



RED FLAGS WHEN BUYING A NEW BUILD OR SPEC HOME

Many buyers assume that new homes are problem-free, but this can be a costly mistake. Unlike a traditional resale home, purchasing a new build or spec home is often a private sale, meaning typical real estate regulations may not apply. Before signing on the dotted line, watch for these red flags—they don't necessarily mean you should walk away, but they do mean you should dig deeper.

Financial & Contract Concerns

- 💰 Late Payment Interest – Some builders charge excessive interest rates if payments are delayed—even if the delay isn't your fault. Ensure everything is negotiated upfront.
- 💰 Unexpected Additional Fees – Review the contract carefully, as some builders pass on costs for delays that they themselves caused.
- 💰 Speculative Pricing – In hot markets, builders may price homes based on what they expect the property to be worth in the future, not its current value.
- 💰 Seller's Conditions – Some contracts allow the builder to increase the price or demand a higher deposit after you've already signed.
- 💰 Ambiguous Buyer's Conditions – If the contract states you must get financing but doesn't specify the terms, you could be forced to accept any mortgage offer—even if the interest rate is terrible. Always add "... to the Buyer's satisfaction."
- 💰 GST (Goods & Services Tax) – Clarify whether GST is included in the purchase price and whether you qualify for a rebate.

Builder & Process Red Flags

- 🏠 Discouraged from Using a REALTOR® – A reputable builder should have nothing to hide. Your REALTOR® represents you, while the builder's sales team represents the builder.
- 🏠 Discouraged from Getting a Home Inspection – No home is perfect, and an independent home inspection can help identify issues before you take possession.
- 🏠 No Pre-Possession Walkthrough Scheduled – This is your only chance to ensure the home is finished correctly and to document deficiencies that need fixing.
- 🏠 Paid Legal & Mortgage Fees—With a Catch – Some builders offer to cover legal or mortgage costs, but only if you use their preferred professionals, who may prioritize the builder's interests over yours.
- 🏠 Non-Standard Upgrades – If you're adding custom features, ensure they are documented and covered under warranty.
- 🏠 Alteration Clauses – Some contracts give the builder the right to change materials, layouts, or finishes without your approval. Know what they can and cannot alter.
- 🏠 Verbal Promises Mean Nothing – If the builder promises upgrades, timelines, or changes, get everything in writing.
- 🏠 Marketing Material vs. Reality – Floor plans, square footage, and features in brochures may not be accurate. Verify all specs in your contract.



Property & Future Development Considerations

- 📌 Future Development Plans – What's being built around you? Your dream home could end up next to a major roadway, commercial plaza, or high-density rental complex.
- 📌 Utility Right-of-Ways – Are there portions of your lot you can't build on? This could affect future landscaping, decks, or expansions.
- 📌 New Home Warranty – Confirm what's covered, for how long, and what the process is for making claims. Some warranties are extremely limited.
- 📌 Sold-Out Phases – If a builder claims they are "sold out," check with other developers before assuming there are no other options in the area.
- 📌 Late Exterior Additions – If you're adding a deck, fence, or landscaping late in the process, ensure you receive a Real Property Report (RPR) and permits. Also, have a contract holdback in place in case it never gets built.

Final Thoughts

Buying a new home can be an exciting process, but it also comes with unique risks. A knowledgeable REALTOR® with experience in new construction can be your greatest asset, helping you navigate contracts, avoid pitfalls, and ensure you're protected.

A good builder will welcome professional oversight. If they don't—consider it a major red flag. 🚩