



**HOME
BUILDING
UNITED**

Now is the Time

With residential construction on the rise, now could be the perfect time for you to build your dream home.

With mortgage rates still considered to be historically low, it could be more affordable than you think. Building a new home is an exciting experience that also brings about some serious challenges.

But much like most major life decisions, a little preparation can go a long way in determining if you will be successful in your endeavor.

WHAT TO CONSIDER

One of the greatest benefits to building your own home is the freedom that comes with it. You're not restricted to an existing home's floor plan or setup, so you can design your home with the open kitchen, high ceilings, large master suite and ample closet space you've always wanted.

But while you add features and amenities to your wish list, it is important to remember there is a price tag attached to each of them.

One of the first steps to building a new home is meeting with your local banking representative or mortgage consultant. They will look over your finances and help you put together a strategic plan that can set you up for a responsible, cost-effective build.

KNOW THE PROCESS

Before taking the leap, educate yourself on exactly what goes into the construction process of building a new home. Bring up each of the following aspects when going over initial plans with your contractor or architect.

- Site preparation, grading and readying for electrical and water hookups.
- The foundation or basement.

- Framing encompassing exterior walls, interior walls, windows and doors.
- Exterior brickwork or siding.
- Heating, ventilation and air conditioning (HVAC) system.

- Rough and finish electrical work.
- Rough and finish plumbing.
- Drywall, sheetrock and interior brickwork.
- Painting.

- Interior trim and cabinetry.
- Countertops.
- Flooring and carpet.
- Driveway and walkways.
- Landscaping, trees and plants.



How Much Does it Cost?

Lot sizes are shrinking for new home construction, while overall costs continue their climb to nearly unprecedented heights.

The National Association of Home Builders' 2013 construction cost survey showed that the average home is being built on about one-third of an acre. While this is less than the NAHB's last survey in 2011, cost is not.

The survey identified the average construction cost of a single-family home as \$245,453 in 2013. This average is significantly higher than the 2011 cost of \$184,125 and the highest it has been since the organization's 1998 survey.

SIZE OF HOME

Size is one of the primary reasons new home costs are rising. While homeowners are opting for smaller yards, the 2013 average size for a new home was 2,607 square feet.

More square feet means more flooring, walls and finishing touches, all of which are factors in driving totals costs up.

SALES PRICES

These larger homes, coupled with the features of a new build, helped fetch an average of \$399,532 as a sale price on newly constructed units, according to the NAHB, which factors in costs over and above the construction of a home — including sales commissions, overhead and financing costs. This figure is still considerably lower than the \$454,906 high in 2007 — shortly before the real estate downturn.

COST

BREAKDOWN

The NAHB survey broke down new home costs into all of the various construction categories required to complete the build. Ranging from site work and foundation construction to major systems and final steps, the cost of building adds up in a hurry.

Here are a few of the costs from the survey:

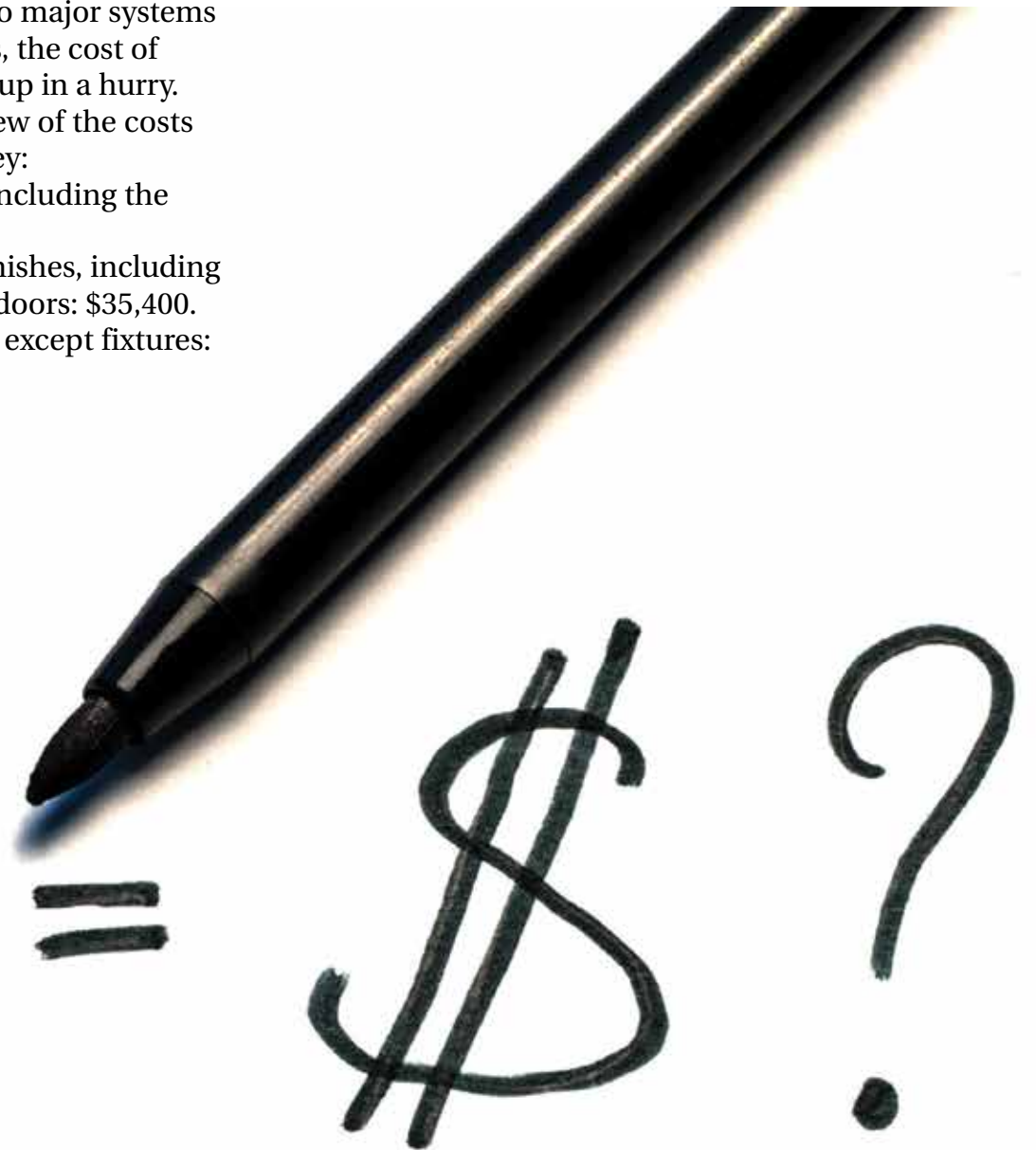
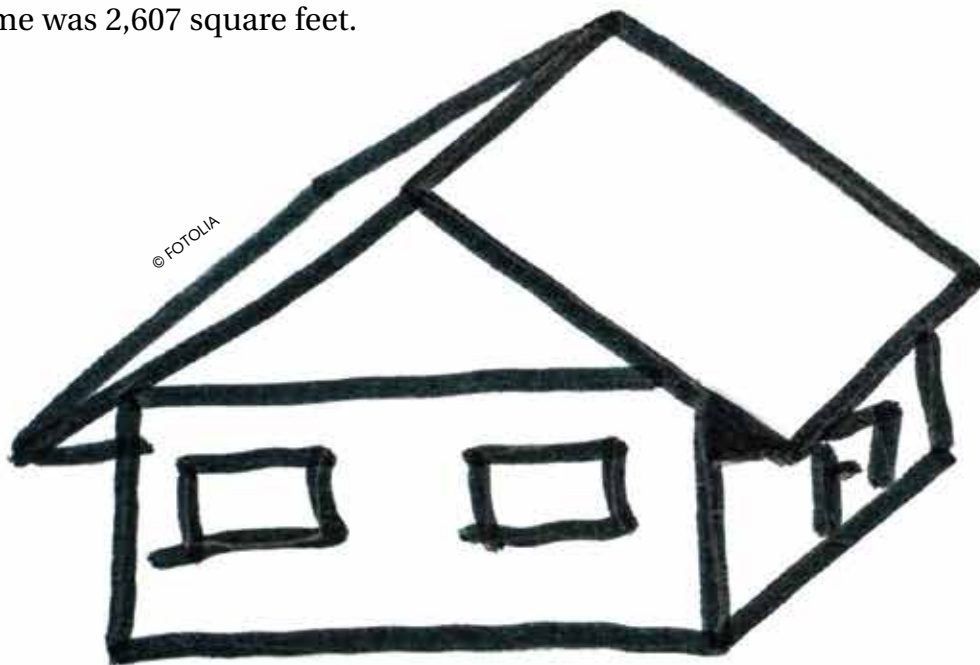
- Framing, including the roof: \$47,000.
- Exterior finishes, including windows and doors: \$35,400.
- Plumbing, except fixtures: \$11,800.

- Interior finishes: \$72,200.
- Landscaping: \$5,700.
- Driveway: \$3,700.
- Clean-op: \$2,200.

Here are some of the behind-the-scene costs that some homeowners may

overlook when building their budgets:

- Architecture and engineering: \$3,700.
- Building permit Fees: \$3,600.
- Water and sewer inspections: \$4,300.



Know Your Warranty Coverage

Before starting your build – which will most likely will be the most expensive purchase you make in your lifetime – it is crucial to invest in a home warranty.

Warranties promise to repair or replace certain elements of the home within a specific time period. To gain the most from your warranty, it is vital to understand what it covers, how to make a claim and the overall process for resolving any issues that may arise.

There are generally different sources from which you can obtain a strong home warranty. Some are backed by the builder, while others are purchased by the builder from an independent company. You, the homeowner, can also purchase additional coverage on your own from a local, regional or national third-party agency.

The Federal Housing Authority (FHA) and the Department of Veterans' Affairs (VA) require builders to purchase a third-party warranty as a way to protect buyers of newly built homes with FHA or VA loans.

COVERAGE

Warranties for newly built homes generally offer limited coverage on workmanship and materials relating to various components of the home, such as windows, heating, ventilation and air conditioning, plumbing and electrical systems for specific periods, according to the Federal Trade Commission.

The duration of coverage varies depending on the component of the house — most of which are covered for at least the first year. Everything from doors and trim to paint and stucco will generally be covered during that first 365 days of homeownership.

Coverage for HVAC, plumbing and electrical systems is generally two years, according to the FTC, while some builders will stand by their work for up to 10 years for major structural deficiencies such as a roof that could collapse.

NON-COVERED COMPONENTS

Most warranties for newly built homes do not cover expenses incurred by the owner in result of a major construction repair, including the cost of having to move out of the home during the work.

Also not typically covered:

- Household appliances.
- Small cracks in brick, tile, cement or drywall.
- Components covered under a manufacturer's warranty.



Your Building Team

Building a house is quite an undertaking, and it requires a dedicated, quality-focused team to make sure you can quickly – and safely – move into your new dream home.

On that team are a host of professional contractors, vendors and financing professionals who work together to take as much stress off of you as possible.

ARCHITECT

Have an idea for a wide-open entertainment room or a cozy library? Your architect is the person who can make it happen. Along with handling the more standard rooms in your home, your architect will be your best friend in putting together an appealing yet code-compliant floor plan featuring all of the amenities you have in your head.

If you're building within a subdivision, architects can also help design a home that melds well with the structures surrounding you. They will consider many factors in creating the perfect blueprint, including topography, weather factors and the direction your home will face.

GENERAL CONTRACTOR

Your general contractor calls the shots. This professional is a project management specialist with a strong background in construction science, building techniques and team leadership. If you decide to hire out this position instead of taking it on yourself, it is important to find a contractor who mixes well with your personality.

If you are the type of client who will be highly hands-on and involved in



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every single phase of the process, then try to find a contractor who is collaborative, patient and open to ideas. If you are looking for someone to take on your project and execute all of the decisions along the way, then you'll probably be best working with a straightforward, all-business contractor.

INSPECTORS

Building companies will work with inspectors both during and after the construction process to ensure your home is completed to aggressive quality standards. City or county inspectors will check the various systems against local building codes.

So what are they looking for? Typically, any issues related to the following aspects:

- Foundation work.
- Water and sewer lines.
- Roof, windows, doors and exterior coverings.
- Insulation.
- Code compliance.

Making Design Decisions



Depending on your personality type, deciding on an overall design theme for your new home will be either the most stressful or most enjoyable part of the building process.

Many decisions regarding both the exterior and interior design of your home must be made. And thinking of them in a group can downright intimidate the average homeowner.

So break things down to help yourself tackle challenges such as curbside appeal, home orientation and even room-by-room themes. It always helps to make a detailed list of questions or issues to go over with your contractor, as well. The more people you let in on your design ideas, the more they can help you talk through any flaws or tough decisions.

EXTERIOR DESIGN

One of the first steps in designing a new home is deciding how you want the exterior to appear. You can probably envision what a Cape Cod, Victorian or ranch-style home looks like. Maybe you are thinking a multi-cornered home with accentuations of all three of these designs, or more.

Once you decide on an overall style, you can start choosing between a single-level or multi-level structure. You will have to consider your lot when making this decision, because a flat piece of land can generally accommodate any style, while a hilly, graded piece of land may offer more challenges.

INTERIOR DESIGN

Designing the interior of your home can be a room-by-room adventure as you research various ideas on layout, color, appliances and furniture. You may have a theme before the build even begins, or you may need some help from a home design magazine.

Either way, you're sure to find an overall theme that will meet your goals. Remember to keep an ongoing budget as you begin purchasing paint, window coverings, accentuating features and other décor items that can quickly add up.

The General Contractor Choice

To hire or not to hire a general contractor. That is the question. Some homeowners have successfully navigated the challenge of working as the chief contractor on their new home build, but most are better served by hiring a true professional.

The experience can be an educational one that results in the satisfaction of a job well done. It can also be an overwhelming one full of unforeseen circumstances that lead to regret and expensive lessons learned.

How you handle the general contractor decision will likely shape the overall building experience for you and your family. That decision must be made at the beginning of the construction process to make sure all aspects of the build stay on track.

BE YOUR OWN

If you decide to be your own contractor — something that should only be done if you have a solid background and in-depth knowledge of today's construction processes from start to finish — one of the most critical aspects in a successful stint as a general contractor is simply staying organized. Keep a written schedule to plan things out task by task. Then ask local subcontractors about project rates, certifications, licensure and references.

Arm yourself with general knowledge about building codes through collaboration



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with an inspector or compliance officer. Your subcontractors also will have expertise in these elements, but it is best to do some research on your own so you can be prepared for unexpected construction complications — of which there will probably be quite a few.

HIRE ONE

If that all sounds like too much of a hassle or if you're not fully confident in your ability to take on general contractor duties, then hiring one is probably your best bet. Be prepared to pay, though. Some estimates

measure the cost of a general contractor to be up to 25 percent of the total price of your home.

The main benefits of hiring and working with a general contractor can be worth the price to a homeowner. The decision means you have a

point of contact across all aspects of your build and someone who is experienced in enforcing quality, cost and timeliness measures. Reach out to your local home construction boards or city commissions to find legitimate, qualified professionals.

A Green Build

In choosing to build a new home, you will ensure its compliance with all of the most recent energy-efficiency ratings. The savings of implementing a green building strategy can quickly accumulate – especially considering how far the industry has come in the past 20 years.

A new home can end up saving you more than 30 percent on energy bills compared to an older home on the market, according to the Federal Trade Commission.

The main reason for this discrepancy is the number of inspections your home will go through during the building process. Once the walls are up and the windows are added, inspectors will be able to perform tests to make sure there are no air leaks or other pain points that could decrease your home's energy efficiency.

INSULATION

Whether your new home is being built in Alaska or Florida, the right insulation will help it keep you comfortable year-round. The FTC enforces several energy-related laws, including the R-value Rule dealing with insulation.

“R” stands for resistance to heat flow — the higher the R-value, the greater the insulating power. Where you live will affect the R-value need of your home, as will how your home is being built, whether it is a single-level or multi-level structure or if you will have a basement.

Check out www.energy.gov/energysaver for tips on choosing the appropriate insulation.



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GEOHERMAL

No matter where you live, the geothermal system has been called the cleanest, most affordable way to heat and cool your home. It taps into the free energy in the ground, which remains at a fairly

consistent temperature throughout the year, regardless of climate or season.

Depending on your home's size, a new geothermal system could cost between \$20,000 and \$25,000 to install, according to the Energy

Environmental Corporation. It's a pricy investment, but one that could pay for itself in a few short years. That's because geothermal systems are estimated to reduce utility bills by 40 to 60 percent.