



# Should You Buy or Build a Home



**Bramwell Homes**

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### Should You Buy or Build a Home

Most homebuyers end up spending lots of time and energy either searching for or designing "the perfect home" before signing any contracts or laying down funds.

Location, price, market trends, property taxes, Homeowners Association Fee, and the condition of the property are usually factored into a house hunt. Also, each buyer typically has a wish list that includes specific needs (the things the buyer has to have) and wants (the features the buyer would like but could do without if necessary).

While the home-buying process involves several important choices, one of the very first decisions buyers need to make is whether to shop for an existing home or build a new one.

Each path has its advantages and disadvantages. Here's a look at both sides.

### Buying an Existing Home

There are two primary advantages to buying an existing home: convenience and cost. Once you are pre-approved by your lender, you can shop around, pick out a home, and make an offer. (For more, see: [Pre-qualified versus pre-approved: What's the difference?](#)).

A qualified real estate agent can streamline the process by helping you find appropriate properties, guiding you through negotiations, and assisting with the paperwork. Once your offer is accepted, you may be able to close on the deal, and then move in within a month or two, depending on the circumstances.

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Even though the process involves numerous steps—such as financing, viewing homes, making offers, home inspections, and closing—the convenience of being able to move in right away is compelling enough for many people to choose an existing home over a build.

### Schedules and Cost

The need to buy a move-in ready home may be especially true for buyers on a tight schedule, such as those relocating for a new job or whose children will be starting at a new school.

Then there's the cost. In many (but not all) cases, it's cheaper to buy an existing home, according to data compiled by the National Association of Home Builders. Once you've found a prospective, existing home, use a mortgage calculator to get a better estimate of the total cost of purchasing that home based on today's interest rates.

financial crisis Depending on your target real estate market, prices for existing homes may still be quite favourable in the aftermath of the 2008 and housing bust that significantly lowered real estate prices across the nation

### Convenience vs. Customization

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Another reason an existing home may be a better option is if you would like to be in a particular established neighborhood—near work, school, friends, and/or family. Odds are, too, that the home will have mature landscaping, so you won't have to worry about starting a lawn, planting shrubs, and waiting for trees to grow. And if you want to live close to town, your best bet will be an existing home since most, if not all, of the land, will have already been built upon.

On the flip side, the most significant disadvantage of buying an existing home may be that you won't get exactly what you want. You may not be in love with the floor plan and may wish that half bath on the first floor was a full bath or that there was another bedroom on the main floor.

### **KEY TAKEAWAYS**

- It may be challenging to find a home that is in perfect condition, so if you are buying a home, you may need to factor in the costs of any updates or renovations.
- Building a new home allows buyers to put energy-saving measures in place.
- If you are on a specific timetable, buying a home versus building one, is usually a safer choice.

Older homes, in particular, may be functionally obsolete, no longer meeting the needs of most buyers. For example, an otherwise beautiful four-bedroom house may only have one bathroom, or the kitchen may be too small, with no room for expansion.

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Unless you find an existing home that has exactly what you want and is in perfect condition, you will have to spend additional money on remodeling, repairs, decorating, and/or landscaping. These additional expenses should be factored into the overall price, especially when choosing among various properties or comparing the cost of building your own house.

### Advantages of Building a New Home

Building a new home doesn't offer the same convenience as buying an existing house. Not only do you have to find the land, which may not be in an existing neighborhood, you also have to factor in the time to find an architect or builder, and choose every element of the new structure.

You can limit the risk that your house will go over budget or take longer than you expected by working with a reputable builder and having a good contract in place.

Joining an existing development may streamline the process, though it may limit your degree of choice. You also need to worry about systems, such as whether the land gives you access to municipal water and sewage, or requires a well and septic system, along with any environmental and other permits.

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The big advantage is you are much more likely to get exactly what you want. For many, this factor alone is enough to choose to build over buying. Still, there are other advantages, too, like the ability to create a more efficient home that meets new energy codes and standards for heating, ventilation, and cooling, plus insulation, and air filtration. Better efficiency is good for the environment and can save you money on your utility bills each month.

### Better for the Environment and Recouping Investment

Another perk? A new house may literally be better for you. Older homes may contain asbestos, lead paint, or mold. And it can be built with specific materials making it better for the environment.

"Green appliances/Energy Star rated appliances, and more efficient toilets, plumbing fixtures, and electrical fixtures allow you to build "green" for a more sustainable home in the long run," says Guy Burtt, a principal with Riverstone Development Group, Inc., a full-service, licensed general contractor and construction manager. "And you have the option to install, sleeve and/or wire for future technology upgrades, such as home automation and solar."



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warranty Even though the upfront costs of building can be higher, it may be easier to recoup your investment. "You can have more significant profits with the resale of your new home. A newer home is typically more appealing than an older home to most people," Dave adds. In addition, a new home will require fewer repairs and less maintenance, which can save both money and time. And, as Dave points out, you'll have a warranty with a new home, so even if something does go wrong, you may still be covered.

Money and features aside, building a house can lead to a level of satisfaction that you can't achieve through buying an existing home. "There is a definite feeling of an emotional connection to living in a new home that you have created," says Dave. "The new-home smell, no one else has stepped foot (or pets) on your carpet. This is your creation that matches your style and personality, that you created from scratch."

### Risks of Building a Home

The biggest drawbacks to building a house tend to be the higher costs and longer timeframe, both of which can increase throughout the home-building process.

"Have your potential builder provide references and then check their past homeowner references," says Dave. "[And] try to use a lump-sum contract, instead of a cost-plus contract." A lump-sum contract specifies a fixed price for construction, putting the risk of cost overruns on the builder instead of the buyer. It may help the buyer avoid unexpected price increases.

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To save both money and time, maintain good communication with your builder, and make sure you are happy with the design/specs before the build begins. It's not good for you or your builder if you change your mind about the colour of the granite countertops after they've already been installed.

In addition, your contractor should work with you to help you reduce costs. Substituting different materials and fixtures can save thousands of dollars, so if costs are a concern, ask ahead of time if there's a cheaper alternative. And keep in mind that anything out of the ordinary, like custom colours or ornate shape of materials, most likely will cost more.

### Create a Schedule and Stay Connected With Your Builder

In order to stay on schedule, it is a good idea to create a plan for keeping to a schedule with your builder and try to have a contract that includes a construction time duration, and avoid-open deadlines.

If you are out of state, you'll want to make sure your builder keeps you up to date with the progress. "Ask if the builder will provide progress photos on a regular basis, and determine who will be your main point of contact throughout the process," he says.

### The Bottom Line

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Even if you begin your home search set on finding the perfect existing property, you may end up deciding to build to get exactly what you want. Conversely, you may plan on building and later decide an existing home is a better fit. In either case, working with a qualified and experienced professional – whether that's a real estate agent or a general contractor – can help ensure the process goes as smoothly as possible.

(If you're buying a builder home, be sure that everything you need is included. For details on what to put on your checklist, see [New Construction's Hidden Costs Can Burn Buyers.](#))

