

New Construction Home Buyer's Guide

A North Alabama Guide to Spec, Semi-Custom & Custom Home Building



Welcome

Buying a new construction home can be an exciting opportunity to own a brand-new property tailored to your lifestyle. However, the process is often very different from purchasing a resale home.

Whether you're considering a move-in-ready spec home, a semi-custom home in a planned community, or a fully custom home on your own lot, understanding the process can help you make informed decisions and avoid costly surprises.

At Stewart & Associates Real Estate, many of our agents have previously represented local and national builders, giving us unique insight into both sides of the transaction.

Types of New Construction Homes

Spec Homes

What Is a Spec Home?

A spec (speculative) home is built by a builder before a buyer is under contract.

The builder selects:

- Floor plan
- Exterior design
- Interior selections
- Appliances
- Flooring
- Countertops
- Paint colors

The goal is to have a completed or nearly completed home available for quick sale.

Advantages

- ✓ Faster move-in timeline
- ✓ Often less expensive than custom construction
- ✓ Ability to see finished product
- ✓ May qualify for builder incentives
- ✓ Less decision fatigue

Considerations

- ⚠ Limited personalization
- ⚠ Some selections already completed
- ⚠ Fewer opportunities for customization

Best For

- Relocating buyers

- First-time buyers
 - Buyers with a specific move-in deadline
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Semi-Custom Homes

What Is a Semi-Custom Home?

Semi-custom homes are built from a builder's portfolio of floor plans while allowing buyers to select many finishes and options.

Buyers may choose:

- Floor plans
- Structural options
- Cabinets
- Flooring
- Lighting
- Countertops
- Paint colors
- Appliance packages

Advantages

- ✓ Personalization without designing from scratch
- ✓ Builder manages construction process
- ✓ More predictable costs
- ✓ New home warranty coverage

Considerations

- ⚠ Design center upgrades can add up quickly
- ⚠ Structural changes may be limited
- ⚠ Build timelines can vary

Best For

- Buyers wanting personalization
 - Families planning to stay long term
 - Relocation buyers with flexible timelines
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Custom Homes

What Is a Custom Home?

A custom home is designed specifically for the homeowner and built on a lot selected by the buyer.

The buyer typically works with:

- Architect
- Builder
- Lender
- Surveyor
- Engineer
- Interior designer

Advantages

- ✓ Complete design flexibility
- ✓ Customized floor plan
- ✓ Personalized features and finishes
- ✓ Greater control over the final product

Considerations

- ⚠ Longer timelines
- ⚠ Higher costs
- ⚠ More decision-making required
- ⚠ Construction financing often needed

Best For

- Buyers with unique needs
 - Luxury buyers
 - Buyers owning or purchasing land
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Why You Need Your Own REALTOR®

Many buyers assume the builder's sales representative represents both parties.

In reality, the builder representative works for the builder.

Your REALTOR® can help:

- ✓ Review contracts
- ✓ Explain builder policies
- ✓ Negotiate upgrades and incentives
- ✓ Coordinate inspections
- ✓ Track timelines
- ✓ Monitor change orders
- ✓ Assist with warranty concerns

Typically, the builder pays the cooperating brokerage compensation, not the buyer.

Understanding Builder Incentives

Builders frequently offer incentives such as:

- Closing cost assistance
- Interest rate buydowns
- Free upgrades
- Appliance packages
- Design center credits
- Fence or blinds packages

Before accepting incentives, compare:

- Preferred lender terms
- Market interest rates
- Upgrade values
- Contract requirements

Sometimes the "best incentive" isn't always the best financial option.

The New Construction Timeline

Spec Home

Contract → Final Walkthrough → Closing

Typically:
30–90 Days

Semi-Custom Home

Contract → Design Selections → Construction → Walkthrough → Closing

Typically:
6–12 Months

Custom Home

Lot Purchase → Design → Permitting → Construction → Walkthrough → Closing

Typically:
10–18+ Months

Financing Options

Conventional Mortgage

Best For:

Completed spec homes

Features:

- Traditional financing
 - Competitive rates
 - Lower complexity
 - Standard underwriting
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FHA Loan

Best For:

- Lower down payments
- First-time buyers

Features:

- Flexible qualification requirements
 - Government-backed program
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VA Loan

Best For:

- Eligible veterans
- Active-duty military

Features:

- No down payment (for qualified borrowers)
- Competitive rates
- Reduced closing costs

North Alabama's military presence makes VA financing particularly common.

Construction-to-Permanent Loans

One-Time Close Construction Loan

This loan converts automatically from construction financing to a permanent mortgage.

Advantages:

- ✓ One closing
- ✓ Reduced closing costs
- ✓ Simplified process
- ✓ Locked financing structure

Popular for custom homes.

Two-Time Close Construction Loan

Construction loan closes first.

Permanent mortgage closes later.

Advantages:

- ✓ More lender flexibility
- ✓ Potentially more loan options

Considerations:

- ⚠ Two closings
 - ⚠ Additional costs
 - ⚠ Interest rate uncertainty
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Lot Loans

If purchasing land separately, buyers may need:

- Raw land loans
- Lot loans
- Construction financing later

Lending requirements vary significantly depending on:

- Utilities
 - Road access
 - Zoning
 - Location
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New Construction Inspections

One of the biggest misconceptions is that new homes don't need inspections.

Professional inspections are strongly recommended.

Foundation Inspection

Conducted before concrete placement when possible.

Framing Inspection

Performed before drywall installation.

Reviews:

- Structural components
 - Electrical rough-ins
 - Plumbing rough-ins
 - HVAC systems
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Final Inspection

Completed prior to closing.

Reviews:

- Safety concerns
 - Construction defects
 - System operation
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Warranty Inspection

Many buyers schedule an inspection before the builder's one-year warranty expires.

This can identify issues that may qualify for warranty repair.

Questions Every Buyer Should Ask

About the Builder

- How long have you been building locally?
- What warranty is included?
- Can I speak with recent buyers?

About the Community

- HOA fees?
- Future development plans?
- School zones?
- Internet providers?

About Construction

- Estimated completion date?
 - Allowable changes?
 - Upgrade pricing?
 - Energy efficiency features?
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Common Upgrade Mistakes

Many upgrades are easier and less expensive during construction.

Often worth considering:

- ✓ Additional electrical outlets
- ✓ Ceiling fan pre-wires
- ✓ Garage storage space
- ✓ Extra insulation
- ✓ Larger patios
- ✓ Gas lines for grills
- ✓ Future EV charging capability
- ✓ Additional data wiring

North Alabama New Construction Hotspots

Popular growth areas include:

- Madison
 - Town Madison
 - Clift Farm
 - East Limestone
 - Athens
 - Harvest
 - Meridianville
 - Owens Cross Roads
 - South Huntsville
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Final Thoughts

New construction can be an excellent way to purchase a home tailored to your needs while benefiting from modern floor plans, energy efficiency, and builder warranties.

Whether you're purchasing a move-in-ready spec home, building a semi-custom home in a master-planned community, or designing a custom dream home from the ground up, understanding the process can help you make informed decisions and avoid costly surprises.

Why Buyers Choose Stewart & Associates Real Estate

Many of our agents have previously represented local and national builders, giving us firsthand knowledge of builder contracts, construction timelines, upgrade selections, financing options, inspections, and warranty processes.

We help clients:

- ✓ Compare builders and communities
- ✓ Evaluate incentives
- ✓ Understand contracts
- ✓ Coordinate inspections
- ✓ Navigate financing options
- ✓ Make informed design selections
- ✓ Protect their interests throughout the process

Stewart & Associates Real Estate
Higher Standards... Better Results.

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