



# new home construction *guide*

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# hello!

PURCHASING A NEW CONSTRUCTION HOME CAN BE ONE OF THE MOST EXCITING PROJECTS IN YOUR REAL ESTATE JOURNEY. IT CAN ALSO BE ONE OF THE MOST OVERWHELMING IF YOU TRY TO DO IT ON YOUR OWN.

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Buying a new construction home is a very different process and dynamic than purchasing an existing home from a current homeowner. While other factors than money may influence a homeowner's motives to sell, a builder's predominant motivation to sell a lot and build is to make a profit. This motivation is due to the fact that builders tend to want to finish a project as quickly as they can to move onto their next project.

Shopping around for new construction homes is very exciting and fun! However, it can also be overwhelming and stressful at times, which is why we are providing you this New Construction Guide. While I am sure you are as excited as we are to start the journey to build your new home, please read the rest of this Guide to educate yourself about the process, and save you some money, heartache, time, and effort.

We are so grateful to have you as our client, and we are very excited to start this home-building adventure with you!

*Jenny Smith and Associates*

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# PRE-OWNED *VS* NEW CONSTRUCTION

## pre-owned

## new construction

*the pros*

- Resale homes are typically located in more established neighborhoods with closer amenities.
- If the home has been well-maintained, the property has already been "tested out," so any major issues would have likely already been addressed.
- The price is negotiable (as long as there are no bidding wars).
- When placing an offer on a resale home, you can negotiate on timing factors, including possession and move-in dates.
- Resale homes in established neighborhoods have more mature trees and landscaping.
- The seller typically includes any fixtures they have added to the home with your purchase.
- Older, more established neighborhoods typically offer homes with larger backyards.
- Resale houses typically come with additional features, such as window treatments, built-ins, security systems, upgraded cabinets, finished basements, landscaping, etc.
- Depending on the location, you may save on taxes by purchasing a pre-owned property.

- You have many options to customize your home to the way you like it, including choosing the lot/unit location and many decor features.
- When you purchase pre-construction, you are locking in a price today, assuming that the property will be worth more on closing day.
- For investing, the process is straightforward with proper guidance.
- You may get to pay the full deposit in installments, giving you more time to save for the downpayment.
- Usually offers open and updated spaces for those who love modern homes.
- You get to purchase a home that nobody has lived in before.
- Newer homes are more energy-efficient, which can save you money on your utility bills every month.
- You get builder's warranty on the property for 1 year, so you are covered if you encounter any major issues.
- You incur fewer maintenance costs in the first few years while everything is still new.
- Newer homes typically re-sell at considerably higher prices than older properties.

*the cons*

- Resale homes are typically less energy-efficient.
- If the house was poorly maintained, you might have to spend money properly fixing and upgrading it.
- The appliances included with the home may be poor quality or old. This means you might have to incur additional costs shortly after moving in.
- A resale property may require more maintenance and updates than a new home, as another family has already used it.
- A pre-owned home may have a lower resale value than a new construction property.
- You may experience more bidding wars and competition with other buyers looking to buy a home that is already built than a new one.
- You don't have any warranty if you need to replace something due to faulty construction.
- Resale homes may not be as eco-friendly as new homes.

- Not all builders have proven experience, high customer satisfaction rates, and reliability, so be careful with who you choose to build.
- While you do get to customize various design elements, you have minimal choices. For example, you may have two paint colors to choose from, and you cannot make major (or even any) changes to the layout.
- Although the builders will offer you upgrades, these add-ons are not cheap.
- There is less room for negotiating price and timing terms.
- Brand new homes can cost more than resale homes.
- New construction homes are generally built on smaller lots, so it may be challenging to find larger backyards if you seek more land and privacy.
- Newly built homes are typically located in developing areas, so many newer developments are built farther away from essential amenities (i.e., schools, grocery stores, gyms, gas stations, etc.).
- If you move in the development's early stages, you may be living in a construction zone for a few years.



# NEW HOME CONSTRUCTION

## *buying process*

### STEP 1

Choose a real estate agent... me :)

### STEP 2

Research the builder and neighborhood

### STEP 3

Learn about the payment structure

### STEP 4

Negotiate terms or upgrades if necessary and appropriate

### STEP 5

Sign Agreement of Purchase & Sale (plus other documents)

### STEP 6

Pick materials, colors, and any upgrades

### STEP 7

Pre-Closing Inspection (which happens close to the closing day)

### STEP 8

Closing Day! You can now move into your new home!

# HOW HOME CONSTRUCTION *works*

Although home construction works differently and varies according to the builder, neighborhood, and location, the steps to building a home should look close to the following:

STEP 1	Grading of land and construction site preparation
STEP 2	Foundation pouring and construction
STEP 3	Framing of property exterior and interior rooms
STEP 4	Windows and doors installation
STEP 5	Roofing and siding installation
STEP 6	Rough electrical, plumbing, and HVAC work
STEP 7	Insulation and drywalling
STEP 8	Underlayment preparation
STEP 9	Trim and painting
STEP 10	Finish electrical work
STEP 11	Bathroom/kitchen cabinet and countertops installation
STEP 12	Finish plumbing and HVAC work
STEP 13	Flooring installation throughout the house
STEP 14	Hookup to water source and sewer (or septic system)
STEP 15	Final home walkthrough
STEP 16	Closing day!

*tip:*

Although your home will be periodically inspected during construction, we recommend hiring a professional home inspector to ensure you catch any issues before closing. You did make a significant financial purchase, after all.

# NEW HOME CONSTRUCTION *warranties*

When you purchase a new construction property, you're typically purchasing a house or a unit that does not yet exist. Therefore, it's important to ensure that all agreements and comments are in writing and that your builder gives you guarantees (such as, a specific completion date) and warranties on the property. Make sure you keep a copy of all your warranty documents.

## *what is covered in a new construction home warranty*

Usually, when you purchase a new construction home, the builder and/or the governing authorities will provide you with a home warranty covering most aspects of the property construction done by a builder for a determined amount of time. A typical builder warranty lasts six months to two years, with some features lasting up to ten years (for significant structural damage). However, the features and their lifespans protected by this warranty coverage will vary from builder to builder and from government to government.

In most cases, builder warranties cover all of the property's materials and workmanship, including:

- Concrete Foundations & Floors
- Heating & Cooling Systems
- Insulation
- Roofing
- Paint Job
- Carpentry
- Septic System
- Electrical Systems
- Plumbing Systems
- Landscaping
- Windows & Doors
- Ducts
- Garage Doors
- Glass Work
- Piping

## *what happens if there's a problem?*

When you move in, if you find a problem in your home, go over the builder's warranty to make sure your issue is covered and that you're still within the coverage period. If it appears that the builder covers the problem you came across and you're still within the warranty time limit, write a written claim to your builder and/or to the company backing the warranty.

Typically, builders fix issues within a timely timeframe but make sure to communicate when you're available to avoid any scheduling conflicts.



# *tips for buying a* NEW CONSTRUCTION HOME

## TIP #1: HIRE A REAL ESTATE AGENT TO REPRESENT YOU

To ensure you get the best deal possible and protect your best interests, hire a real estate agent with pre-construction and new construction experience (like myself) who will guide you through the new construction home buying process. Typically, the builder will pay the fees associated with having your own agent.

## TIP #2: RESEARCH BUILDER'S REPUTATION & COMPLETION RATE

Before purchasing a pre-construction home with a builder, investigate their reputation and completion rate by looking for past client reviews online or speaking with homeowners. Keep in mind that builders may have had both satisfied and unsatisfied past clients. Therefore, make sure you look for trends in reviews and ask the builder any questions if you have concerns.

## TIP #3: VISIT THE PROPERTY SITE AND TOUR NEIGHBORHOOD

As you would do if purchasing a previously-owned home, visit the property or development site and tour the neighborhood. This will help you get a feel of what living in the area could look like and how far away your new home would be located from amenities, activities, and work. If anyone asks if you have an agent, just share my name.

## TIP #4: VISIT A MODEL HOME (IF POSSIBLE)

In the early stages of development, a builder will typically build a model home or model unit to attract buyers into building a home with them. If a model home is available to tour, let's visit one together! Although these homes typically feature tons of upgrades and look gorgeous, you get to see samples of the builder's work and finishings, and you might gain a better insight into what it would be like to live in a similar home in the neighborhood. Furthermore, these homes can make you realize which upgrades are worth investing in and which ones without you might be better off.

## TIP #5: INVESTIGATE TAX RATES AND TAX BREAKS

Depending on the property's location, property taxes may be higher in new construction homes. We are happy to provide you with an estimate of property taxes but until it is assessed by the county or city, it will be an estimate.





# NEW HOME CONSTRUCTION

## *frequently asked questions*

### CAN YOU NEGOTIATE THE SALE PRICE OF A NEW CONSTRUCTION HOME?

Yes, you can negotiate the sale price of a new construction home. However, consider that typically builders will only accept a lower price if buying traffic is low, or you're one of the first or last buyers in a new development. Otherwise, you may have to pay the full asking price. This is because they are interested in selling properties as high as possible for future neighborhood appraisals.

Keep in mind that even if a builder does not accept a lower offer for the construction of your home, you may be able to negotiate closing costs or home upgrades, depending again on the builder and buyer traffic.

### HOW MUCH IS THE DEPOSIT OR DOWNPAYMENT FOR A NEW HOME?

When you purchase a new construction home, you will have to pay a deposit, just like in a resale home.

The deposit will vary and will ultimately be based on the builder, the new development's location, and at which point you purchase in the construction timeline according to your closing date. For example, if you are buying at the very beginning of the development and your closing date is six to twelve months from your purchase date.

The deposits can range but are typically the equivalent of 3-5% of the purchase price. If you require a mortgage and must pay a downpayment, you will pay that sum on closing day. Deposits may not be refundable so make sure you know whether it is refundable or not.

### AM I MAKING A GOOD INVESTMENT BUYING A NEW HOME CONSTRUCTION?

In most cases, you are investing your money well into purchasing a new home construction. The reason for this is that your new property will be newer than other homes (which future buyers will appreciate and may pay a higher price than other homes due to the less likelihood of finding significant problems with the property).

Furthermore, if you purchase a new home at the very beginning of a development when homes are cheaper, your property is likely to have increased its value by the time your closing date has arrived. In other words, you may have made substantial money simply by waiting for your home to be built!

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The strength of teamwork...The reputation for results