### **New Home Construction**

71

with Cory Stewart 12/4/2023

# ASK QUESTIONS!!

# Purpose of this Class?

- Explain why New Homes is so Important to all of us! (Creating Inventory!)
- Provide a Broad Overview on the Construction Process
- Help you to feel more comfortable selling New Homes
- Help you understand how to find New Homes
- Answer Questions
- Pricing Rule of Thumb (70/20/10)
- Provide you with 3 hours of CE credit

# Equality ... ummm NO!

- For this class we all must agree on a couple basic principles...
  - NOT ALL Builders are created equal
  - NOT ALL Brokerages are created equal
  - NOT ALL Developers are created equal
  - NOT ALL New Home Agents are created equal

They all run their businesses as they see fit.

# Why are new homes so important? What do the numbers say? FRONT ELEVATION

REAR VIEN

### 3817 – Active Existing home listings (68.8%) 1728 – Active New home listings (31.2%)

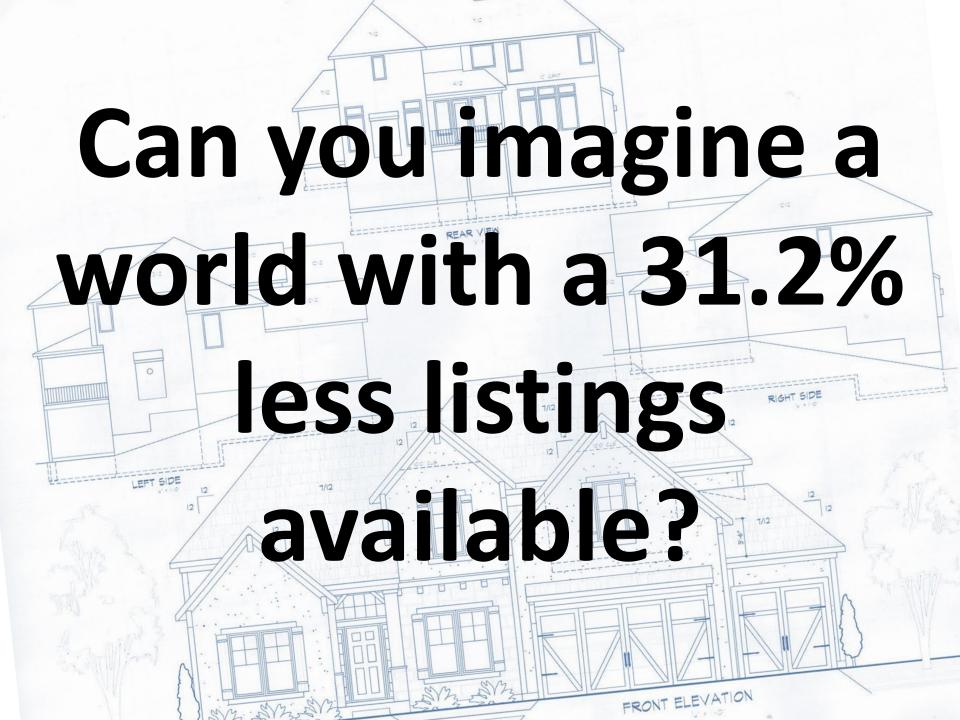
### 2814 – Pending Existing Homes (77.3%) 828 – Pending New Homes (22.7%)

3307 New Homes Sold in Last 365 Days \$1.96 Billion in sales volume!

### Existing Homes – 1.35 Month Supply New Homes – 5.01 Month Supply

# **Always check HMLS!**

Source: HMLS 12/4/2023





What are the differences between new homes & resale?

New Home

Construction

- Sub Surface Conditions
- Contracts
- Model homes
- Building process
- Builders
- Financing options
- Community agents

- Site selection
- Options
- Time frame
- Allowances
- Escalation Clauses
- Inspections
- Escrow
- Community requirements
  MLS Search

### **Material Escalation Clause from a Builder?**

#### What does this mean?

Builders will reserve the right to pass along hard costs where the budgeted line-item estimate was grossly inadequate.

#### Does my buyer have to pay?

If the buyer wants to stay in the contract with the Builder, then they will have to pay the additional cost.

#### Is this legal?

According to the attorney who wrote the clause, yes.

#### What options do my buyers have?

Consult an attorney

Pay the overage

Cancel the contract and collect most, if not all, deposits



LEFT S

New Home

# MLS Search & Scheduling Showings

FRONT ELEVATION

### **NEW HOMES ONLY**

#### Listing

Status	
Select All None	?
Active	
□ Show For Backups	
Pending	
Contingent	
□ Sold	
Expired	
🗆 Withdrawn	
Temp Off Market	
Cancelled	
Pre MLS	

#### **Property Conditions**

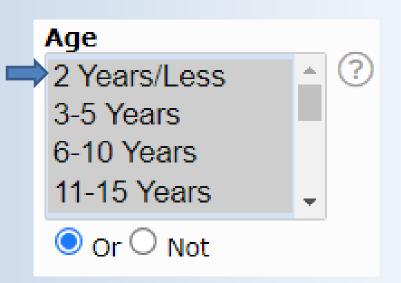
Model-Not For Sale	*	?
Never Occupied		
Under Construction	÷	
0 0 0		

○ And ○ Or ○ Not

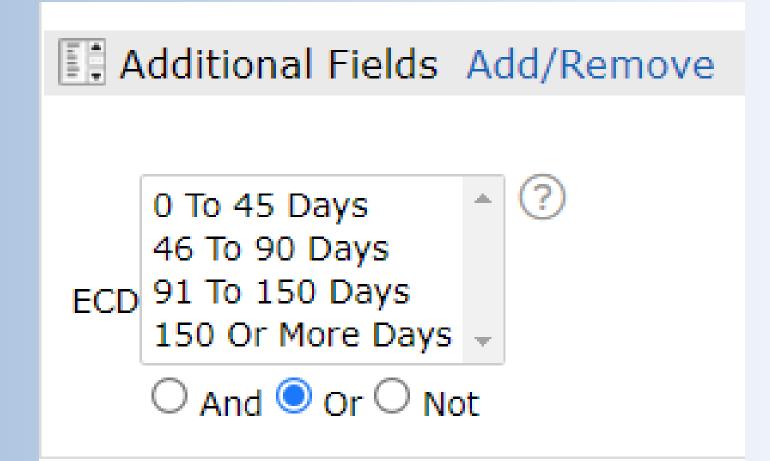
### **NEW & RESALE HOMES**

#### Listing

Status Select All None	(?)
Active	i
Show For Backups	:::
Pending	:::
Contingent	
Sold	



# **Time Sensitive Buyers?**



# Setting Up Showings For New Homes

Call the on-site agent first!

- The home may be under construction OR unable to show safely
- There may be a model home to tour vs one under construction
- There may be a home nearing completion the on-site agent can show

The on-site agent might ask you to schedule through Broker Bay or other showing service. Model Homes Spec Homes Customizable Homes Custom Builds

New Home

Construction

<u>Model Home</u> – Finished and typically furnished home which is not for sale and showcases different option and features

<u>Spec Home</u> – (Short for \_\_\_\_\_?) Homes built by the builder in the hopes of selling at some point while the home is under construction.

<u>Customizable Home</u> – Typically a Model Home or other existing floor plan which can be modified to meet buyer's needs. (AKA – Build Job)

<u>Custom Built Home</u> – This situation is rare and typically occurs in higher price points. The buyer works with a builder and architect to create a new floor plan incorporating all of the buyer's ideas

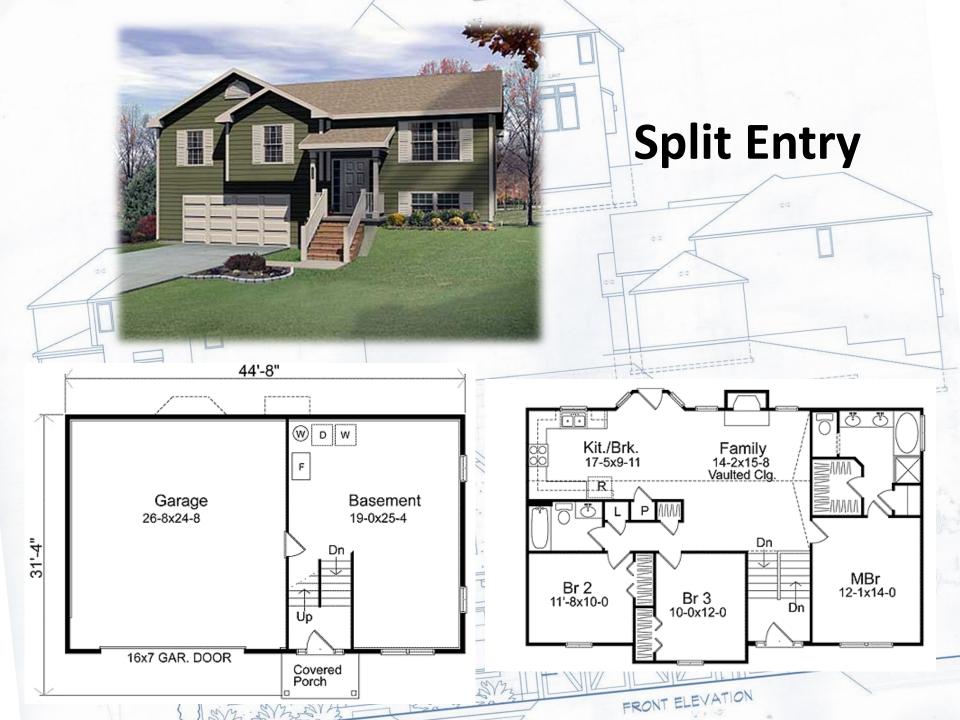
## **Floor Plan Selection**

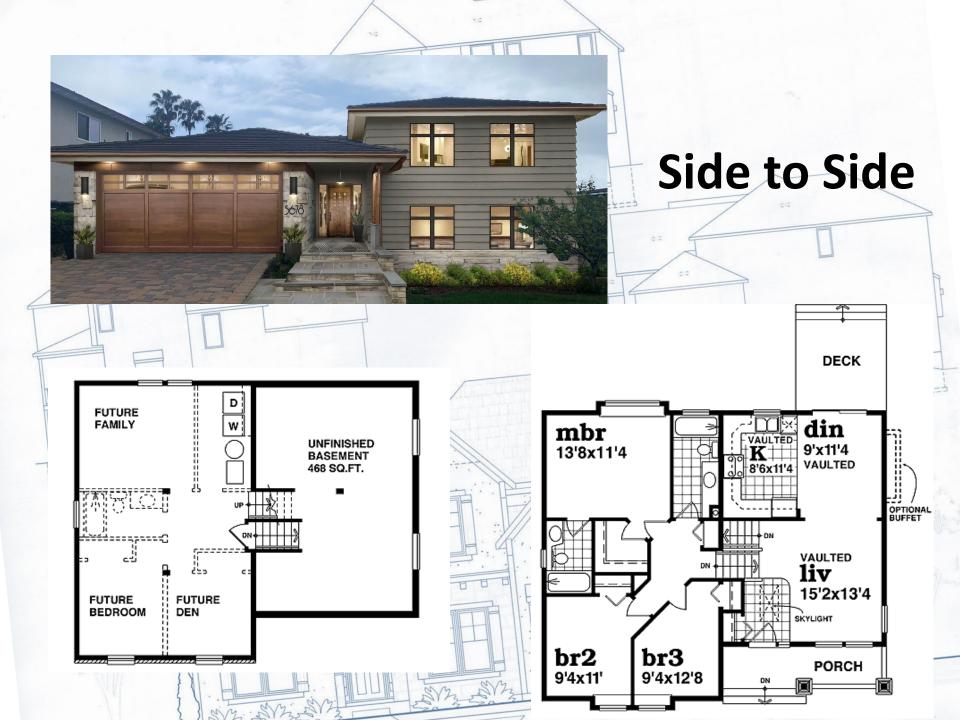
New Home

Construction

# What is right for my buyer?

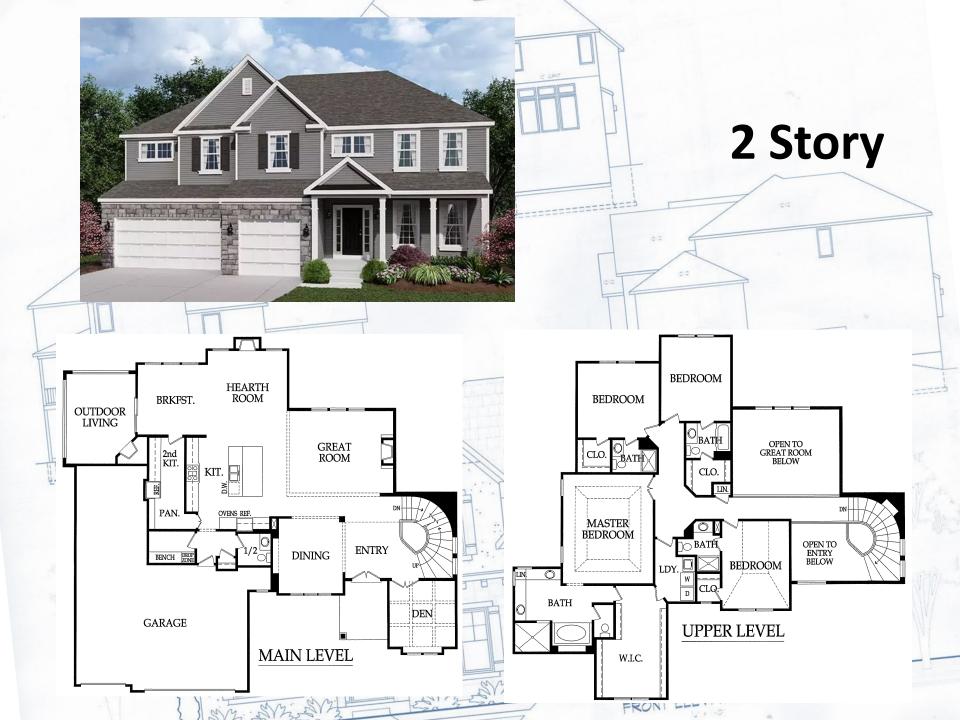
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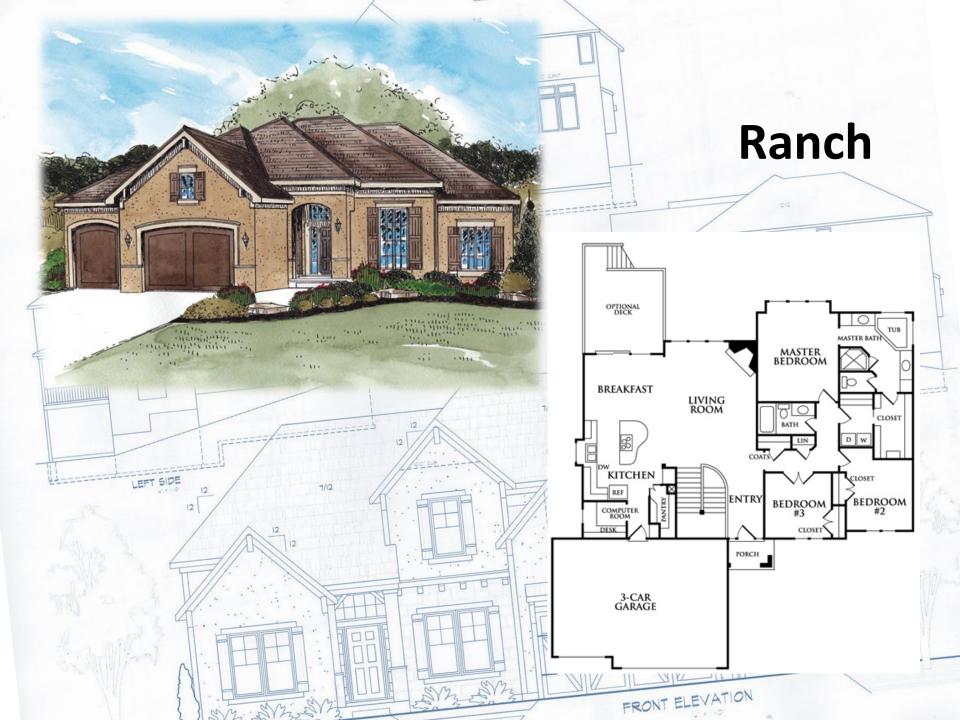


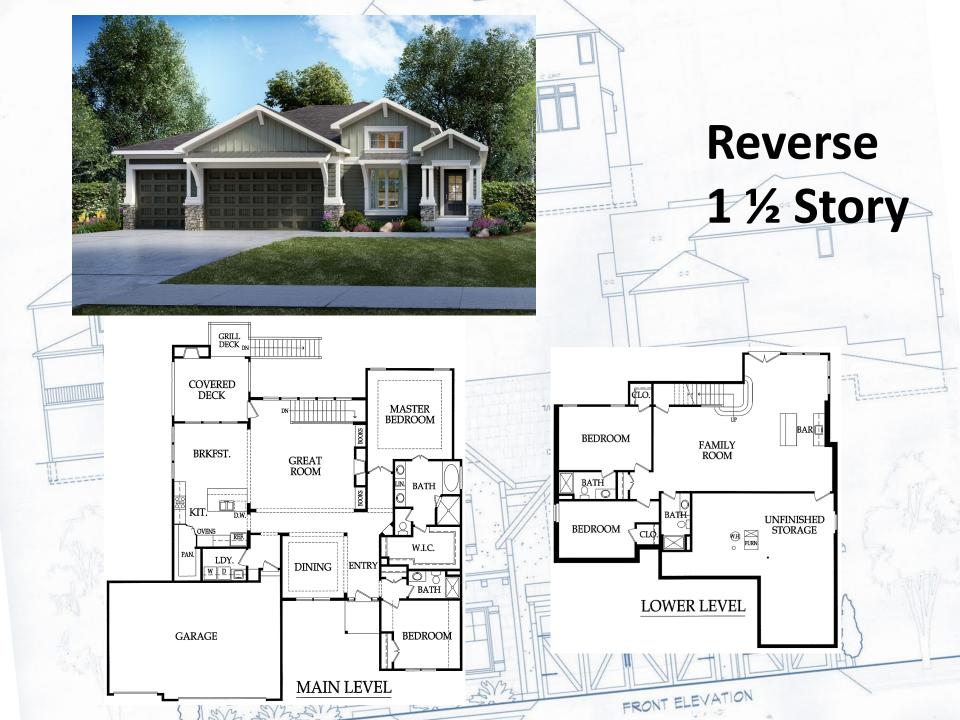
### Front to Back













# 70/20/10 – Pricing Rule Of Thumb

Before a buyer can select a lot, they should make sure it is going to work for their budget.

70% of the buyers desired budget should be the Base Price established by the builder

20% of the buyers desired budget should be the Lot Price established by the developer

10% of the buyers desired budget should be Option & Upgrades

Let's assume a buyer has a budget for a new home of \$475,000.

**Base Price** 

70% of \$475,000 = \$332,500

Lot Price

20% of \$475,000 = \$95,000

Options and Upgrades 10% of \$475,000 = \$47,500

Things to keep in mind when pricing:

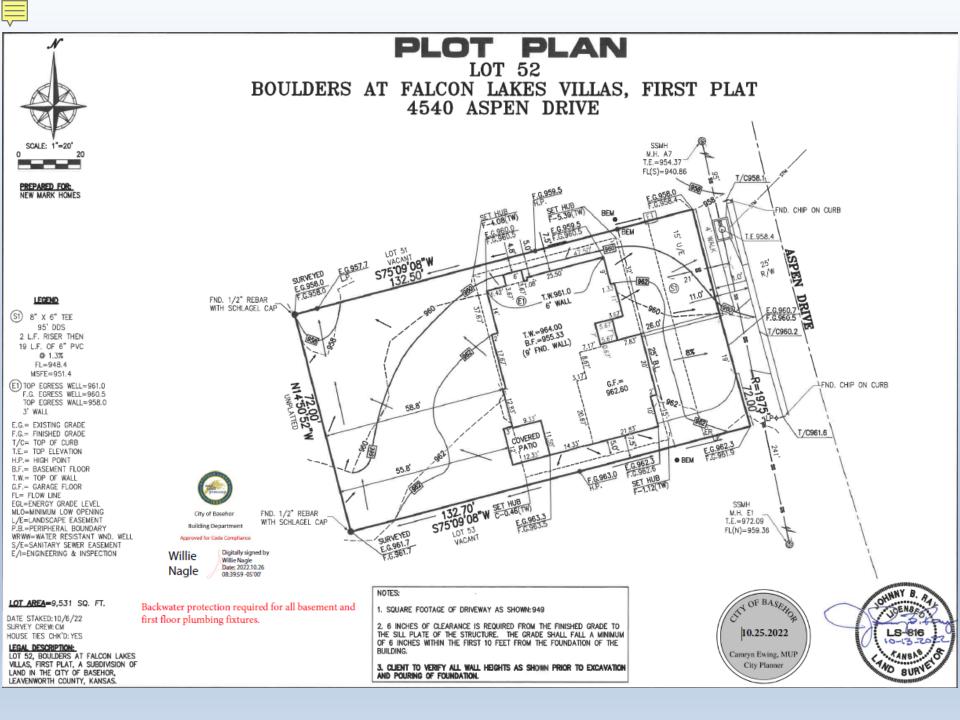
Additional site costs (buyer pays out of pocket) Allowances overages (buyer pays out of pocket) Escalation Clauses (buyer pays out of pocket) Change Orders (buyer pays out of pocket)

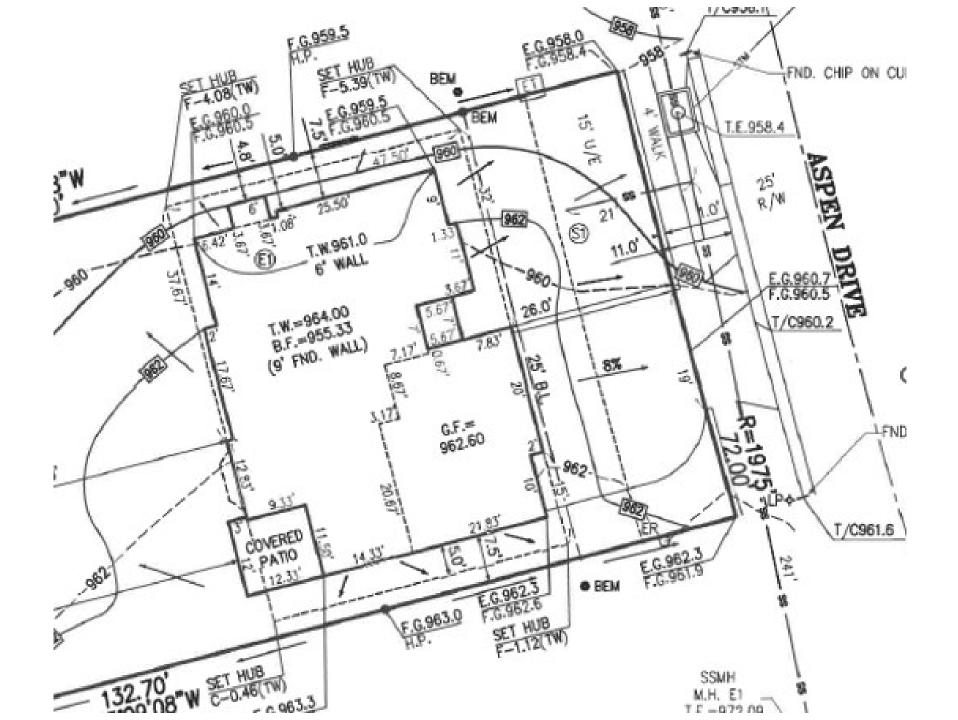
You should investigate these potential costs when pricing and add, or increase the allowance, to help cover these costs. If the allowance isn't exhausted, the buyer should be able to use those funds for something else. (And more fun!)



# Plat Map





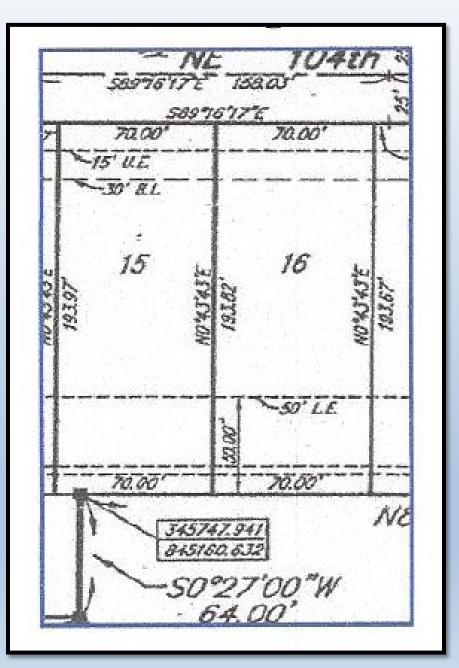


## **Plot Plan Terms/Abbreviations**

TC – Top of Curb\* GF – Garage Floor\* TW or TF – Top of Wall or Top of Foundation\* **BF** – Basement Floor\* FG - Final Grade\* PG – Proposed Grade EG – Existing Grade HP – High Point FL – Flow Line MLO – Minimum Low Opening\* L/E – Landscape Easement\* S/E – Sanitary Sewer Easement\* D/E – Drainage Easement\* U/E – Utility Easement\* \* - Initial key elevations FRONT ELEVATION

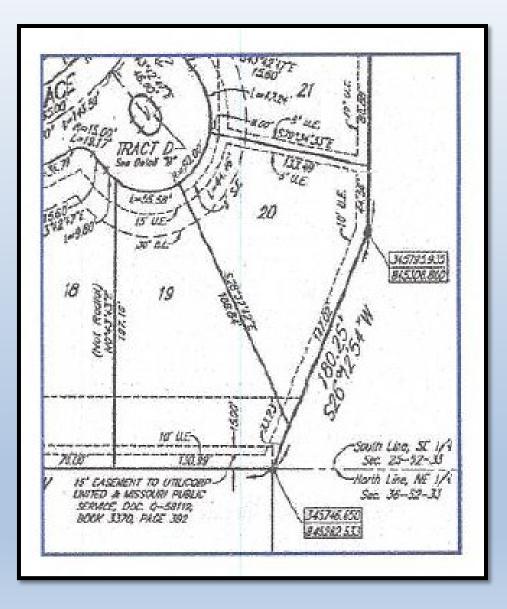


#### Rectangular



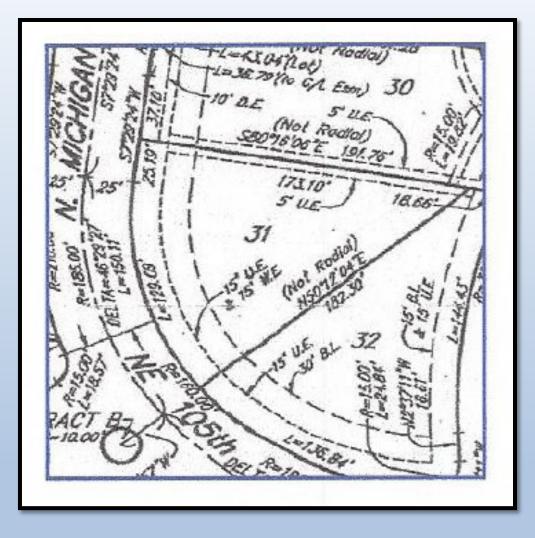


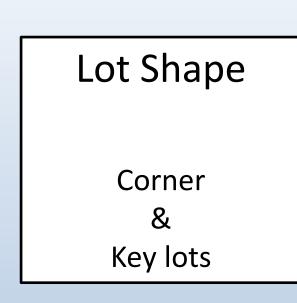
#### Pie Shaped Typically on a Cul-de-sac





Pinched





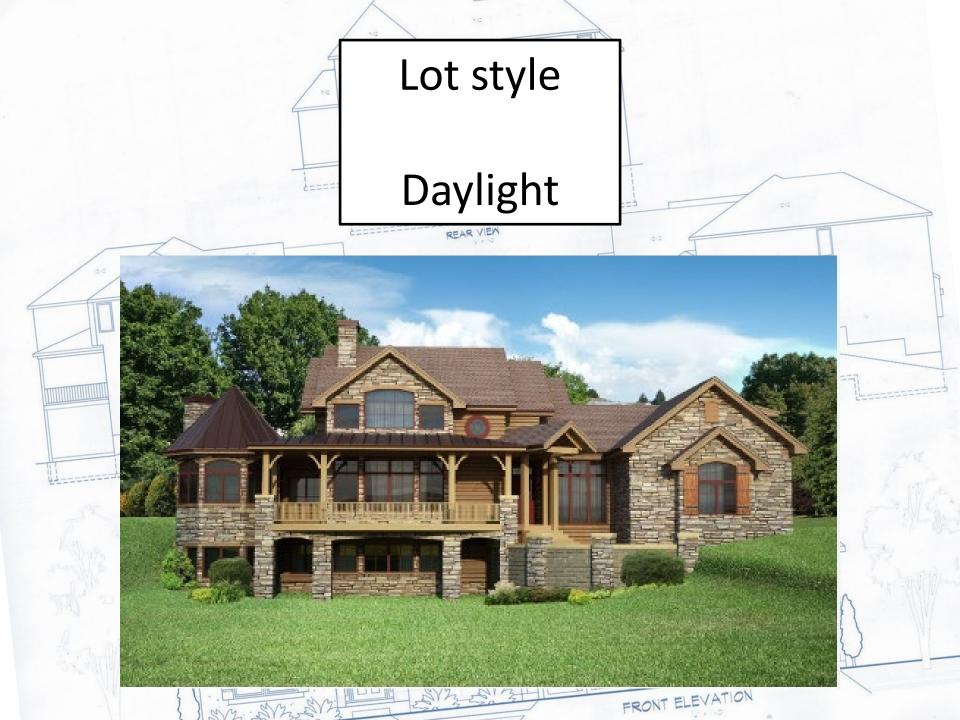


### Curb Cuts

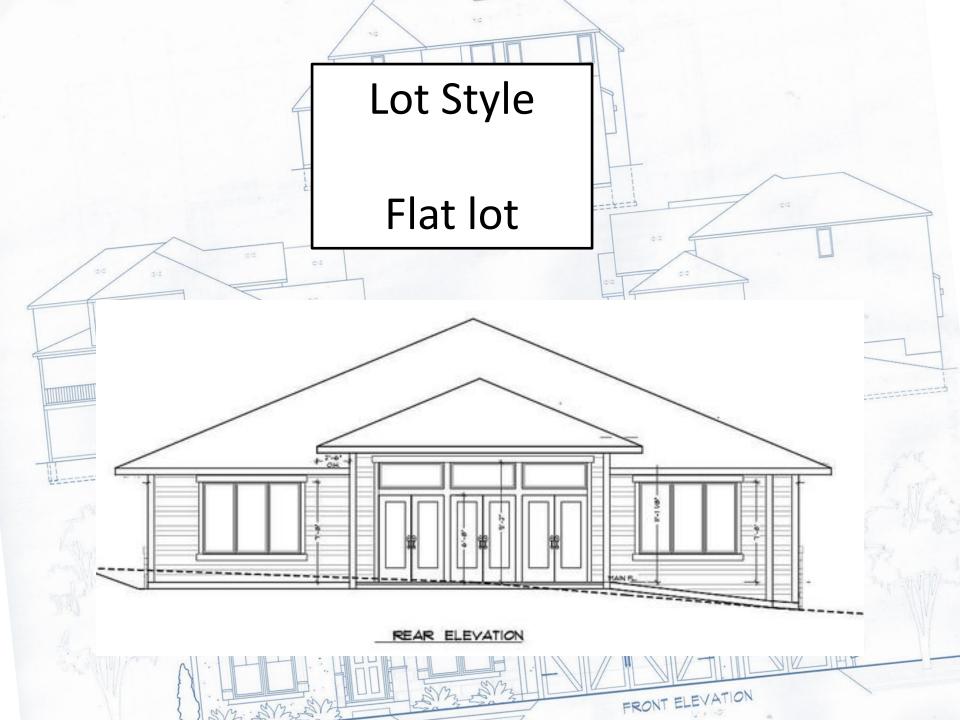














#### Sub Surface Conditions

Undiggable rock Diggable rock (can't use the material on the lot) Underground springs Non-compacted soil (unstable soil)

#### Site costs

All sub surface conditions above ... AND ... Tree removal Retaining walls Removal of unusable soil Hauling in good soil Piering, tall walls, spread footings, etc.



New Home

REAR VIEW

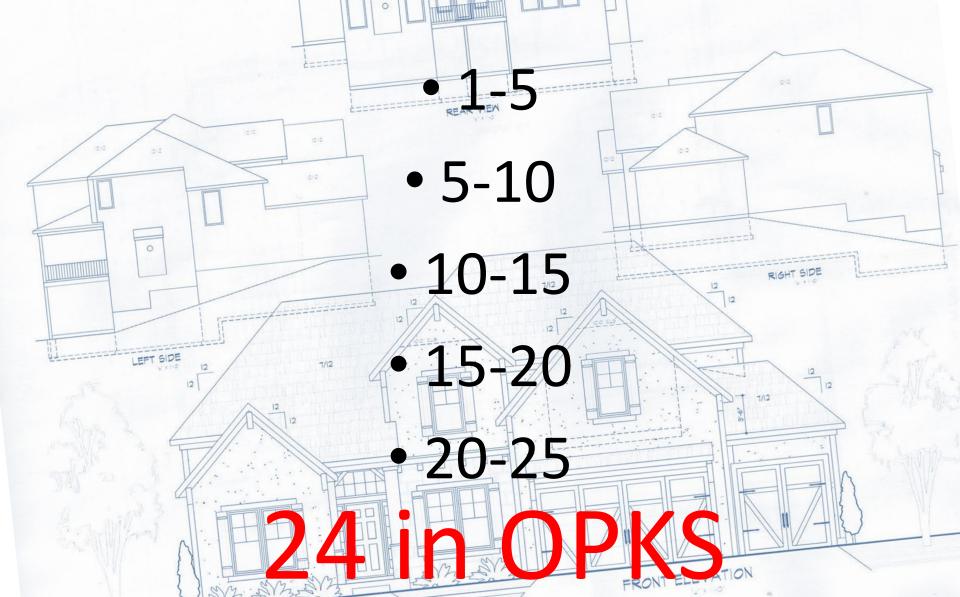
## **Financing options**

FRONT ELEVATIO

**Extended rate lock programs Construction to Perm Loan** 



# How Many City Inspections?



## How Many City Inspections?

**Erosion Control Inspection - Ongoing Footing Inspection** REAR VIEW **Foundation Wall Inspection Ground Rough Plumbing Inspection Right of Way Compaction Inspection Vapor Barrier Inspection Slab on Grade Inspection Structural Slab Inspection Fire Resistive Wall Inspection** Structural Braced Wall Inspection **Flashing Inspection Inspection** Weather Resistive Barrier Inspection

Lath Inspection **Rough-in Inspection Thermal Envelope Inspection Electrical Inspection Fuel Inspection Insulation Inspection Panel Certificate Inspection Sheet Rock Inspection Concrete Form Inspection Final Site Grade Inspection Sidewalk Inspection** FINAL INSPECTION!!

New Home

Options

If the buyer can imagine it and pay for it, they can have it! (sometimes)

New Home

Allowances

Built in money for buyer to spend!



New Home

### Time frame

# 30 days or 2 years?



REAR VIEW

New Home

# **Community Requirements**

# Review the HOA docs!

REAR VIEW

# **Community Agents**

New Home

## Your best resource!

REAR VIEW

# **Meetings & Walk Throughs**

New Home

Construction

# **Attend EVERY TIME!**



#### ESTIMATED Construction Progress Calendar

Step 1	Sales Contract with Builder	5/1/2021	
Step 2	Plot plan from Engineer	5/10/2021	
Step 3	Lot closing; Developer to Builder	6/1/2021	
Step 4	Building Permit	6/2/2021	
Step 5	Lot staked	6/10/2021	
Step 6	Lot Excavation	6/20/2021	
Step 7	Footings	6/27/2021	
Step 8	Ground Rough Plumbing	7/5/2021	
Step 9	Foundation	7/15/2021	
Step 10	Damproofing	7/20/2021	
Step 11	Backfill	7/30/2021	
Step 12	Framing & Deck	8/4/2021	
Step 13	Roof	8/18/2021	
Step 14	Fireplace Inserts	8/24/2021	
Step 15	Rough HVAC	9/3/2021	
Step 16	Pour Driveway, Patio & Sidewalks	9/13/2021	
Step 17	Rough Electrical & Low Voltage	9/23/2021	
Step 18	Rough Plumbing	9/28/2021	
Step 19	Insulation	10/1/2021	
ALL DÉCOR SELECTIONS NEED TO BE FINAL			

←(Enter Contract Date)

-		
Step 20	Sheetrock	10/8/2021
Step 21	Set Furnace and AC	10/13/2021
Step 22	Set Cabinets	10/23/2021
Step 23	Trim Carpentry	11/7/2021
Step 24	Rough Grade of Yard	11/8/2021
Step 25	Paint, Stain and Enamel	11/27/2021
Step 26	Install Landscaping & Sprinkler	12/2/2021
Step 27	Countertops and Tile	12/7/2021
Step 28	Install Appliances	12/12/2021
Step 29	Install Lighting	12/17/2021
Step 30	Install Finish Plumbing	12/27/2021
Step 31	Install Mirrors and Shower Doors	1/1/2022
Step 32	Install Cabinet Hardware	1/6/2022
Step 33	Install finish HVAC	1/11/2022
Step 34	Install Sod	1/16/2022
Step 35	Final Inspection	1/21/2022
Step 36	Walk through	1/26/2022
Step 37	Closing	1/31/2022

This Estimated Construction Progress Calendar is used for training purposes only and does not correspond with any particular builder or builders actual process. Speak to your specific builder for a more accurate construction timeframe.

This example is of a 9 month build time.



# How do we get from here ....

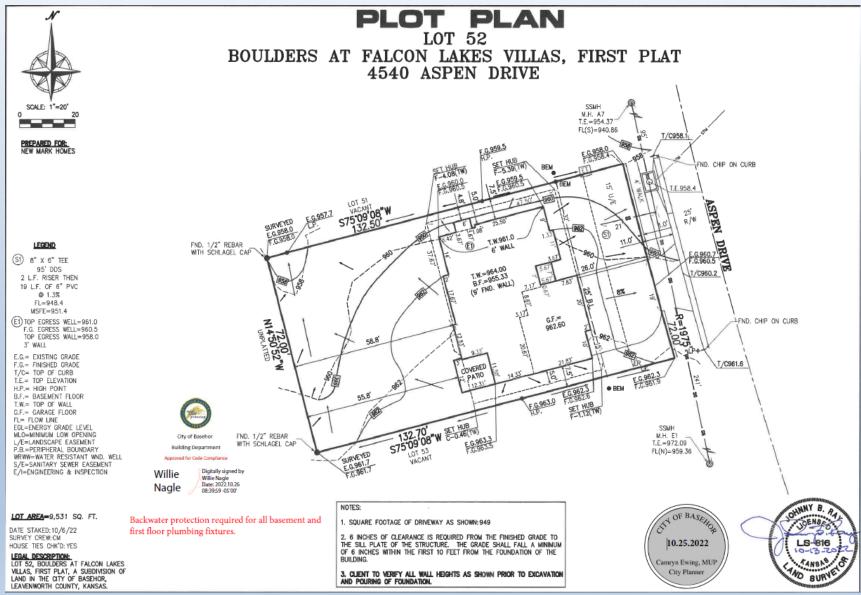


# It all starts with a

# contract, a plan & permits

#### **Plot Plan**

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# Surveying



# Staking/Flagging



#### Excavation



#### Excavation

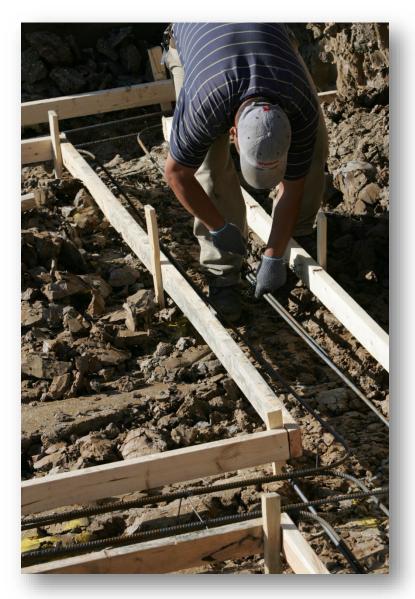


### **Footing Prep**



#### Footings





#### **Foundation Forms**



#### **Foundation Forms**



#### **Foundation Forms**



### Rebar and ties



## Concrete Pump Truck



# Forms Being Removed



# Damp Proofing



### **Ground Rough Plumbing**



# **Ground Rough Plumbing**



## Basement Floor/Slab



# Garage Floor



# Framing



# Framing



# Walls Raised



# The 2<sup>nd</sup> Floor

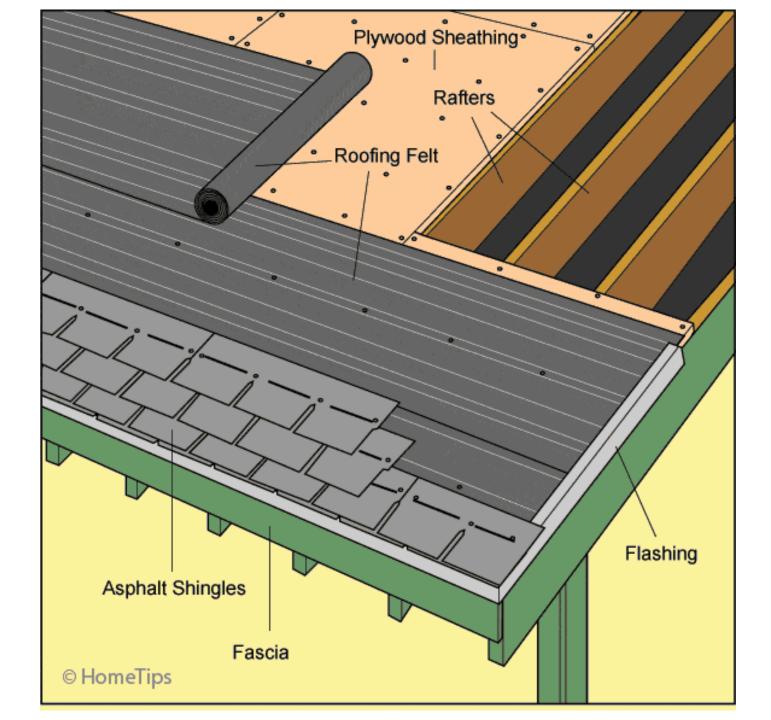


## **Roof Rafters**



# Framing complete





# **Roofing materials**



## Asphalt Underlayment



### House Wrap





#### **Rough Plumbing**





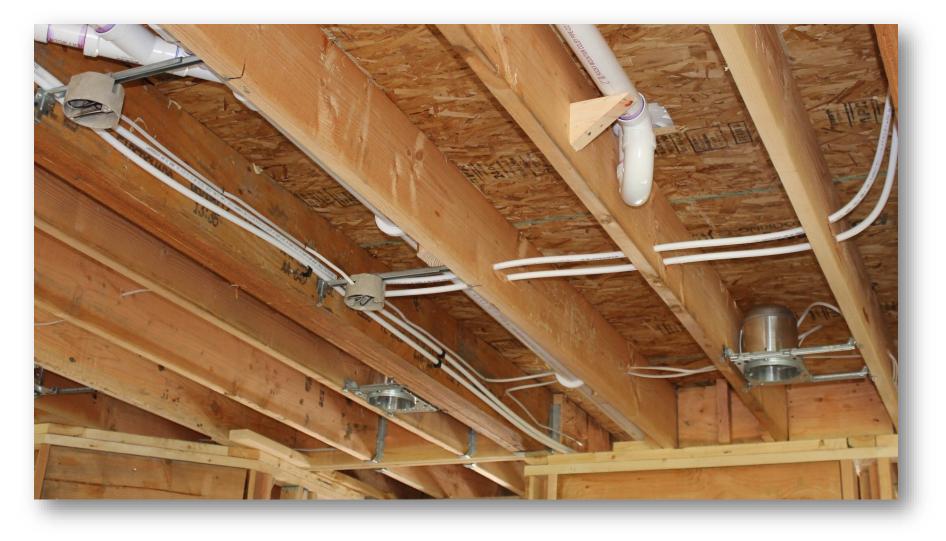
#### **Fireplace & Rough Electrical**



# **Rough Electrical**



#### Rough Electrical: Can Lights & Fixture Boxes

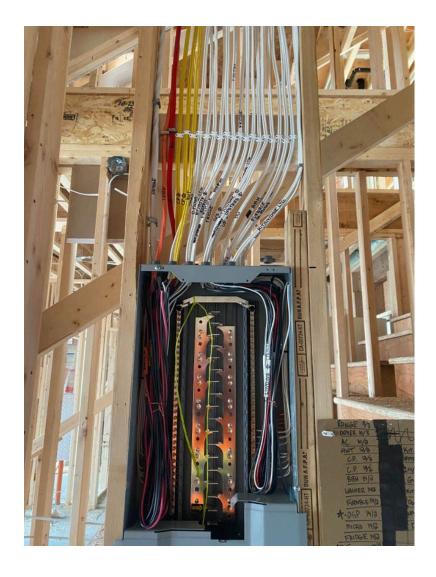


#### **Rough Electrical**



#### **Rough Electrical**





## **HVAC Is Installed**



## Utility connections



#### **Insulation - Batt**



#### **Insulation - Blown**



#### Sheetrock



#### Sheetrock



# Joint Compound/Sheetrock Mud



#### Tape and Mud



### Sheetrock sanding



#### **Ceiling Texture Added**



# **Knock Down Ceilings**



#### Real Hardwood Floors (then)



#### Hardwood Floors (now)



#### Laminate floors

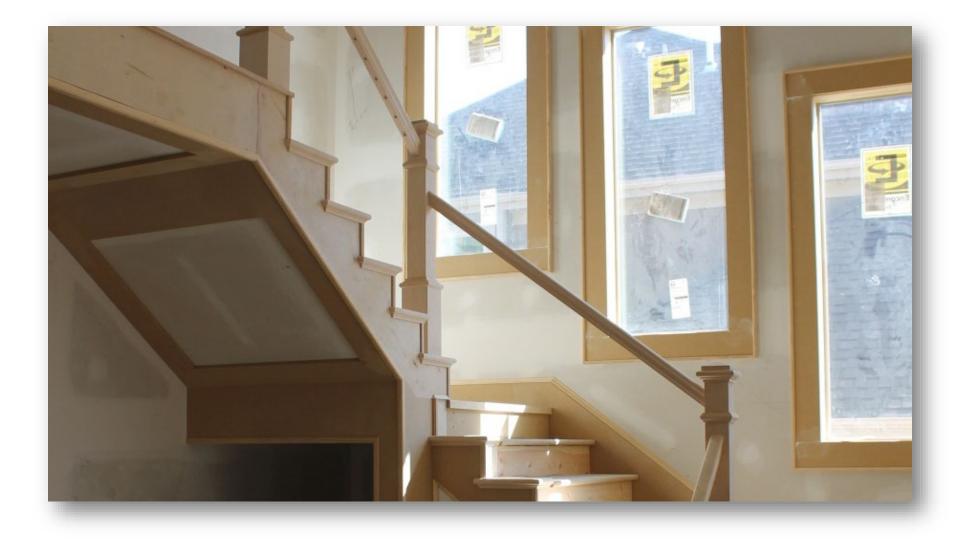
#### **Driveway Flatwork**





Cabinetry

## Trim



## Paint Prep





#### Paint (Spraying enamel)

#### Paint & Stain



#### Paint & Stain



### **Barrel Vault Ceiling**



## Wainscot (Wayne's cot)



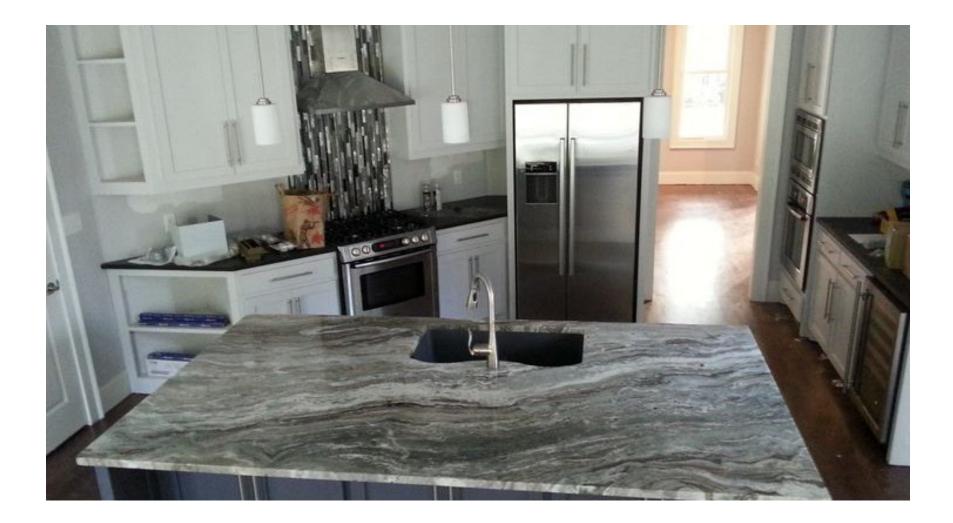
#### Gutters

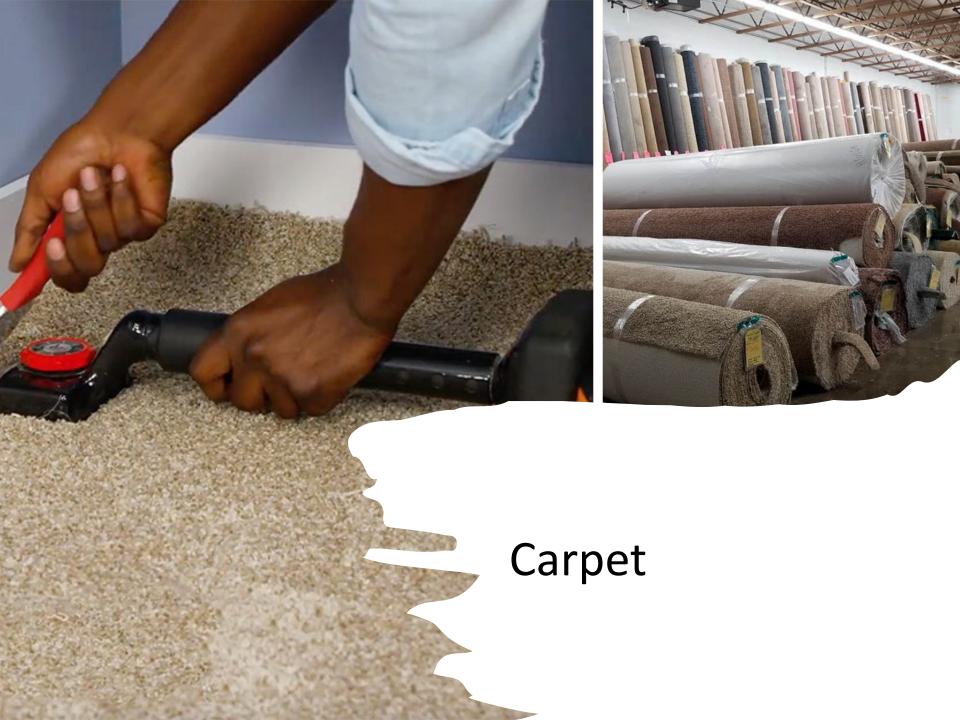


#### Patio Flatwork



#### Countertops & Appliances



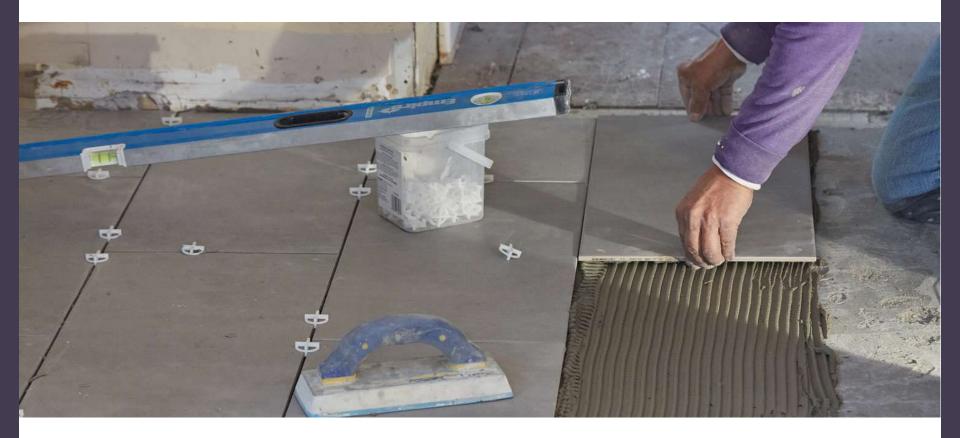


#### Light Fixtures





## Sod & Landscaping

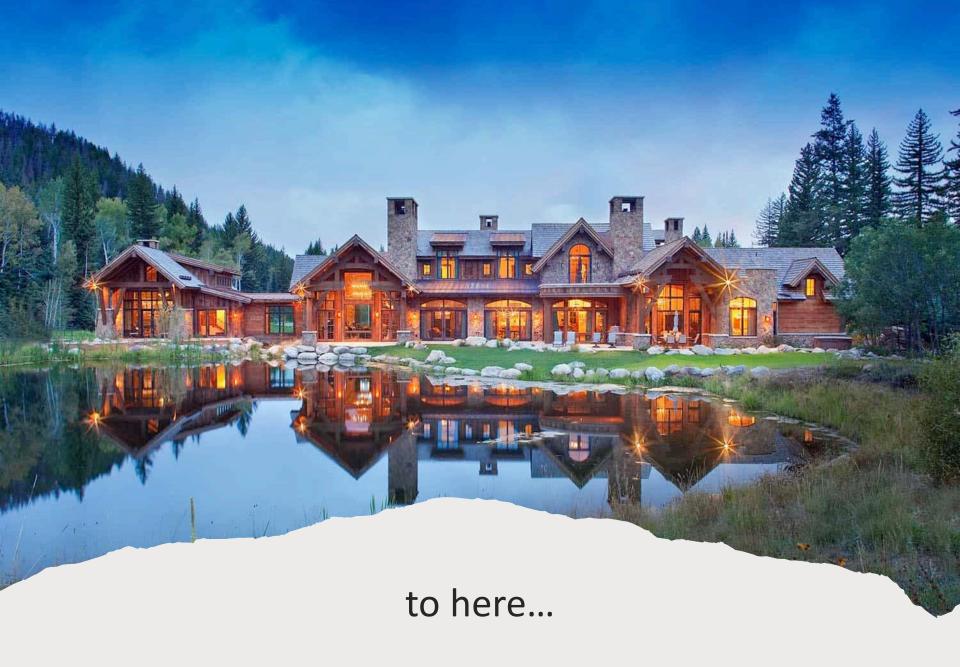


## Tile

Paint Touch Ups

# That's how we get from here...









#### **New Home Construction**

with Cory Stewart