

Buy vs. Build: finding the dream home that works best for you

Whether it's a white picket fence, a lush lawn perfect for a barbecue or granite countertops in the kitchen – we all dream about what we want in our next home. In today's housing market, one thing is indisputable: people want homes. With inventory low, prices high, and mortgage rates as low as they've been in years, it begs the question - is now the time to build instead of buying an existing home?

Real estate professionals say this is a trend that's gaining momentum. In Minnesota, data released by the U.S. Census Bureau and the Department of Housing and Urban Development reported 2,795 permits were issued this year in August compared to 2,004 in the same month last year.

So, how does a future homeowner decide between buying an existing home and building a new home? A first step in making the decision should include a trusted REALTOR®. Using a REALTOR® means you always have someone looking out for your best interest and can help guide you through the process – both financially and logistically during construction and post construction inspections. Many new developments now have site registration policies that require a buyer to bring an agent to the first few appointments.

Below are questions you should consider both for buying an existing home and building new.

NEW CONSTRUCTION

Maintenance Costs. It goes without saying that in a newly constructed home, that everything is ... well ... new. But that may come with a hefty price tag. But before you assume that this belongs in the "con" list, consider the potential future annual savings.

New homes require far less maintenance than existing, older homes. From the small items like appliances to bigger renovation costs such as new roofs, the total adds up. Buyers building new homes also have the advantage of including energy efficient technology in their builds, which can help save money on costly bills (while keeping environmentally friendly) for the future.

Build the Home You Want. When building new, future homeowners are also able to get almost exactly what they want in a home. The buyer can choose their floorplan, décor and even the specific lot on which the house will be built.

RE/MAX real estate professionals report that many home buyers planning to build are opting for ranch style homes with basements and open floorplans.



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U.S. Census Bureau and the Department of Housing and Urban Development



The median new home (new construction) price in the U.S. was \$282,800, versus \$208,900 for existing homes during the same year in 2014.

The National Association of Home Builders



On average it takes 50 days to close on a home.

Ellie May



Newly constructed homes in the Midwest on average take 6.3 months to complete.

U.S. Census Bureau

Professionals are also quick to remind home buyers that everything is negotiable when building a house. Your REALTOR® can help you negotiate costs and also garner deals on items such as cabinets. Often times, having a real estate professional on hand that not only has relationships with builders, but the know how to negotiate certain add-ons is imperative in getting the perfect home for the best price.

Real estate professionals also note that buyers should be aware of what home features are “musts” in certain neighborhoods and what would be considered “overbuilding” – this becomes imperative when a buyer chooses to sell their home and to ensure a quick and financially sound sale.

Building Takes Time. Data from the U.S. Census Bureau shows that in the Midwest, it takes a little over 6 months on average to build a home from start to finish. This puts many buyers in the position of having to find temporary housing once their former residence has sold. This can incur an added expense to the total construction cost if the buyer plans to rent during that time.

Added Commute Time. Commuting to places could be longer if you decide to build in a new development. Typically new developments are built in areas with lots of land, which means they can be a distance away from cities and established towns with amenities.

EXISTING HOME

Mature Property. When buying an existing home, you’re also buying into the property, and often the time that property has had to mature – meaning grass, trees and foliage are plentiful. Those that choose to build will have to put time, money and hard work into building up the landscape. Mature trees also help to shade a home during the summer and block wind in the winter – a cost saving, that many buyers overlook.

Quick Moves. The majority of the time, once a buyer closes on a house they can immediately begin moving in – allowing you to begin settling into a home right away. A recent report by Ellie May found that the average closing time for a house is around 50 days – a far cry from the 6 months it typically takes to build. This is not only a timesaver, but a money saver since temporary housing isn’t needed. This also benefits buyers that need to move prior to the start of a school year or are starting a new job in a new location.

Insurance Costs: Paying for homeowner’s insurance will cost more compared to coverage for a brand new home. Insurance companies usually offer discounts every year on a sliding scale for the first 12 years to people owning brand new homes, with the first year’s discount as high as 80 percent off.

Know What You’re Buying: When you buy an existing home you never really know what you’re getting until you truly get inside. This is why it is important to use a real estate professional and have a thorough home inspection. Let an experienced RE/MAX REALTOR® guide you through the process.