



SOUTHEAST MINNESOTA NEW HOME CONSTRUCTION

Resource Guide

THE COMPLETE GUIDE TO BUYING NEW CONSTRUCTION



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BUYING NEW HOME CONSTRUCTION

The Basics

A new construction house is a home where the buyer is the first person to live there after it's built—but it can happen in a number of ways. A buyer may purchase their own plot of land and contract with everyone needed to build a custom home, including an architect and builder.

On the other end of the spectrum, a buyer may purchase a completely built home and the property it's on from a developer. The home buying process can fall somewhere in between as well. For example, a buyer might purchase empty land from a developer and then choose from a variety of home design options, and then a builder will build the home.

PRE-OWNED VS. NEW CONSTRUCTION

Pros Vs. Cons

Pre-Owned



- 👍 Typically Less Expensive
- 👍 More Desirable Locations
- 👍 Known Neighborhood Dynamics
- 👍 Proximity to Schools, Shopping & Places of Worship
- 👍 Houses Tend to Have More Character
- 👍 Property Values can be Determined Before Purchase
- 👍 Lower Tax Profile



- 👎 Smaller Inventory of Acceptable Properties
- 👎 May Require Extensive Repairs and/or Renovation
- 👎 Fewer Amenities/Older Appliances
- 👎 Financing can be More Difficult
- 👎 Competition from Competing Buyers
- 👎 Neighborhood May be in Decline

New Construction



- 👍 Brand New Construction with Active Warranties
- 👍 Customizable Floor Plans
- 👍 Cost of Upgraded Features and Appliances can be Folded into the Mortgage
- 👍 Green Appliances for Better Energy Efficiency
- 👍 Financing Available Through the Builder, Making it Easier to Qualify for a Mortgage
- 👍 Fewer Maintenance Costs Associated with Repairs or Renovations



- 👎 More Expensive than Resale Properties
- 👎 Location May Not be Ideal
- 👎 Property Values are Unknown, and Possibly More Volatile
- 👎 Lacking in Character - Cookie Cutter Design
- 👎 Ongoing Construction in the Neighborhood
- 👎 Greater Tax Burden

BUYING NEW HOME CONSTRUCTION

Pros Vs. Cons

The Pros



Personalize & Customize

A custom, tailor-made home provides a unique opportunity for builders to showcase their creative talent and craftsmanship. It also allows you to express yourself with finishes that reflect your tastes, preferences, and personalities.

Existing homes rarely offer the opportunity for you to change the layout of the house. At best, you can remodel and change out the old fixtures and finishings.



Extra Clean

Newly constructed homes offer the most sanitary solution possible. Moving into a new home knowing that no one has ever lived there is a great feeling. New houses provide all of the latest materials and sealants. Living in a brand new house that no one has ever lived in will eliminate any nasty surprises you might find when buying an existing older home.



No Need For Updating

An existing resale home is like a blank canvas. It's just waiting to be created as the buyer sees fit. When you purchase your own new and improved masterpiece, there's no need for updating because the products used are taken from the current design trends.

When purchasing an existing resale house, the previous owners could have picked out the design choices decades ago, such as colors or flooring patterns. This leaves the new homeowner with the desire to update.



Energy Efficient

The efficiency benefit from new construction causes utility costs to be lower than average. A few reasons include vinyl windows, new door trim and seals, and better insulation between walls to keep out drafts. These products can reduce the need to heat and cool your home by a significant amount. The savings help to offset the higher cost of a new home in the long run.



Less Maintenance

New construction homes have less maintenance than older existing homes. You won't have to worry about your roof leaking when it rains or your air conditioner breaking in the middle of summer. You can enjoy all the perks of living in a brand new home without maintenance headaches. When things do breakdown, they are typically covered by the builder's warranty.

The Cons



Expensive

On average, it cost around 20% more to have a new home built than to buy an existing one. This number changes based on the area and price range of the home.



Less Mature Landscaping

Developers creating new neighborhoods typically tear down all of the vegetation in the area as the most costly way to break ground. When you have a new home built, you may have to pay extra to have new landscaping put in. This expense can be costly as the average landscaping project for a home is around \$3,000 to \$16,000. These additional costs come out-of-pocket in most cases.



Limited Options

New home builders like to stick with their most commonly used products and materials. The option of choosing products outside the showroom will most likely not be available for you. Make sure to get information on all of their products!



Additional Expenses

When buying an existing home, you might be able to buy it for the set price without any other expenses. Buying a new construction home means that there are always more costs than just the purchase price.



Offgassing

The new-home smell that so many people love may be damaging to your health. Formaldehyde is one of the most common chemicals that is released from the new wood in a home.

Over 10,000 potential chemicals off-gassing in a new home, it can take up to 10 years for these chemicals to fully vent. If you're sensitive to chemicals, make sure you do more research before making your next move.

Home Builder Warranties

When working with a builder, they will typically offer warranties that you could never get on an existing home.

Many home builder warranties cover anything that happens to the home within two years of the date of purchase.

Home Builder Financing Incentive

Many home builders offer special in-house financing that rivals most 3rd party mortgage lenders. Since they are already making money off your home purchase, they have the extra margin to offer financing incentives that an outside source can't offer.

It is wise to shop around to make sure the mortgage offer you're getting is the best one. Builder incentives change as the market switches from a seller to a buyer's market.

Ideal In a Seller's Market

Ideal when you can't find what you want, especially when there is low inventory and prices are soaring on existing homes.

Timeline

With a new house, typically you have to wait 3-12 months before moving in. This issue can be a challenge for people who are in temporary housing and need to get out of their current situation as soon as possible.

If you buy an existing home, you can move right into your new place within 30 to 45 days of signing the sales contract.

Higher Taxes

New construction neighborhoods often have higher taxes than older ones because they lack established infrastructure.

A recent study conducted by WalletHub found that, nationally, the average homeowner spends \$2,471 per year on property taxes. New construction property taxes can be twice that amount.

Strict HOAs

Homeowners Associations (HOAs) are becoming more popular every year. When new developments are created, they design all of the homes and lots to maintain uniformity. These new neighborhoods typically have smaller lots with more regulations than older communities. When a homeowner does something extreme to their property, it negatively affects the immediate neighbor's property values. This scenario causes new HOAs to be rigorous right from their conception.



BUYING NEW HOME CONSTRUCTION

The Step-By-Step Process

1 Educate Yourself on the New Home Buying Process



Like so many things, it pays large dividends, to begin with, education. This guide is to help educate you on how to buy new construction homes from builders. Not having a strategy, the right team and the right education could cost you tens of thousands of dollars in the purchase process. Do additional online research and get familiar with the process and types of questions you need to ask before approaching any model homes.

2 Team Up with a Lender on a Mortgage



Time to go shopping for money! A fraction or two of a percentage point can save you thousands and thousands of dollars per year. You'll want to start setting up your dream team, and this includes finding a lender who is going to get your best options. The smallest differences can add up to a lot over the span of 30 years.

3 Find a Top Local Realtor



You'll want to find a realtor that is familiar with the market, has relationships with builders, and knows the new home construction process well. Often the builder employs a new homes salesperson - but you'll want to be a bit wary of it as they will have the seller's (builder, developer, corporate, etc.) best interest at the forefront.

Hiring a Realtor does not cost you anything as a buyer, and you can have the peace of mind that you have someone in your corner that will help with you negotiations and be sure you are getting as much as possible and for a good price. You want the best deal, right?

4 Research the Builder



You'll want to do your due diligence on the builders you short list. This includes asking them important questions, visiting current or previous projects, and seeing any past customer reviews. We have supplied a sample guided questionnaire to help you to have the right questions to ask when you interview builders.

5 Negotiations (in writing)

There are ways that you can negotiate in new home construction. Usually, the best way to negotiate is through upgrades rather than in lowering a price. Your Realtor can help you with knowing where to push. The most important thing to do after any verbal agreements are made to be sure they get into documented writing.



6 Design & Construction

When moving forward with your new home construction, you need to keep one thing at the top of your head – you are not buying the model home. You are purchasing something that has not been built yet, so don't automatically assume what you see is what you bought from the model home. You'll want to have a good understanding of all the material options and what is considered upgrades. Try to get the bulk of this done at the beginning to prevent delays with any changes down the road.



7 Home Inspection

The builder will conduct inspections throughout the building process, but you'll want your own independent inspector to be sure everything is built as promised, safe and in good working order. Be sure to bring your Realtor along to help in knowing what to look for.



8 Know Your Coverage

Coverage for new construction real estate varies from builder to builder. You'll want to ensure you have a proper understanding of what is covered by the builder or other companies that were involved in the creation of your new home. Sometimes you can negotiate the warranty into the deal or add provisions to cover things the warranty may not normally cover.



9 Look to the Future

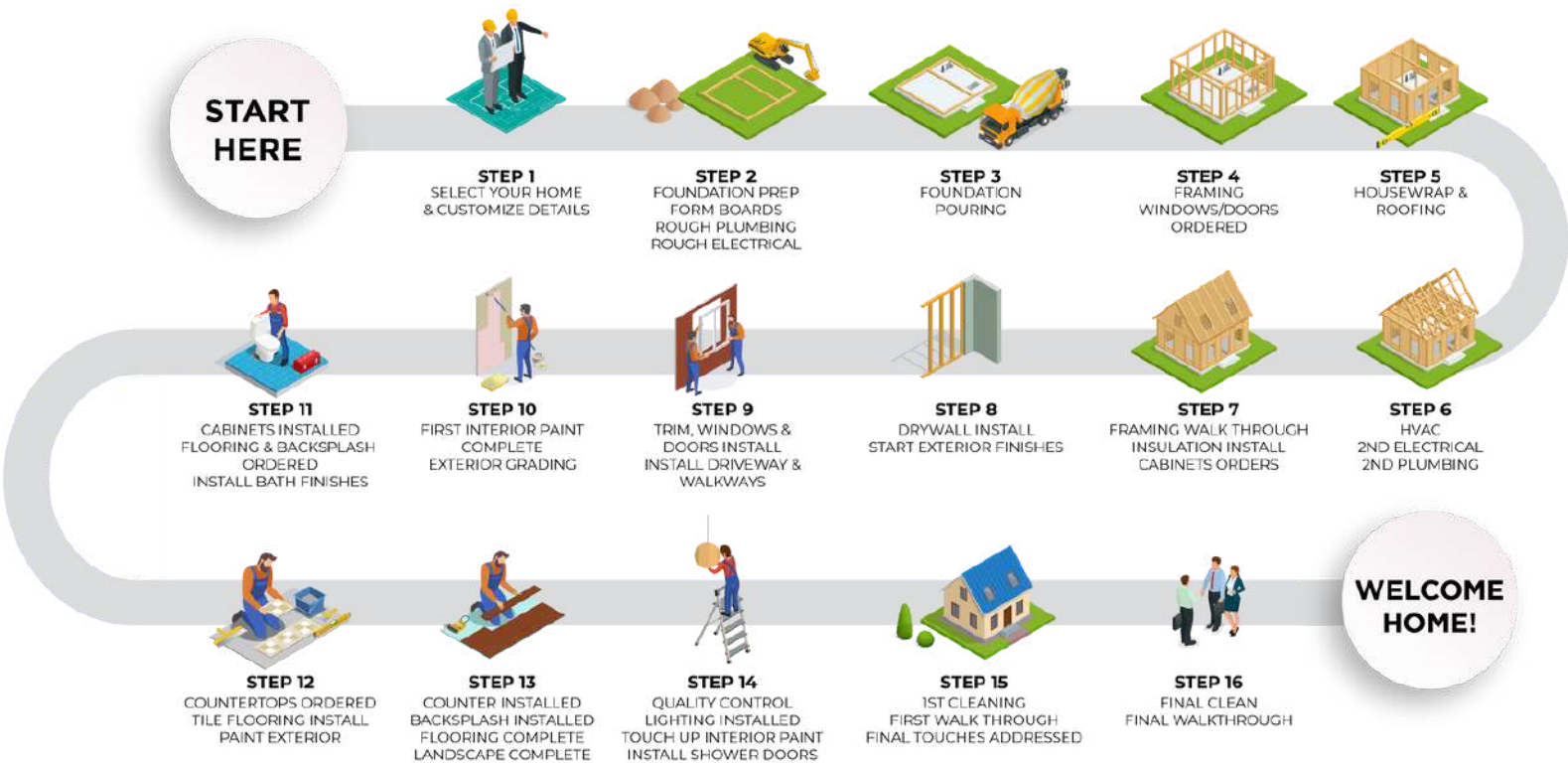
The more custom your home is, the less likely of a reliable timeline of completion. That creates a ripple effect if you're trying to sell your current home and need to figure out where to live between that sale and the new home completion. You'll need to work with the builder, your Realtor and lender to determine how to manage the situation because you can't close on the home loan until you are able to move in.



BUILDING A NEW HOME

Step-by-Step Construction Sample

Below is an infographic sample of the process of building a home. Each builder will vary, but you can get a good overview on how it goes.



HOW YOUR REALTOR CAN HELP

Having someone in your corner with the knowledge and negotiation skill will ensure that you get what you are wanting, and that your process goes smooth with no surprises.

With me and eXp Realty, you will be in the best hands. With over 10 years experience working with new home builders, our brokerage knows how to get you your dream home for the best price possible.



RESOURCES

For You

BUILDER QUESTIONNAIRE

Questions to Ask

Background

How many years have you been in business?

How many homes have you built?

Are licensed (where required) and insured?

What sort of new home warranty do you offer?

Design & Construction

Do you only build from existing floorplans?

Can I provide my own set of plans?

What are the standard finishes?

What are the upgrade options?

Are you allowed to purchase your own appliances or materials?

If you can bring in your own materials or appliances, will you get credits?

When and how can I make changes or upgrades throughout the building process?

Do all decisions need to be finalized before construction begins?

What are the energy-saving features of the homes you build?

Is landscaping included?

Costs & Administration

How long will it take to build my home?

Who will be overseeing the construction of my home?

Is the lot cost included?

Do I need to find land myself, or do you help acquire land?

Who can I reach out to with questions as they arise, and how can I contact them?

What is your process for inspections throughout construction, final walk-through, and to address any matters that need to be corrected or finalized?

Are there any homeowners rules or regulations?

Does the contract include a cost escalation clause?

How and when will the final cost of my home be determined?

Can I view a current project you're working on?

Are there any financial incentives for using the builder's preferred lender?

Do you build model homes that I can tour?

If not, can you help me make an appointment to tour a home you built for another customer?

Can you provide me with references or testimonials from previous home buyers?

What are you looking for in a client relationship?

NEW HOME CONSTRUCTION

Building Checklist Sample

This is only a projected schedule to help with the selection and building process.

1 Foundation Stage

Building Process

- ☐ Building Permit
- ☐ House Staking
- ☐ Land Clearing
- ☐ Footings
- ☐ Foundation
- ☐ Garage Floor

Selections to be Made

- Brick / Stone Veneer (if applicable)
- Roof Color
- Vinyl Siding
- Kitchen Cabinets
- Kitchen Countertops
- Plumbing Fixtures
- Fireplace Surround
- Stand or Pre-Finish Oak Flooring

2 Framing & Rough-In Stage

Building Process

- | | |
|---|---|
| <input type="checkbox"/> Framing | <input type="checkbox"/> Rough In HVAC |
| <input type="checkbox"/> Gas Fireplace | <input type="checkbox"/> Rough In Plumbing |
| <input type="checkbox"/> Roof Shingles | <input type="checkbox"/> Rough In Phone & Cable |
| <input type="checkbox"/> Vinyl Siding | <input type="checkbox"/> Rough In Electrical |
| <input type="checkbox"/> Brick / Stone Veneer | <input type="checkbox"/> Insulation |

Selections to be Made

- Phone & Cable Location
- Light Fixtures
- Vinyl Flooring
- Ceramic Tile Flooring
- Carpet

3 Interior Stage

Building Process

- ☐ Install Standard Oak Flooring
- ☐ Sheet-rock
- ☐ Interior Trim
- ☐ Kitchen cabinets
- ☐ Paint
- ☐ Vinyl/Ceramic Flooring

Selections to be Made

- Interior Paint Colors
- Interior Options
(Door Handles, Interior Trim, etc.)

4 Finishing Stage

Building Process

- | | |
|---|--|
| <input type="checkbox"/> Deck & Porches | <input type="checkbox"/> Finish Standard Oak Flooring |
| <input type="checkbox"/> Finish HVAC | <input type="checkbox"/> Interior Hardware-Shelving, Locks, etc... |
| <input type="checkbox"/> Install Pre-finish Oak | <input type="checkbox"/> Insulate Crawl Space |
| <input type="checkbox"/> Finish Plumbing | <input type="checkbox"/> Irrigation System Sidewalks, Drive Ways SOD |
| <input type="checkbox"/> Finish Electrical | <input type="checkbox"/> Clean Up |
| <input type="checkbox"/> Finish Standard Oak Flooring | <input type="checkbox"/> Certificate Occupancy |

NEW HOME CONSTRUCTION

Buying Tips

1 Hire a Real Estate Agent

Always use your own Broker/Agent; doing so will help ensure that you get what you want. Understand that the sales reps you meet at a new construction community are likely really representatives of the Seller – the Builder, corporate owners, developers, whomever – that are there to present their product, answer your questions ... and do the best job for the Seller that they can.

2 Evaluate Lenders

There's a lot that goes into finding the right mortgage. Even a percentage or two can save you thousands each year. Shop a few different lenders to make sure you are getting the best terms and what is right for you.

3 Shop Builders

You'll want to shop a few different builders to know you are comfortable working with them, the home designs, understand different warranty coverages and that you are getting the best price.

4 Location, Location, Location

Often new developments are on the outskirts of the city centers. You'll want to consider what makes the community stand out and what are the future developments for the area. What

5 Embrace Quality Landscaping

Trees and shrubs will make a significant difference in your energy bills, so make sure to hire a qualified landscaper. You'll want to consider the maintenance in the future, the impact the roots could potentially make to your water lines, and if the limbs could potentially impact the electrical lines or impede onto the exterior of your home.

6 Watch Your Budget

New home communities list a base price for the homes that they offer. However, this is rarely the actual final cost when building a new home. Be aware that you can add thousands of dollars to the base price of a home very quickly if you get carried away upgrading the standard flooring, cabinetry or lighting. It's important to know exactly how much you can afford and to budget accordingly.

7 Build With Resale in Mind

No matter how much you love the house that you are building, it's unlikely that it will be the last home you will ever own. Knowing that, you should be mindful of its potential resale value. Don't add so many upgrades that you overprice your home for the neighborhood. And don't choose anything too out of the ordinary. Ask yourself if the features you're considering installing are likely going to appeal to others.



NEW HOME CONSTRUCTION

Buying Tips

8 Know Your Timeline

Building a new home usually takes many months and lots must be coordinated during this time frame. If you are already a homeowner, your current home must be sold, you must make decisions regarding your new home and you must arrange a new mortgage. Get an estimate of when the building of your new home will be completed and plan accordingly.

9 Be Prepared for Delays

No matter what time frame a builder gives you, there is always the possibility of delays. Inclement weather, shortages of supplies and labor problems can all factor into delaying the completion of your home. Be aware of this going into the building process and be prepared to be somewhat flexible.

10 Keep Watch on Progress

One way to help prevent delays and mix-ups is to stay involved in the building process. If possible, drive by the construction site to keep track of the progress that is being made. And keep in touch with your builder on a regular basis.

11 Avoid Making Changes

Try to avoid making changes to your designs once all of the plans have been completed. It will delay the completion of your new home and may add considerably to the final cost.

12 Arrange Temporary Housing

Chances are there may be a delay between the time you sell your existing home (or the lease expires on your current rental unit) and the time you move into your new home. If this is the case, you will need to arrange some temporary housing. Realize that you may be living there for several months so make sure it will be both affordable and able to meet your needs.

13 Read the Manuals

Sure, you'd rather rearrange your furniture than read owner's manuals, but if you don't learn precisely how your new appliances and other home gadgets work, you may inadvertently break them. Ideally, your builder will walk you through the operation of every appliance but read the manuals to be safe.



GET IN TOUCH

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