

Buying A New Home

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builder is a whole
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here's what you
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the dotted line.**

**Special Report Presented
by**

Randall Brennan
Equity Colorado
303-909-2365
RandallBrennan.com

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Buying from a builder is a whole new ball game - here's what you need to know before you sign on the dotted line.

Is buying a brand new home better than buying a resale? Or is it like buying a new car where you lose 1/3 of the value when you drive it off the lot? Can you negotiate to have a home custom finished just for you? These are some of the questions you need to consider when buying a home that's just been built or is in the process of being built.

Existing or new, both offer advantages and disadvantages. On average existing homes are less expensive so if cost is a deal breaker for you then check out the resale market. Also on the plus side (maybe), existing homes are generally in established neighborhoods closer to the city center.

But if you are looking for innovative use of space, modern energy efficiency and your choices of options and upgrades that personalize your living space and mean you don't have to renovate after you move in, then a new home may be your best bet. As an added bonus, with a new home everything is new, even the neighbors. So if you weigh your options and decide to check out new homes, what do you need to know before you start looking?

10 Tips for new-home buyers:

1. Do the math! – If you own a home now, see your real estate agent or financial consultant and figure out how much you can afford to spend on a new home. This means figuring out the net proceeds from the sale of your existing home (taking into account all selling costs, you need to be realistic here) and estimating the costs of living in a new home (you may be able to afford to buy it, but can you afford to live in it?).

If you are a first time home buyer you will still need to figure out how much you can afford to spend on a new home by pre-qualifying your income. You may also want to get "pre-approved" by your lender. This is not a full loan commitment from your lender but it is a formal process usually involving a credit check and employment verification. Pre-approval demonstrates to brokers and sellers that you are serious (not just a looky loo) and have a good idea of what you can afford. Your offer will usually be preferred over one from someone who has never met with a lender.

2. Ask an expert for help! – Remember the agent selling the new home is not working for you, they are representing the builder. If real estate is not your field of expertise you won't know all the questions to ask about new home construction, warranties, financing, differences in price & quality and even lot selection. Consider contracting a "Buyers Agent" to work with you to get the best value.

Buyer's agents usually receive a share of the commission paid to the seller's agent. In some cases they may collect a retainer from the buyer, charge by the hour or charge a flat fee. Often the fees are applied against any commission received by the buyer's agent.

Your agreement should specify how your agent would be paid. For more information see our Special Report on “Buyers Agent”.

3. Know your builder! – Not all builders are created equal. Some builders are known for their craftsmanship, others for their innovative use of space, below-market financing and willingness to accommodate a buyer’s wishes during construction or their post sale customer attention. Do some research or ask your agent about a builder’s reputation BEFORE you make an appointment to view.

Will they “Build & Run”? You also need to know the builder’s reputation and financial stability. Will they be there for follow-up visits as you settle into your new home or do they have a habit of closing down then starting up a new company every few years.

4. More than just a pretty face! – Once you’ve found a new home that looks good on the outside make sure you (or your agent) do your homework about what’s going on in the inside. Be sure to get “spec sheets” outlining the home’s features. You need to know everything from floor plans to energy efficiency ratings and from immediate-delivery inventory to lot availability.

5. Check under the hood! – When you buy a house you’re also “buying” a neighborhood. If you’re really serious about a home, learn about the community that goes with it. Ask local land-use officials what else is planned or could be built in the area, especially if there’s vacant land still available. Get a copy of the rules for the local homeowner’s association or determine whether one will be set up. If there is an existing Association you should know whether it has reserves set aside to build or replace major amenities like pools or community roads.

Is the new home in a convenient location for you and your family? You will be traveling back and forth to work from your new home and your children need to get to school, make sure you consider commuting routes and times.

6. What are “upgrading” & “options”? – These are choices you get to make if you are purchasing a home that is still in the process of being built. Upgrading means selecting above “builder standard” quality for flooring, detailing, appliances and kitchen fixtures (you get to pick your own!). The trick is not to spend money on upgrades that you will not be able to recover when you sell the home. A rule of thumb is that the higher the base price of the house, the more upgrades and options you can add without overpricing for the neighborhood.

Options are items the builder installs while constructing the house – like a sunroom or electronic/computer room, both of which add most to your resale value. A fireplace, downstairs powder room, full bath or built-in storage are also usually good values (you’ll recover the cost when you sell the home). But remember, you can add some improvements later, like a deck, finished basement or landscaping, and these will often cost you less money because you can shop around for materials and a contractor.

7. Negotiate! – Don't forget you that, along with the price of the home, you can also negotiate for the costs of the upgrades and options you want. If the home is finished but unsold the builder will be especially eager to sell and may offer discounts or special financing to help close the deal.

Ask how much you are paying for the lot. Some lots are designated as "premium" and sold for more but chances are the builder paid the same price for all the lots, this gives them room to negotiate ... if you ask!

8. Is the sales contract in your favor? – Now that you have negotiated the selling price, along with all the upgrades and options your little heart desires, make sure the contract spells it all out in black and white. A good contract should itemize your "extras" and also include some safeguards for you, like putting your deposit in escrow and allowing you access to the site to check on construction progress along with a 30-day advance notice of the closing date. Your agent will make sure this is all included.

9. The "F" word – Financing! – Buying a new home opens up the option of obtaining financing from the builder, something that is usually not available with a resale. But don't sign on the dotted line until you have checked out all the options. Mortgage lending is highly competitive and everything should be shopped for including interest rates, points and lender fees as well as appraisal, inspection, survey, attorney or closing fees. Your agent will often be able to make suggestions based on their experience.

10. New doesn't mean "no inspection necessary". – New doesn't mean perfect. Even though builders these days often use modern materials that are durable, low maintenance, stronger, quieter, safer and in some cases even wired for the next century it doesn't mean you won't run into problems after you move into your new home. If you hire a building inspector to check out your new home you can use the information they provide to create a "fix-it" list for the builder, or you can use it to negotiate a price break that will take care of future repairs. Either way, you're not stuck with an unwelcome surprise down the road.

What's new in homes these days? You may be surprised at how you can customize your new home!

If you've been to a few model homes recently you may have noticed things like innovative floor plans and building materials and energy efficient features in the appliances and windows. This is just the tip of the iceberg when it comes to the future.

Energy is a top issue for today's home-buyers; and builders are responding to their concerns. For example you can now produce your own electricity using solar-powered roofing tiles. What makes this product so unique is that the roof tiles themselves actually capture the sun's rays and generate electricity for the house. And homeowners can even sell excess power to the utility company during the scorching summer months (imagine sending the Power Company a bill!).

If you like to cook there's a gas cook top with dual flame burners, guaranteed to provide a full spectrum of heat so your sauce doesn't scorch and your crepes don't stick. If you are looking for a unique floor you can go environmentally friendly with recycled bridge pilings that are converted into narra, teak and rosewood flooring. Curved walls and ceilings don't have to cost an arm and a leg anymore and what about a below grade utility box instead of the traditional (make that ugly and unwanted) green metal utility box sitting in the corner of your lawn.

The ultimate for the busy family might be a refrigerator with a built in messaging system where you can record and listen to messages from other family members with a simple touch of the button.

The point is; if you are buying a home before it's actually built, you need to know what custom options and upgrades you want when you speak to the builder. This is the time to negotiate for the features you want.

Trends & Fashions – What's IN and what's OUT!

Big homes, small living rooms, fancy kitchens and baths and lots of amenities are definitely the trends in housing these days. You might want to consider these factors as you plan your new home with eventual resale value in mind. Larger homes are still desirable but smaller, unique and lavish spaces are also increasingly popular. In a smaller home the value is in the finishing details like custom moldings throughout. Casual is good, formal living rooms are on the way out, linen closets are in along with soaking tubs and ceramic tiles. Dining rooms are still in, strong color schemes (if they work) are in and so is the In-Law suite, now marketed as a Nanny or Teen suite.

Not sure if you know what you want? Ask your builder for a virtual tour of a home showing the features you are interested in, it's like a test drive and gives you a chance to see it before you ante up the bucks to pay for it.

Top 10 “Must Haves” in a new home: (do now or can add later)

1. Laundry room - now
2. Linen closet - now
3. Exhaust fan - now
4. Exterior lighting -later
5. Front porch - now
6. Deck in rear - later
7. Lot with trees - now
8. Dining room - now
9. Walk-in pantry - now
10. Patio in rear - later

In Conclusion:

Buying a brand new home, or one under construction, is different than buying an existing home. It allows you to customize your new home to suit your tastes and your family's needs. It also brings with it a whole new set of responsibilities – dealing with the builder. A buyer's agent can help you verify, as much as possible, that the builder is both honest and skilled:

- Visit other projects built by the builder. Check out the quality of the community, landscaping and other amenities. Talk to the residents about their experience with the builder.
- Check with your Better Business Bureau for a reliability report on the developer. BBB reports, will tell you how long the company has been in business, how many complaints have been filed against them, whether the company is committed to a dispute resolution program, whether the company is a member of the BBB and whether there has been any enforcement actions taken against the builder by a government agency.

You need to know this stuff BEFORE you hand over any of your hard earned money!

Work with an agent who is working for you. Keep your deposit as low as possible and negotiate designated visits to the site. Once you have made the decision to buy and have negotiated the details you may want to have an attorney look over the contract before you sign. Don't forget to inspect the home thoroughly before you move in.

Further Information:

These Special Reports may be of interest to you – call _____ to order:

- Buyers Agent Special Report
- First time Home Buyers Special Report
- Buyers Closing Costs

-Hidden Costs for Home Buyers

1. Home Design Bloopers -

<http://db.inman.com/inman/content/subscribers/inman/column.cfm?StoryId=030101KS>

2. Free Home Planning Guide -

http://www.uniteddesign.com/homeplanning_request.html

3. Buying From A Builder -

http://www.royalbank.com/buyingahome/builder/bh_benefits.html

4. Choosing a Builder -

<http://www.chba.ca/buyinganewhome/choosingbuilder/choosingbuilder.html>

5. Home Buyer Power - <http://www.homebuyerpower.com/powerful/builder01.htm>