



BuildChi

Is New For You?

Guide To Decide



DISCLAIMER

Let me start this by saying that I am a huge fan of new construction homes, in my opinion the benefits highly outweigh the negatives that can be involved, but that doesn't mean it is for everyone.

There are several important factors to consider when making this decision, which are detailed here so that you can save valuable time and energy.

By no means does this imply that these are the only factors to consider, however from my years of experience serving the new construction market, these are the most common which my clients change their minds in favor of resale homes for.



Is New For You?

1. New Construction Pricing

New construction homes typically come with a higher price tag compared to resale homes. This is an important point to understand upfront. However, the higher price is often justified for several reasons, but still may not be enough for some which is why it is first on this list.

When you factor in the cost of updates and repairs that are often needed in resale homes, such as remodeling a kitchen or replacing flooring, the cost difference becomes less significant.

Home improvement loans also tend to have higher interest rates compared to mortgage rates, making the overall cost of updates higher in resale homes when using financing to cover the changes needed.

Furthermore, new homes are often more modern and energy-efficient, leading to cost savings over time. These savings can be substantial when considering lower electricity, water, and gas bills.

While it's challenging to quantify these savings precisely, they are a significant factor to consider when comparing new construction and resale homes.



Is New For You?

2. Build Times

One of the most critical factors often overlooked by potential homebuyers is the timeline for building a new home. Understanding this timeline is crucial, as it can significantly impact your decision-making process.

For Semi-Custom Homes, where you have the opportunity to select various aspects of your home, from the lot and floor plan to the individual design and structural elements, you can expect a construction timeline of at least 7-9 months from the time you sign the contract to the time you close.

With Custom Homes, you typically have longer construction timelines, ranging from 11 months to 18+ months. The complexity of customizations and the need for detailed planning contribute to this extended timeline.

Spec Homes, which are homes that are already under construction or nearly completed when purchased, offer the shortest construction timeline. With Spec Homes, you can expect little to no delay, as the home is already in the final stages of completion so this guide is much more focused on the other 2 options.



Is New For You?

3. Earnest Money

Earnest Money is a deposit you provide to the sellers as a sign of your commitment to purchase their home. This deposit is typically collected around the time you sign the contract and is applied towards your down payment at closing, with any excess returned to you. However, if you cancel the contract without acceptable reasons, you may forfeit this deposit.

In new construction, the amount of Earnest Money required is often higher compared to resale homes. Builders usually ask for 10–15% of the base price of the home as Earnest Money, which is held by the builder until the home is completed. This means that builders are holding onto your earnest money for several months.

In addition to the initial earnest deposit, some builders may also require additional deposits for certain design choices. It's important to note that these deposits are often a significant portion of your down payment and need to be paid early in the process. However, builders may be flexible with these requirements in some occasions, especially if demand is not high, but that has not been the case in recent years due to inventory shortages.

Is New For You?

4. Availability

While new construction homes can be appealing, it's crucial to ensure there are options available in your desired location. Researching this early is important, as home prices, both in new construction and resale markets, tend to rise over time.

I have created a map that outlines many of the new construction options in the Chicagoland area, organized by community. Most major developments are occurring on the outskirts of the Chicago Metro area, where new development is more common. However, there are also some developments closer to the city due to local rezoning or demolition of older buildings, but it's far more rare and limited.

If you prefer a more established area, don't worry. Many 1-off properties, known as Spec Homes, are also being built throughout the Chicagoland area. So, if you can't find a community that suits your needs, these individual homes might be a good option.

But, if even after exploring these options you can't find a suitable home, then new construction might not be the right choice for you simply because there is a lack of availability that you may be able to instead find in the resale market.

Is New For You?

5. Negotiations

Negotiating with new construction is a different ballgame compared to resale homes. While you might occasionally snag a great deal with a resale, negotiating with builders is a more nuanced process.

Unlike negotiating with individual sellers, you're dealing with a corporation focused on profit margins not a family with similar taste and heart strings to pull on.

Approaching negotiations for new construction requires a different strategy and working with an agent experienced in new homes can be invaluable in navigating these negotiations effectively. While I delve deeper into this topic in my "Negotiating New" handout, which you'll gain access to if we decide to work together, it's important to understand that the dynamics are different, and you may not have the same leverage as you would in a resale negotiation.

Beyond this info, my expertise in negotiating new construction is geared towards helping my clients. So, if you want the "sauce," as they say, you have to commit, however after reading this handout, I hope you have a better understanding of whether new construction is right for you and working together makes sense.