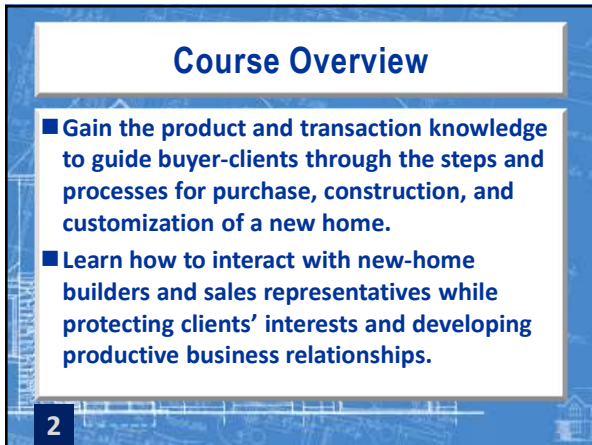




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2



3

Differences in representing a buyer in new construction vs.



- Setting expectations. - Preparing the buyer- Takes longer, imperfections, inspection costs, upgrades, selections, delays
- Infill vs Track,
- Spec vs Custom.
- The hunt. - off MLS, FB groups- Finding homes-- stuff off market.
- Contracts
- Types of construction.
- inspections- 2 stage
- Blue tape walk-
- Financing- Rate Lock- timeline
- Construction to Perm.

11-12

4

Differences in representing a builder/new construction vs typical seller.



- Careful what you ask for: Considerations
 - Demands
 - Egos
 - Extended timeline to completion- account for this in your listing agreements.
 - Time to get paid
- Lead times-
- Tons of work w no Commission.
- When to get involved- When to list get paperwork-
- Be an expert- learn what's involved in a build— how?
- Budget, Selections,
- Timelines-
 - How long does it take to build
 - When to go to market
 - Delays
- Players- Architects, Designers, Codes,
- Go live-
 - MLS- get selections to post
 - marketing plans- less detail
 - BUILDER WARRANTY

11-12

5

Advantages for New-Home Buyers



- Everything is new
- Maintenance and repairs
- Builder's warranty
- Energy-efficiency
- Individual choices

11-12

6

Advantages for New-Home Buyers



- No haggling over conditions and repairs
- Flexibility
- Lender relationships
- Pricing competition
- 1st year touch ups and corrections
- Enjoyment

11-12

7

Advantages for Real Estate Agents



- On-site sales reps do a lot of the work
- Warranty reduces liability
- Builder's E&O insurance
- It's fun.....really?

12

8

Why Do Real Estate Agents Avoid New Homes?

■ Lack of information and knowledge	■ Risk of no commission
■ Hard to demonstrate value	■ Takes too much time
■ Selling an intangible	■ Long wait to get paid
■ Risk of losing the client	■ Different business model

14-16

9

The Builder's Point of View

- Real estate agents as extended sales force
- Builders look out for their own interests
- Spec and tract builders
 - Prefer to build without customer involvement
 - Build the same floor plan repeatedly
- Take all the financial risk and problems
- Want a fast, problem-free build, quick sale, standard-formula transaction

16

10

The On-site Sales Representative

- Sit the model
- One product to sell—the model home and community
- The “face” of builder
- May/may not be a licensed real estate agent
- Follows the builder’s policies and rules
- Step back—let the sales rep do the work

18

11

Role of the Buyers Agent

<ul style="list-style-type: none"> ■ Research subdivisions and builders ■ Educate the buyer ■ Shape realistic expectations ■ Help the buyer define needs ■ Schedule appointments ■ Accompany buyers ■ Help evaluate choices 	<ul style="list-style-type: none"> ■ Ask questions ■ Advise the buyer ■ Negotiate terms and value adds (not get the best deal) ■ Explain documents ■ Monitor progress ■ Maintain paper trail ■ Reminders: inspections and walk-throughs
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19-20

12

Your Learning Curve Goals

20

13

Learn the People

- They want to get to know you too
- Sales reps appreciate if you take the initiative
 - Schedule appointments
 - Meet face-to-face
 - BEFORE bringing buyer-clients
- Referrals and listings?

20

14


Learn the Product

- Learn construction trends and methods
- Read what builders read
- Attend new-home shows and expos
- Network with the builder community
- Visit the model homes

22

15

Learn the Process



- Registration policies
- Standard forms and contracts
- Upgrades and options
- Earnest money and deposits
- Financing
- Commission policies
- Builder's warranty
- Inspections, walk-throughs
- Checking references

24-25

16

How Are Real Estate Agents Paid?

- Builders pay commission
- Amount and when varies
- Incremental
 - % at contract signing
 - % at slab pour
 - % at closing
- What could go wrong?
 - Registration problems
 - Builder as listing broker
 - Competing claims
 - Reverse registration
 - Custom builder's line item expense
 - Prior registrations

25-26

17

Registration—the Key to Compensation

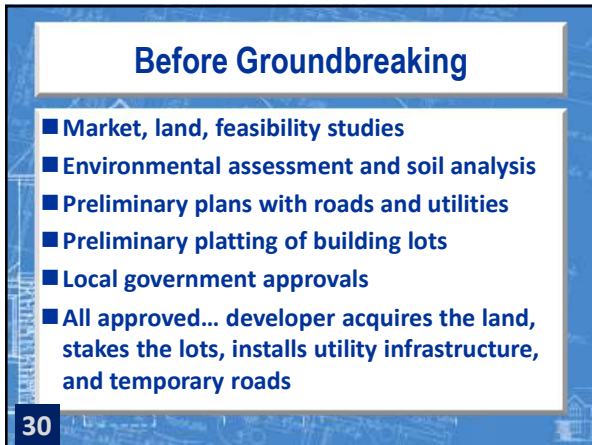
- Follow the builder's registration procedures
- Accompany the buyer on the first visit, second visit may be too late
- May depend on sales rep's goodwill
- Not a small issue for the sales rep
- Make sure buyers know what to do if they visit model homes on their own. And why!

26-27

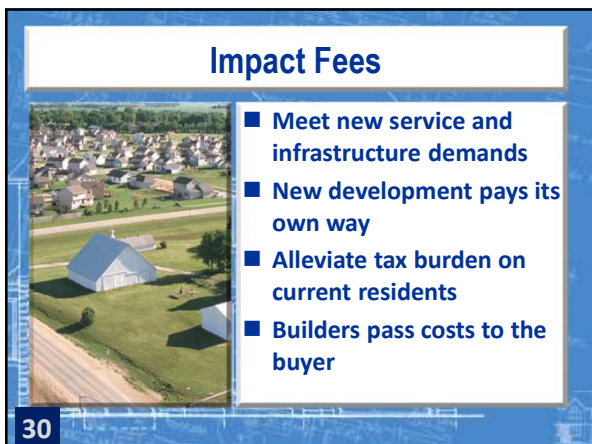
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19



20



21

From Developer to Builder

Developer-Builder	Builder Only
<ul style="list-style-type: none">■ Maximizes profit potential■ Control of the land■ Developer-builder takes bigger financial risk for larger pool of buyers■ Land-only deals are less risky but market is builders only	<ul style="list-style-type: none">■ May buy packages of lots■ May option lots from developer■ Developer may permit a few builders to work in subdivision■ Less risk, but not in control of land

31

22

Researching Builders

<ul style="list-style-type: none">■ Reputation■ Professionalism■ Business practices■ Local, regional, or national	<ul style="list-style-type: none">■ Liability■ Quality of work■ Experience■ Commitment■ Specialization
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31-33

23

Small to Large

Small Builders	Large Builders
<ul style="list-style-type: none">■ Flexibility of terms, conditions, and pricing■ Higher profit margins■ May raise prices to offset volume■ More vulnerable to downturns■ Higher risk for buyers	<ul style="list-style-type: none">■ Less likely price negotiation■ Business and build formula—less flexibility for buyers■ Tight profit margins■ Financial strength to withstand a down market■ Lower risk for buyers

34

24

Spec to Custom

Spec and Production	Custom Builders
<ul style="list-style-type: none">■ Repeat the same floor plan■ Little flexibility for custom features■ Tight schedules, narrow profit margins■ Buyers must monitor quality■ Sell quickly to free up capital■ Sell completed homes first■ Accelerated build times	<ul style="list-style-type: none">■ High profit margins■ Flexibility■ Longer design and build time■ Modifications increase price■ More conscientious about quality control■ Many small operations■ Can the builder finish the job?

34

25

The Specs

<ul style="list-style-type: none">■ Detailed instructions for building the house■ Builders and subs use:<ul style="list-style-type: none">▪ Bid out work▪ Order materials▪ Establish pricing▪ Construct the home■ Buyer okays specs before builder starts	<ul style="list-style-type: none">■ Changes after contract signing require additional paperwork■ What if final specs go over budget?■ Compromises on<ul style="list-style-type: none">▪ Upgrades▪ Quality of material▪ Customizations▪ Square footage
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35-36

26

Options, Upgrades, Change Orders

Options & Upgrades	Change Orders
<ul style="list-style-type: none">■ Upgrade package may be part of the deal■ Design center staff may try to upsell features■ Let buyers make their own choices■ Ask about deposit and payment policies	<ul style="list-style-type: none">■ The fewer change orders the better■ Add cost and time■ Verbal instructions and pencil notes may be overlooked■ Make sure it's in writing!

37

27



Home Trends

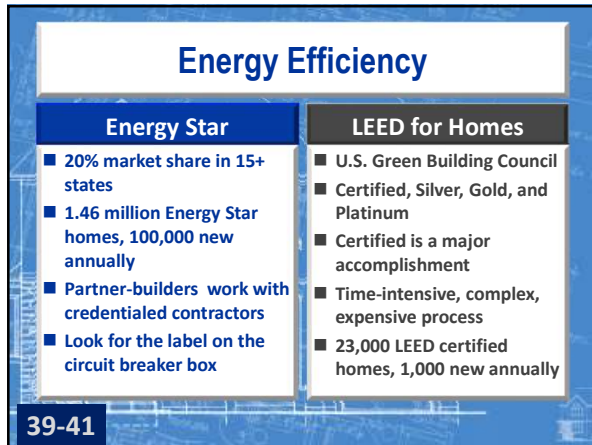
- Living Spaces
- Generations
- Kitchens and baths

What is trendy in our market area?

38

This slide features three photographs: a modern living room with a large TV, a kitchen with a white island, and a wooden deck with outdoor furniture. The background is a blue grid pattern.

28



Energy Efficiency

Energy Star	LEED for Homes
<ul style="list-style-type: none">■ 20% market share in 15+ states■ 1.46 million Energy Star homes, 100,000 new annually■ Partner-builders work with credentialed contractors■ Look for the label on the circuit breaker box	<ul style="list-style-type: none">■ U.S. Green Building Council■ Certified, Silver, Gold, and Platinum■ Certified is a major accomplishment■ Time-intensive, complex, expensive process■ 23,000 LEED certified homes, 1,000 new annually

39-41

This slide compares Energy Star and LEED for Homes. It includes a table with two columns and two rows of bullet points. The background is a blue grid pattern.

29



Permitting

- Assures structures meet building code standards for safety, durability, energy efficiency
- Happens behind the scenes
- Last step before construction begins
- Indicator of strength of housing market

41

This slide has a white background with a blue border and a blue grid pattern. It contains a list of four bullet points.

30

Subcontractors

- Closely scheduled to manage build time
- Ripple effect of delays
- Competition to hire reliable, experienced workers
- Shortage from past layoffs, job switching, retirements, and few new workers in training
- Loyal to builders who furnish steady stream of work

42

31

Build Times

- Fast doesn't equal better
- Fast is good for the framing process
- Production and spec homes go up fast, custom homes take longer
- Typical delays
 - Weather
 - Availability of building materials and subcontractors
 - Complexity of the project
 - Changes orders from the buyer
 - Builder's competing projects

43

32

Construction Cost Breakdown

Top 5 Costs		■ Construction = 59.2% of total sales cost ■ Final sales price includes: <ul style="list-style-type: none"> ▪ Finished lot ▪ Financing costs ▪ Sales commissions ▪ Builder's overhead and expenses ▪ Builder's profit
15.2%	Framing, trusses, sheathing	
9.3%	Excavation, foundations, backfill	
6.0%	Plumbing	
5.6%	Cabinets and countertops	
4.9%	Windows, doors, stairs	

50

33

Monitoring Construction Progress

- Consult timeline of building phases
- When does the buyer need to sign-off
- Accompany the buyer
 - Spot items needing attention
 - Lend moral support to demand corrections
- Don't wait—construction errors can be hidden behind drywall and insulation

50-51

34

Walk-Throughs

- Develop the punch list
- What remains to be done
- Before or after closing?
- Ask builder for a finishing date
- If significant items are unfinished, retain a \$\$ amount in escrow until all done

51

35

Construction Insurance

Builder	Home Buyer
<ul style="list-style-type: none">■ Builder's Risk, Course of Construction■ General Liability■ Workmen's Compensation Insurance (WCI) covers employees only, not subcontractors	<ul style="list-style-type: none">■ Standard homeowner's policy■ Limited fire and dwelling policy covers only structure■ Increase coverage as construction progresses■ Re-evaluate coverage when home complete

51-52

36

Inspections

- Inform buyer-client of the importance of independent inspections
- Good builders welcome inspections, affirms quality of work, lessens liabilities
- Code inspectors don't look out for buyer's interests
- Know required inspections, remind buyer-clients

52-53

37

Ready for Closing?

- Substantially finished?
- Don't panic
- Construction crew works to the last minute
- Orientation for new owner
 - How to use everything in the home
 - Location of utility shut offs
- Last chance to check on punch list items

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38

Builder's Warranty

- Small defects can signal big problems
- Schedule an independent home inspection 4-6 weeks before warranty expires
- 1/2/10 warranty covers
 - 1 year: materials and workmanship
 - 2 years: plumbing and HVAC
 - 10 years: major structural defects
- Consumer products—separate warranties

54

39

Custom Building



- Builders' standard floor plans don't meet needs and wants
- Unique building site
- Very personalized home
- Longer build time, higher cost
- Lots of details to decide

55

40

From the Drawing Board



1. Ideas
2. Preliminary drawings
3. Working drawings
4. Blueprints and specifications
5. Bidding and pricing

Everything is a line item expense including the real estate agent's commission

56-57

41

Build on Own Lot

- Combines advantages of spec and custom homes
- Choice of standard floor plans and upgrades
- Buyer chooses building lot and siting
- More expensive than a spec home
- Faster, less expensive than a custom home

59

42


Staying Involved

- Maintain communications
- Keep a paper trail
- Visit the site
- Problem solve
- Accompany on walk-throughs
- Inspection reminders
- Attend the closing
- Stay connected
- Monitor zoning changes

60-62

43

Subdivision Complete?




- Transition from "in progress" to complete
- Street dedication
- Homeowners association takes charge of community oversight

62

44

3. The New-Home Sales Transaction



63

45

8 Key Processes

- 1 Your value proposition for new-home buyers
- 2 New-home buyer consultation
- 3 Matching buyer, builder, development, home
- 4 Showing and evaluating new homes
- 5 Making an offer
- 6 The contract
- 7 New-home financing
- 8 Closing and move-in

64

46

1 Your Value Proposition

<ul style="list-style-type: none">■ Your market distinction expressed as client or customer service■ Services, benefits, solutions■ What does your value proposition say that a buyer hears as benefits?	<ul style="list-style-type: none">■ Why new-home buyers need buyer representation■ How I help you buy a new home■ Why hire me to represent you
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64-65

47

Why New-Home Buyers Need Representation

<ul style="list-style-type: none">✓ Look out for your interests✓ See full range of homes✓ Building process, schedules, financial obligations✓ Go over contracts✓ Plan move-in	<ul style="list-style-type: none">✓ Plan for closing✓ Keep track of money✓ Obtain public subdivision reports✓ Research builders✓ Obtain environmental hazards disclosures
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66

48

2 New-Home Buyer Consultation



- Learning curve for new-home buyers
- Usual needs and wants
- Can we make the dream of a new home become a reality?
- Use your core real estate skills

67

49

Buyer Consultation Goals

Real Estate Agent's Goals	Buyer's Goals
<ul style="list-style-type: none"> ■ Build rapport ■ Showcase your services ■ Learn the buyer's needs and wants, and price range ■ Help the buyer form realistic expectations ■ Obtain a representation commitment ■ Plan a strategy for finding the right home ■ Do we want to work together? 	<ul style="list-style-type: none"> ■ Get acquainted with the real estate professional ■ Learn what the agent can do for them ■ Describe the "ideal home" ■ Learn about market conditions ■ Learn about the search and buying process ■ Start looking for the right home ■ Do we want to work together?

68

50

3 Matching Buyer, Builder, Development, Home

- Beautiful model homes dazzle
- Offer objective information and advice within your expertise
- Discuss how subdivisions and properties fit the buyer's needs, wants, and budget
- Let the buyer set the search parameters

72-73

51


Subdivision Research

- Codes, covenants, and restrictions
- Location
- Amenities
- Utilities
- Model homes for the buyer to view?
- Time on market
- Pricing
- Planned uses
- Overall ranking
- Inventory pressure

73-74

52

Buyer's Time Frame



- When does the buyer want to move in?
- What homes will be ready?
- Available spec inventory?
- Timing of completion?
- Sale of current home?

76

53

Value Proposition Checklist

How I Can Help You Buy a New Home

- Objective advice
- Discuss how CC&Rs impact your usage
- Obtain reports on builders, subdivisions
- Maintain database of subdivision profiles
- Stay up-to-date on construction progress
- Help you assure quality control
- Compare pros and cons of properties, neighborhood, or location features

76

54

4 Showing and Evaluating New Homes



- Lot location, configuration, and siting
- Options and upgrades
- Future resale value

77

55

Model Home Do's

- Wear your name badge
- Make an appointment
- Introduce the buyer and yourself
- Ask for a list of the upgrades and price list
- Let the sales rep do the job
- Ask permission to accompany buyer for home showings
- Point out features the sales rep overlooks
- Remember the sales rep is your partner
- Be the objective and rational observer

79

56

Model Home Don'ts

- Just drop in
- Be possessive of the buyer
- Leave the buyer alone with the sales rep
- Use the time to return phone calls, text, or relax
- Point out negatives in front of the sales rep
- Reveal confidential information about your client
- Treat the builder or sales rep as adversaries

79

57

Value Proposition Checklist
Why Hire Me

<ul style="list-style-type: none">✓ Relationship central✓ Know how to work with builders and their sales reps✓ Good relationships with local builders	<ul style="list-style-type: none">✓ Establish a pre-closing punch list and follow up✓ Negotiate withholding funds until completion✓ Maintain a paper trail
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82

58

5 Making an Offer

- Don't expect incremental, back-and-forth negotiations
- Builder negotiations are bottom-line decisions
- No emotions involved
- Focus on negotiating value-adds
- Interpersonal dimension is still important
- Lowering sales price today impacts future

82-83

59


6 The Contract

- Boilerplate contracts favor builders
- Protections for the builder
- Consequences for the buyer
- Enshrines builder's tried and true business formula
- Builder's primary concern—can buyers pay?

83-84

60

Earnest Money



- Protects builder
- Provides cash flow
- Higher for custom homes
- Low earnest money may be a tradeoff
- Check the builder's refund policy
- Where is money held?

84

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Contract Clauses

- Location of construction
- Scope of work
- Price
- Cost clause
- Deposit and payments
- Options and upgrades
- Mortgage contingency
- Builder's performance
- Occupancy date
- Substantially finished
- Closing clause-delays
- Dispute resolution procedures

85

62

Contract Clauses

- Change orders
- Permits
- Standard of work
- Licensing
- Inspections
- Material substitution
- Builder's warranty
- Construction delays
- Contingencies
- Mineral rights
- Legal review
- Broker compensation
- Acceptance

86

63

Why Custom-Home Buyers Need Buyer Representation

<ul style="list-style-type: none">✓ Help you conceptualize a custom home✓ Help you make your vision into reality✓ Identify architects and builders✓ Discuss pros and cons of custom-building	<ul style="list-style-type: none">✓ Help you find a building lot✓ Review the builder's contract✓ Help you monitor construction✓ Suggest features to enhance marketability
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64

7 New-Home Financing

The Basics	The Challenge
<ul style="list-style-type: none">■ Short-term financing pays for the construction■ Builder draws funds as building progresses■ Borrower pays interest only■ Lender may add interest reserve■ Take-out loan refinances construction loan to permanent mortgage	<ul style="list-style-type: none">■ Finding an experienced lender who offers financing■ Local lenders: lower rates and personalized service, but no experience■ National lenders: lots of experience, but no knowledge of local market and builders

87-88

65

Builder's Package

<ul style="list-style-type: none">■ Lender requirement■ Resume■ References■ Line-item breakdown■ Materials list■ Signed contract■ Schedule of draw payments	<ul style="list-style-type: none">■ Architect's responsibility■ Identity of contractor, subcontractors, and architect■ Spec changes and cost overruns procedures■ Proof of insurance
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66

Two-Close Financing

- Two qualification processes and closings
- Interest reserve
- Contingency fund for cost overruns
- Large down payments
- Permanent financing Interest rate unknown
- Credit problems during construction may disqualify the buyer for permanent financing
- Agent's commission delayed?

89

67


One-Close Financing

- Combines interim and permanent financing
- One approval process and closing
- Mini closing upon completion changes interim to permanent financing
- Negative changes in the buyer's finances don't present an obstacle to permanent financing

89-90

68

Builder's Financing



- Large production builders may offer prearranged financing and incentives
- Easy to understand the attractiveness of builder-arranged and one-close financing

90

69

FHA Financing

<ul style="list-style-type: none"> ■ One-time close ■ Low down payment ■ 640 credit score ■ No interest reserve ■ 130 days to complete construction ■ 150-day interest rate lock 	<ul style="list-style-type: none"> ■ Equity in land can be used toward the down payment ■ Agent's commission is paid at loan closing, before construction begins ■ Local lending limits apply
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90-91

70

VA Financing

- One-close construction/permanent loan
- Few lenders are willing to take on the risk
- Requires VA Certificate of Eligibility
- Payments begin after construction complete
- Amortized for full repayment within the remaining term
- Buyer cannot pay an agent's commission

91-92

71

Financing Spec to Custom

Spec Homes	Custom Homes
<ul style="list-style-type: none"> ■ Interim financing in the builder's name ■ Principal repaid when sold ■ Interest is a line-item cost ■ Accruing interest during delays diminishes profit margin 	<ul style="list-style-type: none"> ■ Buyer obtains all financing ■ Lender administers draws ■ Buyer and lender must approve builder draws ■ Buyer bears burden of accrued interest during delays

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8 Closing and Move In



- Overlooked expenses?- Blinds, appliances, landscaping, closets...
- Plan for move in and construction delays?
- Punch list items
- Last-minute details
- New-home orientation
- Will the dust ever settle?
- The paper trail

93-95

73

Keep in Touch



- Helpful closing gifts
- Inspection reminders
- Monitor subdivision progress
- Inform about zoning changes
- Offer a first- or second-year CMA

95

74

**NEW-HOME CONSTRUCTION
AND BUYER REPRESENTATION**
Professionals, Product, Process

Thank You

75
