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Buy, Build or Fix: What's Best for First-Time Home Buyers



With a limited supply of entry-level housing for sale, getting your foot in the door you want could be a challenge if you're looking to buy your first home soon.

Nearly a third of Americans who've never previously bought a home say they plan to in the next five years. Before you join the house hunt, decide which type of property best fits your goals. Here are the pros and cons of buying a turnkey home, building a new house, or renovating a fixer-upper, according to Nerdwallet.

Buy if you can roll with the punches

What could be the downside to a move-in-ready house? All you need to do is move. But in today's market, competition is fierce. According to data from the National Association of Realtors, the inventory of homes for sale in the U.S. reached its lowest level in over 20 years.

"You have to be ready to go yesterday," says Simone Plush, a real estate agent with Washington, D.C.-area Century 21 New Millennium. Especially for first-time home buyers, the process can be "an emotional roller coaster," Plush says. She encourages buyers to be strategic and swift when making an offer on a turnkey home. For example, looking at homes priced slightly below your budget lets you afford a competitive bid that's over the asking price.

When you're feeling frustrated, Plush says, remember your "why" — the reason you're house hunting in the first place. Reconnecting to your desire to have a backyard for your kids, for example, can help you maintain momentum.

Build if you want to call the shots

New construction might sound intimidating and time-consuming, but unless you're starting from scratch with an architect and a piece of land, it can be surprisingly straightforward and speedy.

The biggest reason home buyers gave for purchasing new construction was to avoid renovations or problems with mechanical systems. Both these builders, like many others, offer home warranties, protection that buyers of existing homes may have to purchase for themselves.

"When you close on a used home, you're on your own if something goes wrong," Mezger says. "With a new home, you still have that relationship with us."

But these conveniences come at a cost: In the NAR survey, those who bought new construction paid a median price \$85,000 more than those who purchased a previously owned property. Feasibility may also depend on where you live. In an urban area or well-established suburb, building new may be difficult without paying to tear down an existing structure. In rural areas, there's plenty of land, but starting from the ground up outside a development may mean extra costs for securing access to water, electricity and more.

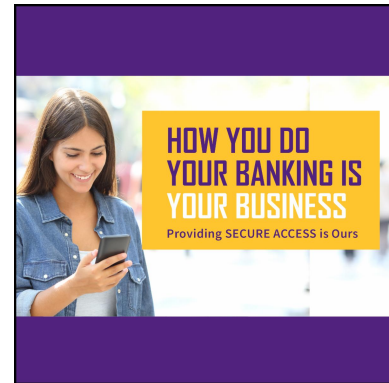
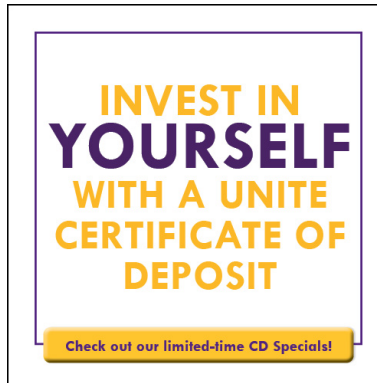
Fix if location's a must

Renovating a fixer-upper is tougher than it looks on TV, but if the house has good bones, you could snag an affordable home in your ideal neighborhood. The NAR survey showed 26% of first-time home buyers said they compromised on condition in order to buy a home. Condition issues are unsurprising as the nation's housing stock ages. According to Harvard University's Joint Center for Housing Studies, nearly 80% of American homes were at least 20 years old, and 40% were at least 50.

“First-time home buyers should not be shy about houses that have good mechanical and structural components that are just ugly,” says David Pekel, a former contractor who’s now CEO of the National Association of the Remodeling Industry. “You can fix ugly.”

Pekel recommends working with an experienced home inspector to determine what needs to be addressed. A contractor can delineate the scope of work and potential cost. Pekel says most will charge a consultation fee that’s refunded if they’re hired.

[Article source.](#)



About UNITE Credit Union

UNITE Credit Union was established in 1955, and since then has provided financial services to the students, parents of students, alumni, faculty, staff & retirees of the University of Northern Iowa; the employees, families & retirees of MidAmerican Energy & the students, parents of students, alumni, faculty, staff & retirees of the Cedar Falls School District.

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