

Red Flags for Buying a New Build or Spec Home

The assumption that a new home or spec home does not have any problems is a very dangerous one. The transaction is basically a private sale and doesn't fall under typical real estate regulations. There are some serious red flags that you should be aware of.

PLEASE NOTE: *These items are only red flags. They are not necessarily problems in themselves, but should trigger a little more research.*

Late Payment Interest – If you don't pay on time, builders sometimes charge unethical interest rates until full payment is made. Everything is negotiable.

Additional Fees – Sometimes the builder will charge extra fees even if delays are their fault.

Discouraged from Using a Realtor – If you have nothing to hide....

Discouraged from Getting a Home Inspection – No one builds a perfect home.

No Pre-Possession Walk Through Scheduled – This is the time to point out deficiencies.

Speculative Pricing – In or just after a hot market, some builders price homes based on what they think the property will be worth in 6-12 months.

Sold Out Phases – It may just be that builder who is sold out. Shop around.

Paid Legal and Mortgage Fees – They will usually require you to use their people who are likely more interested in keeping the builder happy, than you.

Future Development Plans – What is being built around me?

Utility Right of Ways – Is there any place on my lot I cannot build on?

New Home Warranty – How long and what are the terms?

GST – Is it included or not, and am I get my entitled to the rebate?

Late Exterior Additions – If you ask to have a deck put on late in the process, then do you have an RPR or permit saying that it is properly located and built?

Verbal Promises – MEAN NOTHING. If it is important, get it in writing.

Non-Standard Upgrades – If it is unique, they may not stand behind the work.

Marketing Material Specs – This information may be exaggerated (check the square footage).

Alteration Clauses – Ensure that you know exactly what the builder can and cannot change on your home without your permission.

Seller's Conditions – The builder may have a clause saying that they can increase the cost, or ask for more money down at a later date.



Ambiguous Buyer's Conditions – If a condition says for the buyer to simply “get approved for financing”, then regardless of the interest rate or terms, you would have fulfilled your condition. If a condition is for you the buyer, then add the following words to the end: “..... to the Buyer’s satisfaction.”

A Realtor that understands new homes can be your biggest asset. Most good builders are happy for you to have a professional oversee the transaction. This is a must.