside the walls" pictures or video during your pre-drywall walk-through so you know where there is extra blocking, wiring, pipes, etc for when you begin to hang tvs and artwork. Inspectors should visit the home in the pre-drywall stage so the pre-drywall walk-through is a good time to review the inspector's report with the builder. The pre-settlement walk-through is similar to a final walk-through of a resale purchase and is your last opportunity to point out any potential issues before closing.

5) Closing

At last, your new home is ready and the final step is the closing process! Closing typically takes place at the office of a title company. The title company ensures the loan has been approved, all necessary paperwork is signed and the purchaser's ownership is recorded. There are a number of items you will need in advance (such as an insurance policy, cashier's check, etc) so be sure to come prepared with all the requested items.

6) Warranty Services

One additional benefit of purchasing a new construction home is the warranty services. A walk-through is typically performed several months after closing to check in with the homeowner and address any issues. Although it will vary, typical builder warranties offer one to two years of coverage on materials and workmanship and up to 10 years on structural elements.

Tips to help the purchasing process go smoothly

✓ **Do** stay in regular communication with your builder

✓ **Do** come prepared to meetings with any questions

✗ **Don't** delay meetings, walk-throughs and options selection as it could delay the construction timeline

✗ **Don't** make other big purchases (such as a new car) before you close on your home

✗ **Don't** change your job before you close on your home

Working with a Realtor

Most builders do have purchasers who work with Realtors. When purchasing a resale home, it is typically the seller who pays the Realtor fees. It is similar when purchasing a new construction home, as the builder will typically pay the agreed upon Realtor fees. Be sure you know who will pay all associated fees upfront.

Realtors can be valuable sources of information regarding the reputation of the builder, home price comparisons and more. However, the builder sales representatives are also excellent resources who will have the in-depth knowledge of the local market, the homes, comparable pricing, etc. Whether or not you prefer to work with a Realtor will depend on your own preference. The key is to work with someone you trust and who has the experience, market knowledge and understanding of what you are looking for in a new home and neighborhood.

What if you can no longer qualify for the loan at closing?

During the months it takes to build a home, things can happen. One could lose a job or get transferred. So what would happen if you were no longer able to qualify for your pre-approved loan or needed to back out of your contract? Just as in many transactions, the contract will state that the builder has the right to keep the deposit if the purchaser can not close on the home. However, many builders review the situation on a case-by-case basis and if the home can be re-sold quickly, may return a portion of the deposit. However, this would be at the discretion of the builder.

Selecting Options for the Home

One of the advantages of purchasing a new construction home is that you get to choose all the features and finishes to customize the home for your lifestyle and personal preferences. This could include everything from the number of bedrooms and baths to choosing whether to add optional features such as an outdoor wet bar or built-in grill on the terrace.

While this can be very exciting for some, it can also be stressful for others as there are many decisions to be made. To help make this process less overwhelming, familiarize yourself with key terms and the selections process and allow plenty of time to make the decisions that will bring you happiness for years to come.

Understanding Key Terms

Standard vs Upgrade

Standard Features: Builders typically offer standard items that are included in the negotiated sales price of the home. This may include items such as standard flooring, cabinets, faucets, appliances and more. Be sure you are clear what items are included in the sales price of the home before you sign the contract.

Upgrade Features: Available upgrades can vary greatly by builder. They may include structural options such as rear decks and finish options such as faucets, fireplaces, and lighting.

Structural vs Finish Options

Structural Options: Structural options include items that impact how the home is built. Examples include whether you would like to turn a study into an extra bedroom, add a rear deck or other changes to the home's layout. If you are purchasing a custom built home, you will likely have more options to choose from than if you are purchasing a production home. These decisions need to be made early in the construction process.

Finish Options: Finishes refer to items that are the finishing touches of the home – cabinets, countertops, faucets, lighting and more. Decisions on finish options can be made later in the construction process.

Mix and Match vs Packages

Mix and Match: Custom home builders may offer purchasers the option to select each individual option in the home, or at least a wide variety of them. This is typically called mix and match as you can mix appliances, cabinetry or whatever you desire.

Packages: Builders may offer various packages, such as a standard kitchen package vs an upgrade kitchen package. You would not get to choose the individual items in the package (refrigerator, dishwasher, oven, etc) but would select all the appliances as a group. This type of options process may be preferred by those who would like to make fewer decisions and is likely offered more often by production builders.

Options Selection Process

Builders typically have a variety of resources to help you in the options selection process. While some builders may have a showroom, others may have model homes that feature various products. Visiting the showrooms and model homes is very useful for seeing color combinations and how the items will actually look in the home. Many builders will also have a dedicated staff member to help you with the selections process. This person will offer guidance on selecting options for your lifestyle, what items do or do not go well together, pricing and more.

If construction on your home has started prior to your entering into a contract, it may be too late to choose certain options. The options you will be able to select will vary depending on how far along your home is in the construction process. For example, it may be too late to select structural options but you may still have time to select finish options.

Selecting options is time-sensitive as it could impact how quickly your home gets built. Be sure to stay in communication with your builder on the necessary timing for options meetings.

Between the time you select the options and the time they are put in the home, occasionally models may be discontinued and options may need to change. Most builders will work to ensure a comparable product is selected and will notify you of any change.

Top Tips for Selecting New Home Options

When considering what options to choose, there are several things to keep in mind.

✓ Choose what makes you happy

This will be your home for years to come so select the features that suit your lifestyle and represent your personal preferences. Consider your present and future lifestyle: what are your activities, hobbies and entertaining style? Trends will come and go, so be sure to select items that appeal to you personally. And remember that neutrals never go out of style.

✓ Consider what features will improve the home value

It may be easier to justify spending money on upgraded options if you think they will help you sell the home in the future. Items such as upgraded kitchens, smart home technology and hardwood flooring are typically at the top of buyers' wish list for a new home.

✓ Make sure you don't exceed your loan qualification amount

While that extra bedroom or bath may sound great, be sure to check with your lender so you do not exceed your maximum loan qualification.

In the end, if you take the time to prepare for the selections process and choose items that suit you personally, your new home will represent your unique style and bring you happiness for years to come.

Helpful Links

New Home Source: How to Finance Your Newly Built Home
https://www.newhomesource.com/guide/articles/how-to-finance-your-new-home

Zillow: What does a Builder's Warranty Cover?
https://www.zillow.com/blog/what-does-builders-warranty-cover-151357/

New Home Source: 8 Tips for Selecting Options and Upgrades from Your Builder
https://www.newhomesource.com/guide/articles/decisions-decisions-8-tips-for-selecting-options-and-upgrades-from-your-builder

New Home Source: Options that will Maximize Resale Value
https://www.newhomesource.com/guide/articles/new-home-options-that-will-maximize-resale-value

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