



HOW TO HELP YOUR CLIENTS BUY A NEW BUILD

A REAL ESTATE EBOOK FROM

 **The CE Shop**



DO YOU HAVE A CLIENT WHO'S INTERESTED IN BUYING A NEW BUILD?

In a sea of homes plagued by dated interior design and overdue repairs, new construction homes boast a unique appeal. Your client might be excited about buying a house that can be customized to their needs and tastes — or they might be dreaming of a home that's in pristine condition because it's never been lived in.

But for agents who have only ever helped buyers purchase existing homes, working with new homes can bring new challenges. If you're wondering how to best guide your clients through the process of buying a new build, The CE Shop can help.

WHAT IS A NEW BUILD?

First, let's cover the basics. New construction homes, also known as new builds, are brand-new properties — such as houses, apartments, or townhomes — that have never been owned or lived in before. The term encompasses anything from a homebuyer purchasing a plot of land and commissioning a fully-custom home to a building company planning out and constructing an entire neighborhood full of new properties.

An existing home, on the other hand, is any home that has previously been owned and is being re-sold.



BUYING NEW BY THE NUMBERS

The National Association of REALTORS®' *2021 Profile of Homebuyers and Sellers* found:



The typical home purchased between July 2020 and June 2021 was
BUILT IN 1993



of buyers who purchased a home within that timeframe bought a new home



of homebuyers who purchased new homes during that period said they were hoping to avoid renovations and problems with plumbing or electricity

Before we dive into the process of buying a new build, it's important that you understand the state of the housing market and the demand for new construction homes.

THE STATE OF THE HOUSING MARKET

An Ultra-Hot, Low-Inventory Market

In this scorching real estate market, demand for homes far outstrips supply, causing prices to soar and leaving many prospective homebuyers frustrated. [Inventory sank to all-time lows in 2021](#), emphasizing the need for more homes — and quickly. As new home construction ramps up, some hope that the increase in inventory will eventually provide homebuyers some relief.

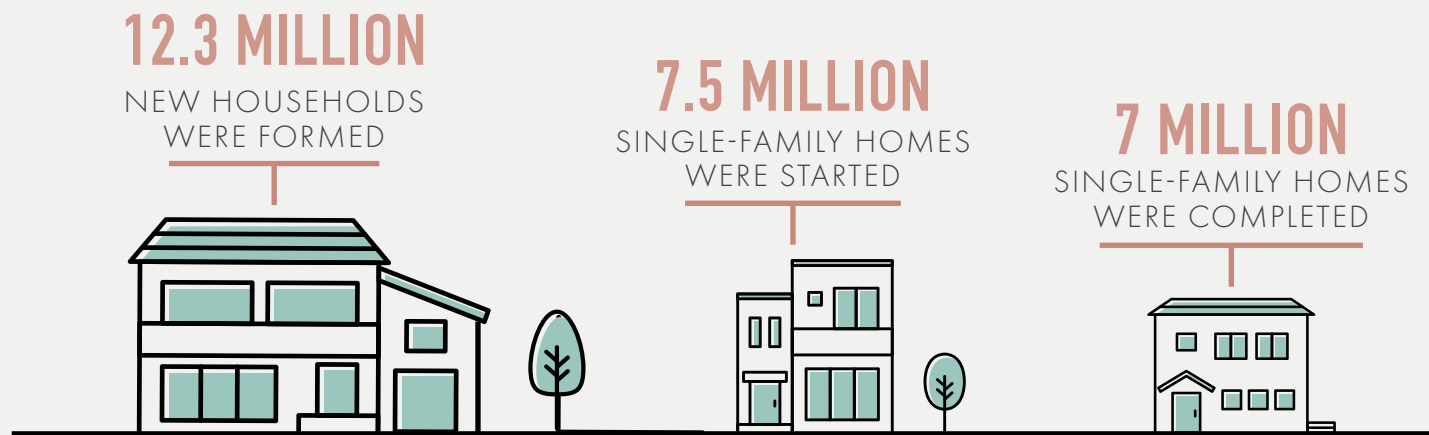
But existing homes still make up the vast majority of homes sold — and the pace of new home construction would have to dramatically increase to reach the number of homes needed in the United States.



THE STATE OF THE HOUSING MARKET

New Home Construction Can't Keep Up

Between 2012 and June 2021:



In June 2021, the gap between the number of new households and the number of new home constructions was **5.24 million homes**, up from 3.84 million homes at the beginning of 2019.

The bottom line: "Assuming household formations continue at current five-year average, the average rate of home completion would have to triple to close the gap in home completions and household formations in five to six years," [a Realtor.com report says](#).

Unfortunately, [Realtor.com predicted](#) that in 2022, home inventory would only increase by 0.3%, while the number of single-family housing starts — when builders start construction on a new home — were expected to rise by only 5.0%.

THE STATE OF THE HOUSING MARKET

Expect Construction Delays

It's also important to note that many new construction homes are taking longer to build than they typically would.

"In a perfect world, depending on the site and zoning classification, it typically takes from three to six months to build a house," [Realtor.com explains](#). "However, given the current state of supply chain slow-downs, labor shortages, and increased building demand, it's more realistic to factor in a few months of delay."

The cost of a new home is also increasing, in part due to rising costs of labor and materials.



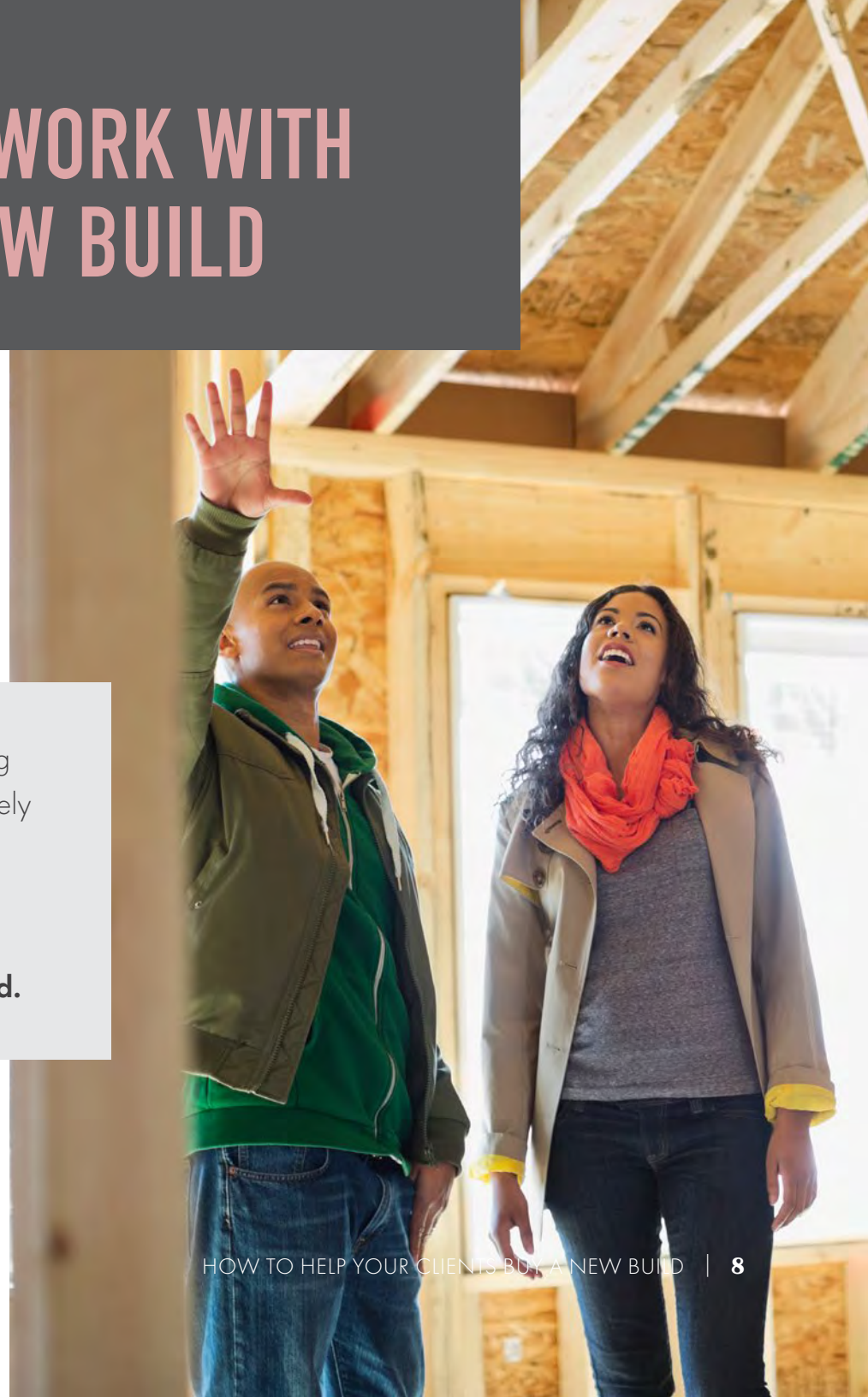
WHY BUYERS SHOULD WORK WITH AN AGENT TO BUY A NEW BUILD

Now that you understand the market, let's talk about what you need to know to help your client buy a new construction home.

The most important thing you can do is educate your client on what it's like to buy from a builder instead of a traditional seller and explain how you can help them through the process.



The builder will often have an agent representing them, and while they can be helpful, they ultimately have the builder's interests in mind. **Many homebuyers might not even know that they can — and should! — have an agent represent them when they buy a new build.**



HOW YOU CAN HELP

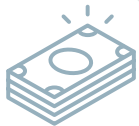
As an agent, you can help protect your buyer's interests, from negotiating with the builder to navigating complex contracts. [According to NAR](#), you should be prepared to help your client by:



Examining the builder's contract to interpret your buyer's rights and identify key deadlines, including anything that would cause them to forfeit their earnest money



Advising the buyer on the best use of their budget, from structural upgrades to design options



Negotiating the price, incentives, and inclusions, as well as helping the buyer understand what the final price will be



Asking about details your buyer might not consider until it's too late, such as what's included in the price, contingency terms, financing, and incentives



Reading and analyzing soil surveys, engineering reports, blueprints, and floorplans



Accompanying the buyer on the walk-throughs at various stages of the construction process

WORKING WITH BUILDERS

When you first start working with a new client, you should ask them whether they've considered buying a new home. If that's a possibility, you need to ensure that you're a part of the process from the beginning.

"Keep in mind that most builders will require that the real estate agent accompany and register the buyer on their first visit to the builder's model home or community," [an Inman article advises](#). "Make sure your buyers don't just 'stop by' the new-home community without you. If they do, they could lose the opportunity to have their own representation."

Some builders refuse to work with — or pay a commission to — an agent if they aren't involved in the very beginning.



There are many resources available to help real estate agents work with builders, including a course from NAR called [New-Home Construction and Buyer Representation - Professionals, Product, Process](#).



PROS AND CONS OF A NEW BUILD

As you're helping your client on their house hunt, you can also talk with them about the pros and cons of buying a new build home instead of an existing home.



PROS

- New homes are often either partially- or fully-customizable, meaning that your buyer can tailor it to fit their needs
- The home will be brand-new, which makes it low maintenance and truly move-in ready
- New homes are built with the latest appliances and materials, which often means that the home will be more eco-friendly and energy-efficient



CONS

- If the home hasn't been built yet, your buyer will have to wait — and in this market, delays are highly possible
- New homes are often pricier than existing homes, and custom changes or upgrades can add up quickly
- Newly built neighborhoods likely won't have mature landscaping and might be located in the suburbs, leading to longer commutes

YOU CAN BECOME A NEW HOME CONSTRUCTION PRO

Although helping a client buy a new build might feel intimidating at first, the process will become easier with time — and before you know it, you'll be a new home construction pro. In the meantime, read up on the construction industry and the work that goes into building a new home. If you familiarize yourself with the terms and concepts that you'll encounter, from what builder's timelines are like to the types of flooring that might be used, you'll be well on your way to helping your client find their brand-new dream home.

If you discover that you enjoy the challenge of working with a new build, you could even consider making it your new niche!



ABOUT US

Founded in 2005, The CE Shop has become the leading provider of online real estate education. With industry-leading pass rates and support from Pre-Licensing through CE, our students are better prepared to set themselves up for success.

Our ever-expanding course catalog of Pre-Licensing, Exam Prep, Post-Licensing, and Continuing Education products are trusted throughout the industry and offer agents across the country the education they rely on.

With products available in all 50 states and D.C., we're driven by a desire to constantly improve, both for ourselves and our students.

