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What to look for when buying a new build

If readily available in your desired market and financially harmonious with your budget, the decision to buy a new construction home almost seems like a no-brainer, right? After all, that new car smell really pales in comparison to that new home smell, and pre-owned goods aren't everyone's cup of tea. It's important to understand, however, that just because it has that new home smell, there are still things you need to look out for to make sure you're making a sound investment. Here are five things to keep in mind if you're considering purchasing a new construction: 1. The model home isn't standard design for many builders. When you're shopping newly constructed properties, chances are you'll tour a model home at some point. These homes basically function as interactive showrooms that are gorgeously outfitted with the more premium upgrades a builder has to offer. Their purpose is to demonstrate the customization a builder offers by allowing buyers to experience the full design potential of a home. Before you get too lost in a model home's beautiful design, it's imperative to remember one thing: model home configurations aren't usually reflected in base sales prices. That's because most base prices are based on the homes featuring "builder grade" options, aka less premium materials and finishes. Luckily, the design options of a model home are typically very flexible. Much like buying a new car, you can decide which upgrades you want to add to the base configuration and which you don't. Unlike buying a new car, where the value decreases the moment you leave the lot, adding premium elements to your home's design can actually increase its value. Just be sure to consult your budget before making any final decisions. 2. Understand all your financing options. In addition to offering a home that's custom built for you, many builders also have representatives on-site who can assist you with every step of the process, including the crucial step of finding a lender. "One of the most important steps on the road to purchasing a home is to complete a pre-qualification," says Josh Andrade, a Lennar New Home Consultant based in Dallas-Fort Worth, TX. "Your budget and purchasing power will determine your time frame, areas you will be looking at, and starting price point." Top homebuilders often have a network of reputable lenders to whom they can refer you. Take time to understand the different loan options that are available to customers who purchase a new home, such as conventional, FHA, Jumbo, and VA loans. And don't hesitate to speak to multiple lenders. In a 2018 study, Freddie Mac found that borrowers could save an average of \$3,000 over the life of a loan by getting five rate quotes. "Most new construction pricing is not calculated by square feet but by what is inside the home," Josh adds. "Sometimes people underestimate their readiness to purchase a home and believe that they are a few years out from their dream home when in reality they could be ready now and take advantage of the current market." 3. Asking questions is important. You won't actually be able to see the finished product until, well, it's finished. So it's important that you ask questions along the way. This keeps the dialogue between you and builder open and the process transparent. Lapses in communication can lead to misunderstanding which can lead to misaligned expectations. "What I would recommend is not only doing your research about the location and homebuilder, but also feeling comfortable with the salesperson and asking to meet the superintendent," says Tom Watkins, New Home Counselor at Mattamy Homes in Phoenix, AZ. "Walking job sites before buying is important, as a clean job site is a sign of a superintendent who cares and is dialed in." Mistakes happen on all homes, but much less with superintendents who walk their homes regularly and communicate well with the trade partners and their customers. —Tom Watkins, Mattamy Homes Asking questions about the builder's past work, financing, and scheduling plans is fair and actually quite common as well. Doing so will not only help you better manage your expectations around the process, costs and timelines, but it will also help put your mind at ease as you wait for your dream home to come to fruition. To give you a sense of where to start, here are a few common questions to ask your builder: What are the builder's other projects? What percentage of the units/properties/plots have sold so far? Who is your point of contact during the build? Which features are included and which are upgrades? What happens if there's a delay in the schedule? How often will you be able to view the home during construction? Don't be afraid to do a little research on your own time. You can search for reviews of the builder online or even do a drive-by of any of their previous projects to get a sense of their reputation and the quality of their work. 4. Your timeline might affect your options. While a model home might not technically be considered a new construction in some cases, purchasing one would still mean you're the first person to live in it. That's right, depending on the status of a development project, you might be able to snag a model home (premium upgrades and all) for a deal. Once a certain percentage of units in a development have been sold, the builder is likely to want to offload the model home as every day it sits vacant on the market, the builder loses money. It's a great option for buyers in a time crunch as it means you get a fresh new home that's turnkey ready. Speaking of time, building a home from the ground up can be an excellent option for buyers who are looking to buy but aren't in a hurry. Factors ranging from weather conditions at the build site to delays with building materials all affect the timeline of completing a custom built home. Typically, the average new construction takes anywhere from 7 months to just under a year to complete. This could be great news if you're only 5 months into a 12-month rental agreement. You can break ground on a new home without breaking your lease agreement. Who doesn't love a win-win? Speaking of a winning situation, Opendoor actually offers flexible closing dates (up to 9 months) and a late move out grace period of up to 2 days for Opendoor customers who buy a new build and sell through our homebuilder trade-in service. 5. Having your new home inspected is still a good idea. It may come as a surprise to many buyers, but even new constructions can have structural issues. Hey, mistakes happen. This is why it's always a good idea to have any home you purchase inspected by a licensed professional before closing. "The homebuilder will handle city and county inspections, and typically employs their own third party quality control company," says John DiCristo, Keller Williams Ballantyne Area REALTOR® who specializes in new construction. "That does not replace a licensed inspector though, who will perform an inspection before drywall covers up any mistakes, and a final inspection checking all finishes and mechanicals." Just as they would with a previously-owned home, the home inspector is there to verify that the property is safe and up to code. If any of the work done is not up to par, the inspector will include it in his report and suggest a remedy. You'll then have the opportunity to bring your concerns to the builder and negotiate a fix. Final Thoughts Whether you want to be the first to leave you mark on a home or simply want to personalize your personal space, there are countless reasons you might decide to purchase a new construction. Regardless of those reasons, the fact remains that the homebuying process can be a bit tricky. That means it's important to be as diligent and thorough when buying a shiny new home as you would when buying one that's "gently used". Affiliation Disclosure: Please be advised that a member of Opendoor's board of directors is also a member of Lennar Corporation's board of directors. Because of this relationship, transactions with Lennar may provide Opendoor a financial or other benefit. You are NOT required to transact with Lennar as a condition of working with Opendoor. THERE ARE FREQUENTLY OTHER PROVIDERS AVAILABLE WITH SIMILAR SERVICES. YOU ARE FREE TO SHOP AROUND TO DETERMINE THAT YOU ARE RECEIVING THE BEST SERVICES AND THE BEST RATES FOR THESE SERVICES. New build homes are a great option whether you're a first time buyer, have a growing family or "right sizing" in later years. But there are also common problems many home buyers aren't aware of when buying a new build. Here are the most common pitfalls and how to avoid them - our top tips to buying a new build home... New build homes are appealing to home buyers for a number of reasons: Many people like the fact that they will be the first to live in the property. Repairs and redecoration costs should be minimal for the first few years. Buyers can often select fixtures and fittings to tailor the property interior to their taste. New properties usually come with guarantees. As well as NHBC's 10-year warranty, other companies provide warranties and insurance for new homes, such as Local Authority Building Control (LABC) and Premier Guarantee. If the property is built to the correct standard, homeowners can enjoy lower running costs and energy bills. You can read our guide to find out more about the pros and cons of buying a new build home. But what about the downsides of buying a new build home? Here are some common pitfalls and top tips for side stepping them... Developer customer service Whether you're buying a toaster or a new home, the transaction and after sales care can vary. Trouble is, of course, you'd expect a better level of service when you're spending hundreds of thousands on your home. Sadly, developers don't compete on quality and after sales service. So, when you are looking at buying a new build home, it's down to you to do your research. Here are our top tips: Get to know the developers in the area where you want to buy and research them online. Look out for where they are mentioned in local forums and see what people are saying. Don't let it put you off completely but use this information to ask the right questions. Get talking. If the development has been partially completed, ask the neighbours how they found the process of buying their new build home. You might pick up some top tips for negotiating and things to watch for in your contract. Visit the developer's other sites. How do they look? Do the new residents speak highly of their homes and the developer? Never rely solely on the developer's promotional material. Get a feel for what you're buying by visiting the site and the local area. Look at transport links, do your journey to work, walk to local facilities and so on. Don't be pressured into using the developer's conveyancing solicitor. It's not uncommon for the developers' solicitor and sales team to exert huge pressure on you to complete, even where there are clear conveyancing problems. If you have a good, independent conveyancing solicitor, they are less likely to bend under pressure from the developer and act in your interests. For more information see our guide on how to choose the best new home builder. Just like a new car, a new build house or flat will depreciate in price the minute you turn the key in the door. Even in a rising property market, you may not get your money back when you buy a new build home if you have to sell within a year or two. Here are out top tips for tackling this: Compare the new build home you are looking at with similar "old" properties in terms of value, space and rental value in the local area. Check the price per square foot. Compare it with the resale market so you understand the extent of the premium you will be paying. Negotiate with the developers. Find out what other properties on the site have been sold for on Zoopla, Rightmove or at the Land Registry. There can often be deals to be done at the end of their financial year, or when there are only a few properties left to be sold. Shop around for good deals. Many developers offer incentives to differentiate them from other local developers: free furnishings, a car parking space, or by paying your legal fees or stamp duty. If you can't negotiate money off the price, the offer to pay your stamp duty, is likely to save you the most money. Be aware that incentives offered by the developer over about 5% impact how much your mortgage provider will lend. Plan to stay put for a few years. Future proof your purchase by ensuring it fits with your personal plans for the next few years. Could your new partner move in? Could you comfortably fit a new baby in? Think about adding value. When buying a new build home, think about whether there is scope to add value. Can you add a conservatory, a landscaped garden or loft conversion? You may not be able to afford it now, but it may be an option in the future and make your home more attractive to future buyers. Delays in the process of buying a new build home Delays are common, particularly if you are buying "off-plan" — before the development has been completed. We recommend you get the builder to agree a 'long stop' completion date which means they'll be liable to pay you compensation if they don't finish the work by that date. Check out our guide 'buying off-plan' for more advice. For more information on the legal process of buying your new build home, and things to watch for at every stage, check out our guide Buying a new build - the conveyancing process explained. Getting a mortgage on a new build home If you are not a cash buyer and are getting a mortgage to buy your new build home, delays can also be a problem when it comes to your mortgage. Take a look at advice on getting a mortgage for your new build home. New build workmanship and finish NHBC warranties and other new home warranties are not going to cover workmanship and quality finishes. So, make sure you're happy at every stage of the build with how your new home is shaping up and especially before you complete. By the time you instruct solicitors you should have seen copies of the plans and specification of what the developer intends to build. The more detail this shows, the better. In fact, properly prepared plans and specifications will tell you exactly what you are getting. These should include design, measurements, the type and quality of materials and decorative finishes. Anything less, and the developer has scope to reduce the specification and build you something of lower quality than you might otherwise expect. If you're buying a new build home 'off-plan', don't rely solely on the developer's promotional material and a visit to the show home. These are not the same as a proper specification and mean that you are dependent on trust to get what you want. Whether you're about to complete on a new build home or have moved in to find problems, get an independent on-site snagging inspector today to fix your problems. Leasehold vs Freehold Whether your new build home is freehold or leasehold is fundamental. Leasehold means that you have a lease from the freeholder to use the home for a number of years. The leases for new build are usually long term. Often 90 years or 120 years and as high as 999 years. There are often certain conditions attached to a leasehold property. Restrictions can include obtaining your freeholder's consent for alterations to the property, sub-letting and owning pets. Some can be reasonable and sensible especially if you are buying a flat. Leaseholders are responsible for paying for maintenance and buildings insurance, and usually also have to pay an annual ground rent, as well as fees to the freeholder, such as when you remortgage or wish to do building works. If you are buying a new build flat, you will have no choice but to buy it on a leasehold basis. You need to ask the developer and your conveyancing solicitor to walk you through the terms of the lease, what restrictions are included and what charges apply now and in future years. New build houses should not be sold as leasehold. Our campaigning in this area led to the Government committing to ban the selling of new houses on a leasehold basis and for ground rents on all new leasehold properties to be set to zero. This proposal has not yet come into law. There is more work to reduce the cost of leasehold extensions. Watch out for new build warranties Warranty insurance NHBC and similar new home warranties are supposed to give peace of mind for the first 10 years after construction of the property. The policy attaches to the property, so that it benefits successive owners during the 10 year period. You should be aware that the NHBC is an insurer. The guarantees are, in reality, insurance policies with an excess to pay. If you make a claim, NHBC may use the small print to avoid paying for or carrying out remedial work. Snagging Make sure there is a "snagging" provision in your contract to allow you to get little issues sorted directly with the developer. During the first two years from completion of your home, NHBC will step in if you make a claim against the developer and the developer fails to carry out the remedial work. See how to fix problems with your new build. Two year - initial period We would urge you to diarise the two year developer time limit. If you want to make a claim under the initial guarantee, you must notify the developer (in writing and copied to NHBC) before it expires. Even though you make your claim to the developer, NHBC have a free dispute resolution service. Warranties on white goods When it comes to your white goods - such as cookers, dishwashers, fridge freezers, hobs, washing machines and dryers - you have specified in your new home, ask the developer to hand over guarantees to you on completion. You'll want to have this stipulated in the contract. See our guide on moving into a new build home for more detail on what should be provided on completion.

