

## Old House vs New House: Is it Better to Buy New Construction?

⌚ 6 MIN READ 📅 NOVEMBER 21, 2024

The decision between buying an existing home or new construction is a significant one for any homebuyer. Each option presents benefits and drawbacks. Your personal preferences, budget and timeline will influence your decision.

We'll explore the advantages and disadvantages of each option, with insights into key factors like cost, customization, location and maintenance to guide you through the process.



### Purchase Considerations: Old House or New Construction

Consider your long-term requirements for a home. Some factors to consider as you develop your wish list:

- **Length of ownership:** Buying an existing home might make more sense if you're looking for a starter home or may relocate in the future.
- **Warranties, safety and efficiency:** New homes often come with warranties, comply with current building codes and are generally more energy-efficient.
- **Timeline:** Consider if you need a home that's move-in ready, or if you can wait for new construction.
- **Location and neighborhood:** Existing homes are typically located in established neighborhoods; new construction is often found in new developments.
- **Budget:** Consider if you are able to swing the potentially higher cost of new construction.

## New Construction Homes: Overview, Pros and Cons

A new construction home is a brand-new property that has never been lived in. The most common types of new construction include:

- **Production homes:** Also known as a “tract home” or “cookie cutter house,” a production home is part of a large subdivision where a builder purchases a large tract of land to build similar homes. “They usually have three or four specific floor plans you can choose from and some room to customize the home slightly,” says Ben Bowers, the CEO of BHR Construction Corp in [Greenville, South Carolina](#).
- **Custom-built homes:** These are built to your exact design preferences, needs and location. There may still be guidelines that must be followed if the house is being built within a [homeowners association \(HOA\)](#).

### Customization and Modern Features

Newly constructed homes are built to meet current building codes and safety standards. They are typically more energy efficient and, in some cases, have better build quality than a preexisting house.

It’s common for newer homes to feature better living space. You’ll typically find large, open floor plans and modern amenities like energy-efficient appliances.

With a new build, you have the opportunity to personalize the home’s layout, design and finishes. Newly built homes typically offer the opportunity to choose specific types of flooring, kitchen countertops and cabinets, and bathroom finishes, for example.

### Lower Maintenance and Home Warranties

While all homes require ongoing maintenance, new construction typically has lower initial maintenance costs and fewer immediate repair needs. If issues arise after moving in, they should be covered by the home warranty.

In South Carolina, for example, Bowers says that structural warranties on new builds are required by law to last 10 years. Meanwhile, the HVAC system is covered for three years and finishes like siding are covered for one year.

### Higher Cost But Favorable Financing

One of the biggest drawbacks of a new build is typically a slightly higher sales price. Custom homes in South Carolina, where Bowers builds, start around \$275 per square foot and go up from there.

Census Bureau data for September 2024 shows that the median price for a new construction home in the U.S. is \$426,300. In comparison, the National Association of Realtors (NAR) reports that the median price for existing houses is \$404,500.

However, the higher price isn’t always a drawback. “Tract home builders will finance the build, turning it into a mortgage at the end,” says Bowers. If you want to build a custom home, you have to get a construction loan and refinance it to a mortgage in the future. That process comes with higher credit score and income requirements.

New builders may offer incentive programs like [interest rate buy-downs](#) to make it more affordable to buyers. Consider your [closing costs](#) since a buydown may require you to bring more money to the closing table.





### Waiting Period and Builder Delays

When you buy a new build, you will likely have to wait for construction. It's very common for builder delays and design changes. "Sometimes there are design changes. Maybe the cabinet design you liked has a 10-month lead time, so you have to adjust your finishings," Bowers says.

Even after your home is completed, ongoing construction in a new development may cause noise and other inconveniences.

### Considerations When Buying an Existing Home

Buying an existing home can offer several advantages. These include lower initial costs and the opportunity to live in established neighborhoods with unique character. However, there are some drawbacks. Older homes often require more maintenance and repairs, and updating them to modern standards can be costly.

#### Lower Cost, More Maintenance

An existing house can be more affordable than building a home, but may also require more maintenance and repairs. Things naturally break or go out of style over time, which means you must budget for the **hidden costs** that will arise.

Depending on the home's condition, certain items may have to be addressed immediately to secure financing or insurance. Lenders often have strict requirements for the home's condition. For example, if there are moisture issues, termites or the presence of radon gas, some lenders may require that these issues are rectified before providing financing.



#### Established Neighborhoods and Character

Older houses are typically located in more desirable locations. "A lot of older homes are well located in cities or near downtowns," explains Stephen Gordon, co-founder and president of InSite Builders and Remodeling in [Bethesda, Maryland](#).

Older homes often have a certain charm and character that you can't find in new builds today. Intricate woodwork, original hardwood floors and stained glass windows are all features that can attract buyers. Established homes typically also have more mature landscaping, including shade trees, which can boost curb appeal and help keep your home cool in the summer months.

#### Charm Can Also Mean Outdated

While an older home can have unique charm, a property that hasn't been updated may feel less desirable. If you want to add modern features, such as an updated kitchen or bath, you will need to budget accordingly.

#### Existing Houses Are Move-In Ready

There's also the benefit of having a turn-key property. "An existing home is built and ready to move in right away. You can always modify it to your preferences, but there's no wait time," says Bowers. This can help reduce costs by not having to rent a property or maintain two mortgages as your house is being built.

#### Competition May Be Higher for Existing Homes

According to the U.S. Census Bureau, roughly 7.6 Months of new homes are available for sale. NAR data shows supply at 4.3 months for existing homes in September 2024, indicating there is far less existing home inventory for buyers to choose from.

Less inventory can lead to more competition, particularly in coveted areas. If you want a home in a **desirable neighborhood**, you may need to make a competitive offer and possibly face a **bidding war**.

#### Is it Better to Buy New Construction or an Existing Home?

The decision between an existing home and a new build ultimately comes down to your home-buying checklist, including your budget, desired location and timeline. If you're of the best choice, talk with a **real estate agent**. Your agent can help you narrow your wish list and coordinate house tours from both categories to help you decide what you like and dislike.

If you're ready to buy, don't put off getting a **mortgage preapproval**. This will ensure you're in the strongest financial position to make an offer and buy the home of your dreams, no matter which route you choose.