



# BuildChi

**Builder Pricing Explained**

**Pricing Guide**



## **DISCLAIMER**

The statements here are to assist in providing a broad understanding of how builders price various aspects of a home.

By no means is this a one size fits all explanation as each builder and even each community can be vastly different. However, after many years of working in the new construction space, This is my general and overall understanding of builders pricing.

It is your responsibility to verify this information leading into your contract and asking questions to myself when something appears differently then you expected.



## Builder Pricing Explained

### Builder Pricing:

New construction is unique compared to resale homes in many ways, the biggest of which in my opinion is pricing. Now keep in mind this doesn't exactly apply to Spec Homes which you can learn more about in my handout "Which Build Type Is For You" but especially when looking at Semi-Custom or Custom Homes pricing can be extremely complicated.

See when you connect with a builder, whether that be in person, online or even through pamphlets/signage, what you find out is that whatever the pricing is that you see displayed, is generally only half of the story.

This is because the pricing displayed is usually based solely on what most builders call the Base Price of the home itself. But what is the Base price of a home? Well in most cases, the base price is what the home itself cost, without any options, upgrades or lot premiums.

So, when you see a sign that says "Starting in the 300's" it is likely referring to only that Base price of whatever the cheapest floor plan is in that community.



## Builder Pricing Explained

### The Problem:

The issue with statements like "Starting in the 300's" is that they have become misleading in recent years. Before the pandemic, such statements often meant that you could actually build a home in that community at that price. However, this is no longer the case in most instances.

While it's true that the lowest prices in a community are usually tied to the base floor plan, which offers no customization options without additional cost, the fact remains that you could once build a home at the advertised price. This is now extremely rare, with the actual cost of a home often being significantly higher even before you ever make a single decision at the design studio.

Look, in reality, most buyers do not opt for the lowest-priced home in a community. They typically choose something closer to the builder's middle-tier option which is fine. However, it's important to note that this trend does not excuse builders from engaging in what is in essence, false advertising.

These practices have terrible consequences to you as a buyer if you don't watch your back, and I will discuss how so, further on in the next section. Personally I believe this is being done intentionally or at least, with the builders fully aware of the consequences you experience.



## Builder Pricing Explained

### What Changed?

Builders have shifted their approach to lot pricing in recent years, particularly with the rise of lot premiums. Previously, standard lots, which had no additional premium, allowed buyers to build a base floor plan home without extra cost. This meant that when builders advertised homes "starting in the 300's," buyers could actually purchase a home at that price because standard lots were included.

However, as the market moved towards a seller's market with limited supply, lot premiums became more common across all lots, not just the most desirable ones. This means that buyers now have to pay more for their lots, but builders often do not advertise these additional costs upfront. Lot premiums are rarely listed on builder websites, and buyers often only find out about them after speaking directly with the builder's staff.

Builders may claim that tracking lot premiums is challenging, but the reality is that they frequently update their base home prices on their websites, suggesting that updating lot premiums would not be significantly more difficult. The goal of these pricing strategies is to attract buyers with seemingly low prices and then address additional costs in person, potentially without the buyer's realtor present saving the builder thousands of dollars in the process.



## Builder Pricing Explained

### You're Getting Played:

Now I'm not saying lot premiums are unwarranted by any means, builders deserve to turn a profit for taking the risk to develop a community, but at the very least I feel that advertising should reflect reality. Although I'm sure most builder's cover this by noting somewhere in advertisements that pricing is more complicated. However they are well aware that you aren't going to read the fine print driving 45 mph past their sign on the way to lunch and nor would you ever expect walking into a model home or sales center could leave you unrepresented in your purchase.

See if you had no issue with bringing your Realtor in at a later time, this wouldn't really be a problem. Of course you will feel a certain way when you realize your dream price isn't reality, but that isn't permanent, you lost a few minutes of your time.

Keeping you from using your own representation though, now that is truly concerning. At it's core I feel this approach is far more centered on getting people in the door quickly without realizing they should have brought their agent and because of these policy's, unlike with resale homes, new construction buyers purchase a home with an agent closer to 50% of the time compared to somewhere around 95% of the time with resale buyers.



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## **Builder Pricing Explained**

### **Why You Want An Agent:**

Realtors offer valuable support in new construction transactions. One key benefit is the potential for a rebate, where you receive money back from the agent's commissions, as I provide through the BuildChi Buyers Rebate Program. This can result in substantial savings, putting thousands of dollars back in your pocket.

Beyond rebates, the real value of working with a knowledgeable Realtor with expertise in new construction, lies in that expertise. For instance, the insights shared in this content are based on my experiences with numerous clients and the challenges they've faced with builders.

A skilled agent can save you money by advising on specific choices, highlighting alternative options, providing recommendations and making you aware of promotions that could lead to significant savings.

Even if it's not immediately apparent, having an agent represent you in your transaction can be a critical part in understanding builder pricing but that choice is only yours if you don't fall into their traps. I hope this content has provided you with a clearer picture of what to expect with builder pricing and the benefits of having a Realtor by your side.