

BUYING NEW CONSTRUCTION

A COMPREHENSIVE GUIDE

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HELLO!



- BYRON TAYLOR

REALTOR®

You've been searching for the 'perfect' house for months (maybe even years) and you just can't seem to find it. If you've exhausted all the options for homes available to purchase, **it might just be a sign that you need to build a home that is perfect for your family's needs.** You've also done your due diligence and you are aware that it might be less expensive to buy an existing home (that already has mature landscaping), however, you're willing to spend a little more money to build a home that will be exactly what you want.

Building your new home is an exciting experience and can even be overwhelming at times. and at times. However, for your builder, it is very routine. This is why you need to be an active participant in all aspects of the home building process to ensure you end up with your dream home.

You may never be fully prepared to build a custom home, but if you have the desire and the willingness to put in the time and effort, and if you're financially prepared, then go for it!

LET'S CONNECT



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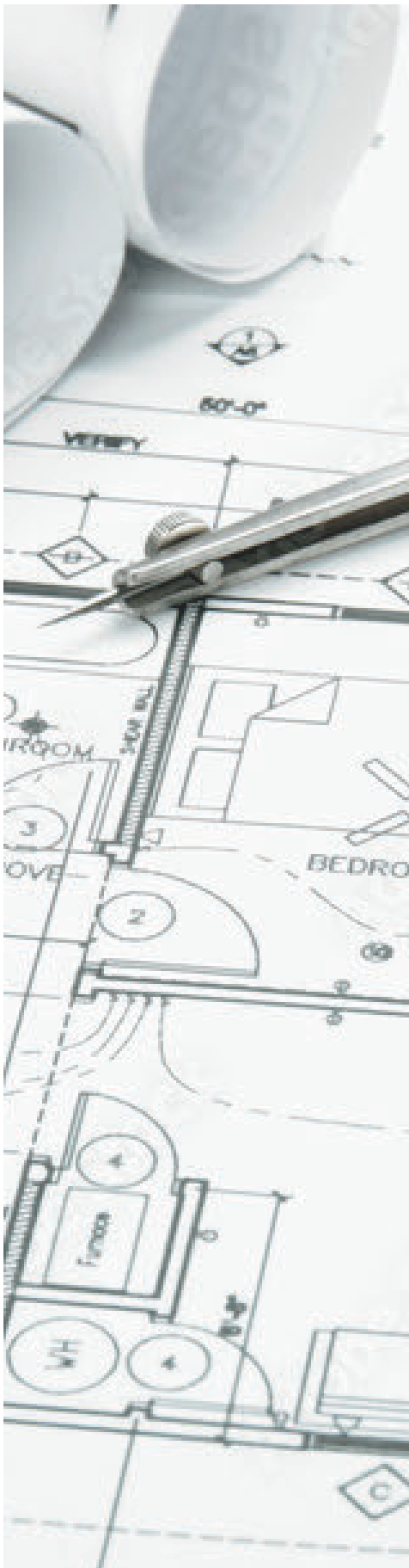


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IS NEW CONSTRUCTION FOR YOU?

For most people, building a home is a once-in-a-lifetime opportunity and can be really exciting! It can also be intimidating, especially if you're not adequately prepared or have the right team behind you.

If you're considering building your dream home, here are some questions you should ask yourself before starting.

① How soon would you like to move into a new home?

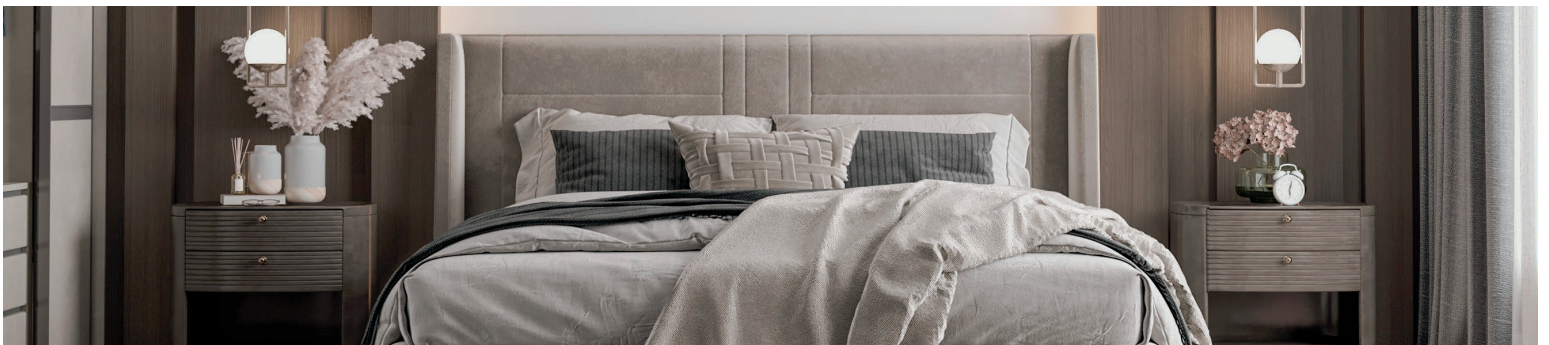
If you need to move into something rather quickly, new construction may not be the best option for you, as building a home can take anywhere from 6 months to 2 years.

② Do you enjoy working on home projects and DIY?

If your answer is no, new construction may be a good fit. With everything brand new, all of your customizations chosen, and a builder warranty, you won't need to do any fixing up for the foreseeable future.

③ Are you looking for something specific?

If your answer is yes, new construction may be a great option. You would be able to build something that fits your needs and desires. Plus, if you can find land in your desired location, your dream home awaits!



WHAT'S THE DIFFERENCE?

	NEW CONSTRUCTION	RESALE PROPERTY
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		✓
WOULD RATHER PURCHASE NOW BUT MOVE LATER	✓	

THE PROS & CONS

THE PROS

You can customize the features

Depending on the builder, and what stage the home is in when you purchase, you can typically choose your finishes, fixtures, appliances, and other upgrades. Of course, if you are doing a fully custom build, you get to choose everything.

Everything is BRAND NEW

This means everything functions correctly. Your money can go towards furnishings and decorating, instead of repairs and replacements. Your home maintenance costs will be lower for the first several years.

You have the option to include the latest high-tech features

This includes built-in security systems, audio systems, Bluetooth lighting, smart faucets and appliances, and thermostats. Additionally, a home built today will be much more energy-efficient than one built ten, twenty, or thirty years ago.

Big-ticket items are all under warranty

Your roof HVAC, and appliances will come with a manufacturer warranty. In fact, the builder's warranty may cover additional items as well such as windows, doors, electrical and plumbing systems, and workmanship on tile and drywall installation.

THE CONS

You may not get the options & finishes you hoped for

Unless you are doing a completely custom build, the builder may have selected finishes, fixtures, features, and appliances you can choose from. Additionally, upgrades can add up quickly, so you may not get everything you want.

You will have immature landscaping

Unless you purchase a vacant lot in an established community, you will have to wait a few years for new trees to mature and provide shade to your home and yard. You will also have to work on and maintain your yard to get grass growing, as most builders just lay down grass seed.

The price is not usually negotiable

The cost is the cost when it comes to new construction. Unless you downgrade features, or your builder is offering some sort of special incentive, you typically won't be able to negotiate the sales price.

You will have to abide by an HOA

Most new developments have homeowner's associations. This is not a bad thing, but you should know what the rules are before you buy.

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.

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 your realtor and home builders, as well as doing your own research, can help you make the best decision for you in your new home search.

ACCORDING TO HOME ADVISOR*,
BELOW ARE THE AVERAGE NATIONAL
COSTS TO:

REMODEL A BATHROOM \$11,383
REMODEL A KITCHEN \$26,170
BUILD AN ADDITION \$49,851

*SOURCE: [HTTPS://WWW.HOMEADVISOR.COM/COST/](https://www.homeadvisor.com/cost/)

DECIDING ON A BUILDER

If you are looking at building on a lot that you purchased that is not restricted to a particular builder, it's important to research builders in your area to find one that is reputable and stands by their work.

Unfortunately, some builders fail to deliver on their promises, cutting corners on materials, or even failing to finish certain details. Meet with different builders before you make your selection. It's important that they are organized and communicate well. Make sure the builder has someone that is communicating with you through every step of the build so you know when your choices must be made and when each phase will be completed.

Check out your builder before signing anything. Find out if there are any complaints registered against them and ask for references from other homeowners. *Find out if you can tour a model or a recently completed home and bring someone who can judge the quality of the workmanship.*

CONSIDER THESE POINTS:

- ✓ CONFIRM THERE ARE NO COMPLAINTS REGISTERED AGAINST THE BUILDER
- ✓ ASK FOR REFERENCES FROM OTHER HOMEOWNERS
- ✓ TOUR A MODEL HOME OR RECENTLY COMPLETED HOME, AND BRING SOMEONE WHO CAN JUDGE THE QUALITY OF THE WORKMANSHIP
- ✓ IDENTIFY YOUR CONTACT PERSON WHOM YOU WILL COMMUNICATE WITH THROUGHOUT EVERY STEP OF THE BUILD SO YOU KNOW WHEN YOUR CHOICES MUST BE MADE AND WHEN EACH PHASE WILL BE COMPLETED



QUESTIONS TO ASK YOUR BUILDER

01

ARE YOU REQUIRED TO USE THEIR PREFERRED LENDER?

Many builders work with a preferred lender that offers attractive discounts on closing costs. It's important to know if the lender is working as a referral or if the mortgage company is owned by the builder. If that's the case, it's a good idea to have an attorney review your contracts as an independent set of eyes. If you are not required to use their lender, shop around to see who can give you the best financing (and longest rate lock).

02

CAN YOU REVIEW A COPY OF THE BUILDER'S SALES CONTRACT?

Builders use their own contracts that are similar to a regular sales contract but include additional terms specific to the building process, such as the timing of contractor payment, and the finish options you have to choose from. Your agent can help you interpret the terms of the builder's contract before you sign.

03

WHAT IS THE TIMELINE FOR COMPLETION?

This will differ based on the type of home (Production, Spec, Tract, or Custom). Production homes can be completed in three to four months, whereas custom homes usually take a minimum of six months. Regardless, the builder should be able to give you a timeline outlining each phase of construction.

04

CAN YOU CHOOSE FEATURES THAT ARE NOT IN THEIR PACKAGE?

Interested in upgrading features such as cabinetry, plumbing, or lighting fixtures? You could save money by purchasing your own fixtures or appliances. Make sure your builder is open to you making choices outside of their selections. Usually, they are flexible as long as your selections are available and can be installed without major changes or updates to the schedule.

QUESTIONS TO ASK YOUR BUILDER

05

WHAT WARRANTIES ARE PROVIDED?

Normally a builder offers a warranty lasting from 6 months to 2 years, possibly longer for some items. You should understand what is covered under the builder's warranty and for how long. All the major structural items and mechanical systems are usually covered. Appliances are not, but they should come with a manufacturer's warranty. Damage from weather, shrinkage or expansion of the home or foundation, and anything resulting from the homeowner's failure to provide maintenance or from work done on the home after construction is not typically covered.

06

CAN THE BUILDER CHARGE FOR UNEXPECTED COST INCREASES?

Look over the builder's contract carefully, or have an attorney do so, and note if there is an escalation clause that would allow the builder to pass cost increases onto you in the event that materials or labor costs increase during construction.

07

WHAT IS INCLUDED IN THE LANDSCAPING PACKAGE?

Many people assume their finished home will look like the model or the graphics in the brochure, only to find out that the builder's landscaping package is the bare minimum, or even non-existent. You may choose to upgrade it or plan to add your own landscaping.

08

WHAT ARE THE DEED RESTRICTIONS, HOA AND AMENITIES?

Developers usually file a subdivision's restrictive covenants when applying for approval to build the development. Any persons buying a property in the development are bound to abide by these restrictions. Is there an HOA? What are the fees and what amenities do they cover?

09

CAN YOU DO A FINAL WALKTHROUGH BEFORE CLOSING?

Usually, there will be a "punch list" of items the builder needs to complete by the end of construction. This could include cleaning, touch-up paint, drywall repairs, trim work, and re-keying locks. Walk the home before closing to make certain every item is addressed before you sign the closing documents at the settlement table.

OBTAIN PRE-APPROVAL / FINANCING OR PROOF OF FUNDS

Builders or developments often work with particular mortgage companies and will offer discounts on closing costs for using their “preferred” lender.

Whether you use the builder’s lender or someone else, you will need to get pre-approved for financing. If you are not financing, obtain proof of funds from your financial institution.

QUESTIONS TO ASK LENDERS

- ⊗ What interest rate can you offer?
- ⊗ Does the rate come with points?
- ⊗ Is it fixed or adjustable?
- ⊗ When can you lock my rate?
- ⊗ What fees can I expect from you?
- ⊗ What type of loan is right for me?
- ⊗ Do I qualify for any down payment assistance programs?



CONSTRUCTION LOANS

A construction loan is a short-term loan that covers only the costs of custom home building. This is different from a mortgage, *and it's considered specialty financing*. Once the home is built, the buyer must apply for a mortgage to pay for the completed home.

Because construction loans are on such a short timetable and they're dependent on the completion of the project, you need to provide the lender with a construction timeline, detailed plans, and a realistic budget.

Once approved, the borrower will be put on a draft or draw schedule that follows the project's construction stages, and will typically be expected to make only interest payments during the construction stage. **Unlike personal loans that make a lump-sum payment, the lender pays out the money in stages as work on the new home progresses.**

TYPES OF CONSTRUCTION LOANS:

CONSTRUCTION-ONLY LOAN

This type of loan is short-term and is usually issued for a year. It's meant to cover only the actual construction period.

Many lenders don't offer this type of loan.

Why? With so many variables like the builder's cooperation, getting approvals from local municipalities, and more, these are considered higher-risk loans. This means they're harder to qualify for, and the interest rate will likely be higher than a traditional loan.

In addition, if you decide to go this route, you'll have to pay a second set of loan fees when you apply for a traditional mortgage.

END LOAN

An end loan is a traditional mortgage loan that a home buyer (if you're building your own home) can apply for after the new home is constructed. Unlike other construction loans, these are offered by most mortgage lenders.

You can get an end loan if construction is complete on the home. One good aspect of an end loan is that the mortgage application for a newly constructed home is the same as it is for any other home. This loan you often see with big builders, when you are only taking possession of the home once it's complete.

CONSTRUCTION-TO-PERMANENT LOAN

Construction-to-permanent loans are a financing option that prospective custom home builders can apply for. Like construction-only loans, construction-to-permanent financing is a one-time loan that funds construction and then converts into a permanent mortgage. During the construction phase, borrowers make interest-only payments.

CONSTRUCTION TIMELINE AT A GLANCE

Buying or building a new home is a huge undertaking, with many questions to consider. Here is a brief timeline that outlines the typical construction process.

01

SITE & DESIGN SELECTIONS

02

BUILDING QUOTE

03

FINALIZE & CONTRACT

OBTAIN PRE-APPROVAL
ENTER CONTRACT WITH A BUILDER
SELECT YOUR OPTIONS

04

BUILD & INSPECT

WALK THROUGHS
OPTIONAL INSPECTION
PUNCH LIST
CLOSING DAY

05

ENJOY FOREVER

FINALIZING SELECTIONS



Throughout your build, there will be plenty of decisions to make. Being prepared with your choices at each stage will help keep the build on schedule.

Most builders will assign you a project manager who will inform you of the build's stage and what decisions are coming due.

If your build is custom, work with an interior designer or begin researching finishes, fixtures, colors, hardware appliances and lead times.

CUSTOMIZATIONS IN A CUSTOM HOME

- ✓ Shower and bath styles
- ✓ Sinks & shower plumbing fixtures
- ✓ Toilets
- ✓ Flooring (rooms, hallways, garage)
- ✓ Appliances
- ✓ Garage door
- ✓ Closet design
- ✓ Shelving material and design
- ✓ Fireplace materials and design
- ✓ Porch or patio design and materials
- ✓ Driveway design and layout
- ✓ Pool & outdoor amenities
- ✓ Floor plan & overall home design
- ✓ Exterior finish and color
- ✓ Roof type and color
- ✓ Window styles and colors
- ✓ Door and window hardware
- ✓ Landscaping plan
- ✓ Interior wall textures, and colors
- ✓ Baseboards and crown molding
- ✓ Kitchen, bathroom & laundry
- ✓ room Cabinetry design and finishes
- ✓ Backsplash design and material
- Countertops

TIPS FOR SELECTING UPGRADES

01

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.

02

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.

03

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.



THE BUILDING PROCESS

STAGE ONE

PRE-CONSTRUCTION MEETING

When construction permits are received and your home is released to start, your Builder will contact you by phone and:

- Introduce themselves and provide you with their contact info
- Discuss your home plan and specifications
- Give you details about the construction process
- Review your options, house plan, and other upgrades in detail to confirm everything is correct before they start

STAGE TWO

FOUNDATION

Our foundations start with a professionally engineered foundation inspected by the Field Manager and local municipality to ensure strength and peak performance.

- Homesite prepared for construction
- Footer/foundation built
- Rough plumbing installed
- Slab poured
- Block walls constructed

Many inspections occur during this stage, to ensure your home is being built to that state's building codes.

STAGE THREE

FRAMING

Industry-leading construction techniques (including manufactured roof trusses and wall panels) are used to create each home.

- Roof installed
- Interior walls framed
- Everything inside the walls is installed and inspected - Electrical, HVAC, insulation, etc.

STAGE FOUR

ROUGH IN MECHANICLES

All mechanicals, which includes plumbing, heating, cooling, and electrical, will be roughed in following the completion of the framing stage. "Rough-In" consists of supply and drain lines for plumbing, wiring for electrical outlets and switches, and ductwork. *Some builders allow a walkthrough at this stage to finalize lighting and cable locations.*

STAGE FIVE

INSULATION & DRYWALL

Once all mechanical inspections are completed, they will insulate the exterior walls. Once the insulation is completed and inspected, the drywall will be hung.

- Drywall
- Driveway poured

STAGE SIX

FINISH CARPENTRY & PAINTING

Now the fun really begins! During this phase, all the choices you made during your selection meeting will come to life. They will install your trim and interior doors and will also complete all other interior woodwork throughout your home, including cabinets, countertops, and vanities. Your walls and trim will be prepped and painted with your selected colors.

- Plumbing and HVAC fixtures
- Flooring
- Landscaping and sod
- Paint touch-up
- Finishing touches
- Quality control checks
- Full cleaning

STAGE SEVEN

FLOORING & FINISHING TOUCHES

Your vision is almost reality-The look and feel of your custom home is nearly complete! After the painting is done, the hard surface flooring and carpet will be installed, in addition to the lighting and plumbing fixtures. After all finishing touches are complete, they will perform a final cleaning of your new home.

STAGE EIGHT

HOMEOWNER WALKTHROUGH

Once your home is nearing completion, you will meet with your Construction Manager who will introduce you to your new home and discuss how to operate and care for many of the components. This is also typically when you complete your "punch list" walkthrough and make sure the craftsmanship is what you expected. The builder will then put together a list of checklist items to fix/repair or complete before settlement date. Start packing boxes—moving day is just around the corner!

STAGE NINE

CLOSING DAY!

Walkthrough your new home one more time before signing on the dotted line, and then you get the keys and move in!

PREPARING TO CLOSE



WALKTHROUGHS

Check on every phase of construction to ensure that the builder follows the plan. Even the best builders have miscommunications, mix-ups on orders, or problems with installations. Plan on visiting the home at least once a week (with the permission of the builder).



OPTIONAL INSPECTION

Although your home is brand-new, you still might consider having a home inspection (or two) done. Sometimes an inspector will catch something that slipped past the contractor and code enforcement. Most inspectors will recommend a pre-drywall inspection when they can see the mechanicals, as well as a final inspection once the home is complete.



FINAL WALKTHROUGH

The final walkthrough with new construction involves a “punch list” of items the builder is responsible for completing. This may include cleaning, painting, landscaping, or changing locks. Go through the house with the builder before closing to add items to the punch list, and then again prior to closing to ensure everything was completed.

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 about 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.

SPEC HOME

Due to various factors, builders may begin the construction process on a home site 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.

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

