

# Are you ready for the new home buying experience?

Selecting and buying a brand-new home can be a fun, even thrilling experience, but it's not without its twists and turns. It can quickly turn into a bumpy ride and leave you feeling a little squeamish. The new home professionals at **9Yards Realty** developed this booklet to guide you through the process. Every buyer and every purchase is unique, but we hope this helps you better understand what's coming around the next corner.

**WELCOME!**



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## BUYER'S TIP 1

# You need an experienced agent on your side when buying a new home.

Yes, it's important to have your own real estate agent (buyer's agent) when purchasing a brand new home. In fact, it's one of the first and most critical steps in the new home buying process. But the key to success is finding and hiring a local REALTOR® who knows new construction and has extensive experience with area new home builders. Most agents primarily deal with used homes, so make the extra effort to find that needle in a haystack.



An agent with solid new home experience will provide sound advice and lead you through every step of the process.

- 1 When is the best time to buy?
- 2 Will builders negotiate?
- 3 Which builders have good reputations for quality?
- 4 Who best fits your style, personality and budget?
- 5 What are the best-selling areas/neighborhoods and why?
- 6 Are you getting the best overall deal possible?

## It's a "free" service, because builders pay agents' commissions

You have nothing to lose and everything to gain with an experienced new home agent on your side. Better yet, it's FREE.

- ✓ Builders plan and budget in advance for buyer agent commissions which are built into sales prices whether you use one or not. So buying without your own agent just means more profit for the builder and no real savings for you. Real estate agents often represent 60-80% of a builder's total sales, so a builder is not going to risk this relationship by discounting prices if you purchase on your own.
- ✓ Big builders are well oiled machines. Builders recruit and train top salespeople who are paid very well to meet sales goals and protect their employer's interests. But that's just the first of many layers you'll encounter.
- ✓ You'll deal with a lot of people: sales agents, sales assistants, project managers, assistant project managers, design center consultants, in-house mortgage lenders, closing coordinators, attorneys, vendor partners and more. You might even get to meet an area sales manager, vice president or division president. An experienced buyer agent on your side can help shift the balance of power, improve communication and save you time and money.

Get your own agent on board before you start searching on your own.



# Narrow your search focus to save time, money.

Select your REALTOR® first, then work together on a plan of action. What's your budget? What are your wants, needs and "must haves"? What style of home and neighborhood fits your personality and lifestyle? Are schools important? Work commute? Easy access to entertainment, parks and recreation? Walkable to shops and restaurants? A good agent will help you determine which builder best meets your unique needs, set priorities, separate fact from fiction, and help you achieve your new home goals.

Searching on-line can help with planning (assuming the info is up to date). You'll find base prices, plans, plat maps, renderings and even virtual tours. But nothing compares to the hands-on, eye-opening experience of visiting neighborhoods, touring model homes and even previewing builder design centers.

## What type of new home experience is right for you?



**Save big with spec/inventory or quick-delivery homes.**

Need to move fast for a job relo or lease ending? Or maybe you just don't like the construction process. You still have a lot of new options. Most builders pro-actively build speculative homes (a.k.a. move-in-ready, ready-now, quick-delivery, etc.). These often represent some of the best values on the market with substantial savings and special incentives.



**To-be-built homes take time but give you more choices.**

Pick and personalize your new home! Select a home site, pick from a builder's plans, make your design selections and let the fun begin. Your agent can help navigate the build process, plat maps, site plans, home plans, plot plans, surveys and more. *What drives lot premiums? How does home style affect price? What's the water/sewer system? How might CCRs and HOA rules affect your future enjoyment?*



**Custom homes take personalization to the extreme.**

Take things to the next level with your own plan or land. A custom build can range from a small home with acreage in the country to an impressive masterpiece in a gated community by the lake. Your agent can help you find the right property and builder - and help you understand financing options.



## Understanding the wide variety of builders and product.

All builders are not created equal, and it's very important to know which ones best meet your specific needs. This is where your experienced new home focused agent can help save you a lot of time, energy and money. Every builder has a niche or brand focus. Your budget, style/personality and life stage can all come into play. Are you a first-time buyer on a tight budget? Looking for an ideal move-up home for more space? Ready for an active-adult lifestyle?

What is "value engineering" anyway? Finding the right balance of quality and quantity is challenging. It's vital to understand the reality of price-per-square-foot. Are you willing to keep things simple and get the most space at the best possible price or are you willing to pay more for a little extra flavor and style?

## What builder product line best fits your style and budget?



### Entry level or first-time buyers

Some first-time buyers already paying high rents may jump right in to a spacious home with lots of upgrades and room for growth. But you may prefer a smooth transition into a more affordable price range - maybe even a condo or townhome. Several area builders specialize in "value engineering" to help first time buyers on tight budgets get the most bang for your buck.



### Need a bigger, better home?

Are you an experienced homeowner ready for a bigger, better home? Today's market is filled with builders competing in this category. You'll have a lot of choices, and your buyer agent will play a critical role in matching you with the right builder "personality." Your agent should know best-selling neighborhoods and which builders are open to negotiation on price, upgrades, loan rates and more.



### Types of "niche" products

Want an "active-adult" or age-restricted neighborhood filled with amenities? Many builders/ developers are targeting baby boomers with a variety of choices. Or you might prefer the classic hometown charm of a TND (traditional neighborhood development) that promotes a pedestrian-friendly lifestyle. What you want in the home of your dreams. Make sure your agent understands the design process for area builders.



## Why furnished 'designer' models may be too good to be true.

Builders rely heavily on furnished "designer" models to thrill and amaze you. They're fun to tour and serve a valuable purpose for all. But just remember they're filled with nearly every option and upgrade available (and some not available). They're carefully designed to get you to spend even more at the builder's multi-million dollar design studio - big business for builders.

What you see is not what you get. How much would this model cost to "as is" with everything included? The \$350k base price plan you saw online is now a \$600k+ model home. A good buyer agent can help you weed through the bells and whistles to fully understand what you can actually afford to meet your needs and budget while still adding personal touches important to you.



## Options, upgrades, selections & the design studio process.



### Stick to your budget! Your lender and agent can help.

Personalizing your new home can be fun, but know your max budget before getting caught up in the excitement. Have your lender provide estimated monthly payments on different price points, so you can make informed decisions about how much to spend on options and upgrades.



### What are structural options vs. selections or upgrades?

Most builders require you to select "structural" options at contract as they affect the permitting process. These include things like exterior elevation, adding a covered patio or bonus room, expanding your shower, adding a fireplace, etc. Which are good investments? Can you make custom options not shown on the builder's plan sheets?



### Know what's trendy or timeless in selections/upgrades.

Selections are "free" choices (often colors). Upgrades are big business. Some builders have huge design studios with thousands of choices while others simplify with a single room or design boards. You could spend 4-6 hours (even multiple days) to complete the process. What's your style? What's trendy? What's timeless for long term value? Do you like making choices or prefer an "easy" button? What's a change order fee? Can you even make changes? Choice of builder can greatly affect your ability to get what you want in the home of your dreams. Make sure your agent understands the design process for area builders.

## Yes, new home builders will negotiate if you know when and how.

New home pricing is set based on land costs, build costs and profit goals. Builder purchasing departments know the cost of each nail and 2x4 in your new home. Plus, local divisions are under intense pressure from corporate HQs to meet sales/closing goals and profit margins. Of course this also can work in your favor if you know what to look for and when to buy. Timing is critical.

Despite what the builder sales agent may say, there may be several ways to get better than the “advertised” price. Here more than ever, it’s crucial to have a new home experienced REALTOR® on your side. Hire one who has builder relationships and knows how they operate including when and how they’re willing and able to sweeten the deal, loosen up on price or throw in some extra treats.



## Explore multiple ways to save when buying a brand new home.



### Consider the builder ‘preferred’ lender for closing costs.

Builders will often pay some or all of your closing costs, but you **MUST** use the builder's "in-house" or designated lender partner. Is this a good deal or are you actually paying more for your loan? Compare rates but consider these offers which are legitimate and easy ways to save thousands. Builder lenders are competitive, know the builder and can often speed up and smooth out your loan process.



### Know the reality of “discount” incentives or add-ons.

Is the builder offering any specials/discount incentives? Are they real or just an excuse for overpricing the home in the first place? Is there always a sale? For to-be-built homes, these usually include FREE options or upgrades (some have huge markups anyway while others are great values). Do some things make more sense to do yourself after closing? Your agent should know which builders offer incentives as well as when and why and which offer good value without incentives.



### Finished spec homes often are outstanding values.

Finished/unsold new homes (specs, fallouts, closeouts) cost builders a lot of money in “carrying costs.” They need to sell these homes (especially if they answer to Wall Street). If you’re ready to move fast, they’re often willing to deal and discount with substantial price reductions, move-in packages (blinds/appliances) and more. What’s the best time to make your move?



# Why are most builder contracts so long and intimidating?

Compared to the typical resale home contract builder contracts are HUGE (40-80+ pages) and much more intimidating and confusing. The builder's own sales agents have extensive internal training to try to understand them. They're developed by the builder's law firm and are designed to thoroughly protect the builder, not you. So just have your own attorney review it and make some revisions in a counteroffer, right? No, that's not going to work.

A builder will rarely, if ever, change its contract language and terms. But you still need to clearly understand what you're getting into and the potential dangers. An experienced buyer agent should help you understand the various rules, deposits, timelines, penalties, amendments, deadlines, contingencies and more.



## Handling deposits, contingencies and warranty programs.



### Understanding and protecting your deposit money.

There's typically a deposit on a new home's base price (around 3%). Plus, you'll pay about 10% up front on options/upgrades and some require 100%. Deposits might be negotiable, but many buyers are embarrassed to ask. Regardless, hold up your end of the deal, because builder contracts include plenty of ways a builder can keep ALL of your deposit money if the deal falls through.



### What are home-to-sell or close contingencies?

Market conditions (supply/demand) drive the process, but some builders allow "contingencies". Basically, you go under contract and the builder proceeds with construction while giving you time to sell (or close) on your existing home. Time periods vary based on how well a particular community is selling. If you're looking at a "hot" community or a popular spec home plan, the builder may not accept a contingency at all.

Again, it's important to know the rules and protect your deposits.



### Does the builder offer a warranty and what's covered?

A home warranty is an insurance policy on your home. State law and manufacturer warranties help some, but in-house and third-party warranties can provide valuable protection. Most are 1-2-10 meaning 1 year workmanship, 2 for mechanical systems and 10 for structural. What's really covered in each category? How to you make claims? And who does the work?



# It's finally time to start construction on your new dream home.

Congratulations! You rounded up the right REALTOR®, bought into the best builder, picked the perfect plan and even dominated in the design studio. Take a breath but get ready to hold on tight. There's still one more hill to climb with possible twists and turns ahead. Let the construction process begin!

You'll start with a pre-construction meeting where the builder reviews the plan, verifies options/upgrades and explains the process and timeline. Then there's a pre-drywall inspection where you see what's behind your walls. Next comes a homeowner orientation to cover the care of your home, explain warranties, provide contact info for subs/suppliers, and to put up that blue tape for final touch ups. A final inspection right before closing simply verifies that all looks good.

Knowing the process lets you sit back and enjoy the ride.



## Communication with your builder is critical.

Throughout construction, the builder's sales agent and/or your construction project manager should establish and maintain a clear communication plan. Will they touch base weekly to keep you in the loop ... or hardly ever? Are you allowed the visit during construction? What if you find something wrong? Who do you tell? When do you tell? Most builders have ongoing quality inspections built into their schedule to correct issues as they arise so don't panic. It's best to discuss any issues and concerns with your buyer agent who can help ease your mind and ensure a smooth build process.



## Are traditional home inspections needed or allowed?

It's a new home, so do you need to spend \$400 or so for your own inspector? County/city building departments inspect major phases of construction, and good builders have internal quality checks as well. But nobody's perfect and even the best builders can make mistakes that get overlooked - cracked roof trusses, electrical outlets or HVAC vents hidden behind drywall, loose nails or roof shingles and more. Some builder contracts require advance notification. Miss the deadline and you're out of luck. But in general, quality builders will not discourage private inspections. An experienced new home buyer agent can provide sound advice and help protect your rights.





## Find your very own new construction home with help from new home pros.

Our team has worked for area builders at management and even VP levels. We have established relationships, get the inside scoop, know how builders operate and when they'll negotiate. We're uniquely qualified to help you select, buy and build a brand-new home. You absolutely can and will benefit with the right buyer agent on your side, one with extensive new home and new construction experience. Call the new home pros at **9Yards Realty**. We know new construction: builder quality, product, strategies, contracts, motivations and more.

We can help.



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