

# Build or Buy Existing?

## *Finding the dream home that works best for you.*

Whether it is 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. With inventory remaining low throughout Wisconsin, more buyers are taking the leap and building their dream home.

In Wisconsin, data released by the U.S. Census Bureau shows that building permit numbers year-to-date are up by 15.3 percent compared to the same period in 2015 for privately owned homes.

In addition to low inventory, low interest rates are also driving buyers to build. The average conventional 30-year fixed rate mortgage ended September at 3.42 percent, according to Freddie Mac's Primary Mortgage Market Survey (PMMS). With these low rates and the average home costing \$170,000 – owning a home in Wisconsin is affordable.

So, should you build or find an existing home? It is important to have someone looking out for your best interests throughout this process, which is why a trusted REALTOR® is recommended. Especially if you are considering building, an agent can provide unbiased information better than a builder. Some new developments also have site registration policies that require a buyer to bring an agent to the first few appointments.

Consider these benefits for both options to get the conversation started with your real estate agent.

### **BUILDING THE DREAM HOME**

**Getting exactly what you want** is the main reason people decide to build. The possibilities and options are vast, allowing you to select the floorplan and features you desire. Real estate professionals in Wisconsin are seeing trends in buyers selecting natural materials – like wood, granite and stone – throughout their home with a focus on building something that is unique instead of following cookie cutter models.

**Buying a house free of toxic materials** is one reason people prefer to build brand new. There are usually no risks of finding things like asbestos, lead paint and mold. The good news for a buyer purchasing an older home is that an experienced inspector should find these things. However, the responsibility of the cleanup of the toxic materials could fall on the buyer. New homes also have better control of air infiltration and are built with green materials and technologies.



**Building permits in Wisconsin are up by 15.3 percent compared to the same period in 2015 for privately owned homes.**

The U.S. Census Bureau



**The average gross profit of completed renovations was 35.9 percent of the original purchase price for single family homes in 2015.**

RealtyTrac





**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



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

U.S. Census Bureau

**Keeping within your budget** could be a challenge since the features you dreamed about in your new home could cost more than you expected. According to the National Association of Home Builders, the median new home price in 2014 was \$282,800, versus \$208,900 for existing homes during the same year. Builders typically provide buyers options through packages based on tiers. REALTORS® recommend that buyers discuss with the builder what's included in the package because there are some items that could cost extra or could be not included at all – like gutters and landscaping.

**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 longer distance away from cities and established towns with amenities.

## FINDING THE DREAM HOME

**Getting into your next home is quicker** instead of waiting for contractors to build a new home. The 2014 Survey of Construction (SOC) from the Census Bureau shows that the average completion time of a single-family house is around 7 months. Real estate professionals currently are seeing it take longer for people to build a home because there are not enough skilled workers in the trade industries to keep up with the demand. It is about a 50-day process for a buyer purchasing a home through a conventional loan.

**Renovating to get what you want** creates more equity in your home, and it's a big reason why people would rather buy an existing home than build one. The average gross profit of completed renos was 35.9 percent of the original purchase price for single family homes in 2015 according to RealtyTrac.

**Replacing items will add to the cost** when purchasing an existing home. In an older home, real estate professionals suggest that you budget for maintenance. Also older appliances, furnaces, air conditioners and water heaters are typically not as energy efficient as today's new models causing the homeowner to pay more each month.

**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.