



The Allure of Buying New

Essentially, with new construction the work has been done for you, providing the buyer with the peace of mind that they can walk into their new home and not have to lift a finger, a hammer or a paint brush. Beau Dickerson, of Dickerson Homes & Development (www.buildddhd.com), believes that the allure of buying new comes right down to less maintenance. For the first year, the homeowner doesn't have to deal with unexpected problems because it's the builder's responsibility, notes Dickerson. Unlike with pre-owned homes "you are given the keys and you are on your own." For the first year, the buyer has the reassurance and comfort of knowing that their new home will be maintained, according to Dickerson.

However, Frank Ballif, of Southern Development Builders (www.southern-development.com), attributes new construction popularity to the fact that you get exactly what you want, and you don't have to compromise on what it is that you are looking for. For example, you get to choose from the latest

Buying NEW vs. Old HOMES

BY JANET THOMSON

According to trulia.com's recent survey, twice as many buyers prefer new homes over existing ones. In fact, the survey reveals that two in five Americans strongly or somewhat prefer a newly built home over one that was previously occupied. That's a sizeable 41 percent of the population that prefers shiny and new. Interestingly, the results also show that the biggest advantage of buying new is that you're able to get a house customized before construction is done – in essence, you are guaranteed a home that mirrors your personality and matches your lifestyle.

When a buyer purchases a newly constructed home, they're getting a home built with the latest technology. These amenities could include things like an alarm system, speaker systems, Internet wiring, and cable – saving the buyer both time and money. In addition, with newly constructed homes, builders utilize new materials, providing more energy efficiency and potentially saving in utility bills.



products that you know are available. A lot of things have come a long way from flooring to plumbing supplies, says Ballif. For instance, HVAC is different than it used to be, and you just don't get those choices with a resell. Of course, you could always choose to remodel, but that's expensive and time consuming. In addition, Ballif attributes energy efficiency as another reason for buying new. According to Ballif, the average new home they build is twice as efficient as the average resell because of improving technology and better features, with design elements that today's lifestyle demands, such as walk-in closets, and large master baths to name a few. The buyer has complete control and can custom design their home to their preferences.

Making the Case for Old Construction

Although most American buyers prefer new construction, 21 percent of the survey participants strongly or somewhat prefer an older home. The results revealed that the main reason buyers purchase an older home is for the traditional features. In addition, the desire of an established neighborhood near other older homes is another reason why existing homes appeals to this group. However, for buyers gravitating to the older home,



the cost to update a pre-existing property requires an unbelievable amount of money, says Dickerson. Although older homes are typically in fantastic locations and have character, they do come at a premium, continues Dickerson. Buyers don't realize how much they are spending. For example, say you spend \$300,000 for an older home and \$325,000 for a new home, but your heating and cooling bill is about \$500, your electric bill is \$120, and you have a minimum of \$1,000 in maintenance. While older homes typically have larger lots and better locations, especially in downtown Charlottesville, when you factor in these costs, an older home just doesn't compare.

Hiring a Builder

For many new buyers there's something inherently appealing about buying brand new – you get to pick the color of your countertops, appliances and

flooring, and have everything meticulously designed to your specifications. Newly built homes typically come with more space and better amenities, they require less maintenance, and they are usually more energy efficient than older homes. However, according to nolo.com, there's a downside to buying new. Some examples are shoddy construction, lengthy construction delays, and in some cases, even construction stoppages, if the developer runs out of money. To address these problems, nolo.com suggests choosing the builder first, then the house.

A responsible builder constructs quality homes that live up to its company's reputation, and remains available should problems arise. A potential buyer can speak with owners who currently live in the development they are considering. And, if the development has a homeowners' association,



contact the association or its board of directors. If the home hasn't yet been built, nolo.com suggests that you contact owners in a recently completed development done by the same builder. In addition, buyers can contact the state or local licensing agency that oversees contractors. Even the local Better Business Bureau can provide information about a builder.

Dickerson adds that when looking for a builder a potential buyer should ask, "How do you insulate your home, and how do you heat and cool your home?" There are a number of ways to do it, "but there are only a few ways to do it very well," he says. He goes on to add that delays are hard to protect yourself from, especially if they are weather related. Granted, with new construction, you just have to expect that there are going to be delays. You can't pour concrete when it's 8 degrees outside. No one is putting a roof on when it's snowing. That is just part of the process, and hopefully the delays are not too long. However, when it comes to running out of money, which is a concern, the buyer could secure their own construction permanent loan. It's not an entirely difficult process, and the fact that many people just don't understand the process makes them nervous, Dickson adds.

Ballif states that a company's reputation and past resume in the community are two important components when hiring a reputable builder. "We have been building and developing in Charlottesville since 1999," he adds. "We have a great reputation for building a quality product and standing behind our product, and we make the process easy. And, in addition, we have Charlottesville's only design center."

Protecting Your Investment

There are many horror stories about new construction homes – the roof leaks, the kitchen floods after the first big rain, or the windows won't open. Of course, this won't be a problem if you purchase from a reputable builder. Nolo.com suggests that you purchase a new-house warranty from an independent insurance company. New home warranties typically cover "workmanship and materials for one year; plumbing, electrical, heating, and air conditioning systems for two years; and major structural defects for ten years." According to Dickerson, "the best time to purchase a new construction home is about two or three years after it's built." This gives the home time to settle, and for all the components to work themselves out. For example, you could have a waterline pop without any warnings because you can't see it until it's too late. In addition, appliances are notorious for going bad in the first six to twelve months. Having a warranty is added assurance for unforeseen things like these. Dickerson adds that a "big home energy rating score," is an important factor, and the lower the score the better the installation.

In addition to a home warranty, Ballif says that an Earthcraft built home provides the buyer with some extra built in value. Earthcraft is a program created through the Atlanta Home Builders Association, and is based on sustainability and energy efficiency. The program is administered through third-party testing, and "it's not something that we can just claim on our own," says Ballif. This point-based system not only takes sustainability and energy efficiency into account, but there are other specific tenants that you must meet when building an Earthcraft standard home – the added benefit to the buyer is a home that's going to use less energy and built with sustainable practices. In the end, that translates into what "we believe is a lot of value because the cost of home ownership isn't just that mortgage payment, it also includes those monthly utility bills."

Deciding What You Value

Although 41 percent of Americans say they prefer newly constructed

homes, just 46 percent of those surveyed – who strongly prefer a new home – are willing to pay the 20 percent premium that new homes typically cost, according to trulia.com. Ballif doesn't believe that this number is necessarily a fair representation of the cost of buying a new home. He says that you have to look at it more specifically, and consider what you are actually expecting in a new home. For instance, if you wanted a 2,500-square-foot single-family detached home on a .25 acre lot, then you could pull the data and analyze that. But typically, new construction is more of an investment than a resell, he adds. When you purchase a new construction home you're getting "customization, performance, energy usage and a warranty – as opposed to a resell where you get the keys and you don't know what's behind the walls, and once it's yours, it's your problem." Essentially, a higher upfront cost is offset by lower operational cost and less maintenance.

If you are still on the fence about whether to purchase a new construction home versus an older home, Dickerson believes that you must first understand what your definition of an older home actually is. Homes constructed during the 1920s to 1940s were actually built fairly well compared to those constructed during the 1970s to 1990s, according to Dickerson. Today, if you purchased a home built during the 1970s to 1990s era you need to be budgeting for some serious maintenance. There were a lot of experimental materials being used during this period, such as quest piping and maso siding. Interestingly, there was this 30-year building period when the mantra was they don't build them like they used to. Now, the mantra is "we don't build them like we used to, we build them much, much better," says Dickerson.

Ultimately, the decision whether to purchase a newly built or existing home comes down to what a potential buyer values most. For many buyers, modern features, the ability to customize the home before construction is complete, and being the first person to live in the home are reasons enough to buy new. On the other hand, there are buyers willing to forego newer amenities and modern technology to live in neighborhoods that are well-established communities. However, the consensus among builders is that in the long-run, buying new may be more costly, but with all the amenities and updated technology you are really saving in the long-run – specifically when it comes to your utility bills. ■

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