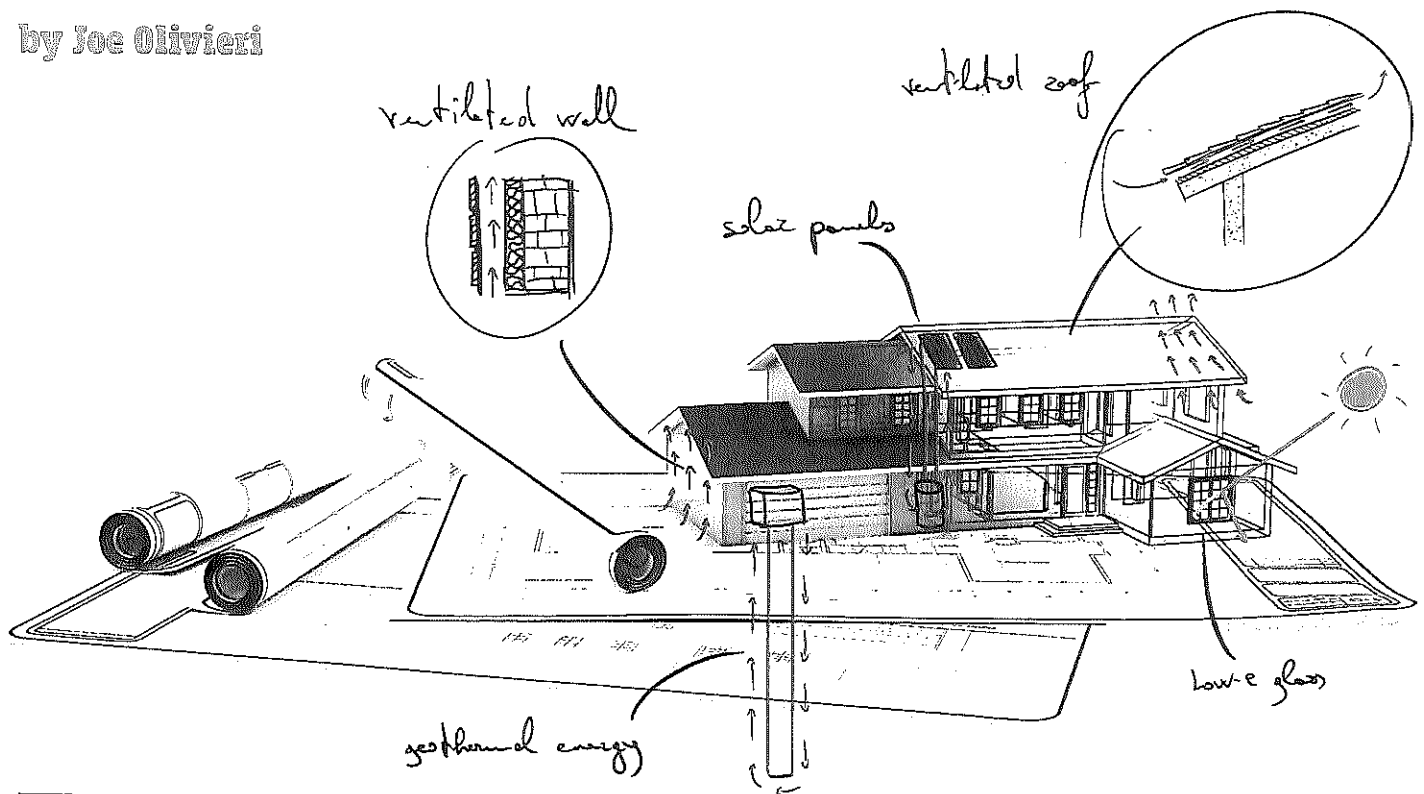


Building Relationships

How You and Your Buyer Clients Can Work with Homebuilders.

by Joe Olivieri



It's easy to understand why buyers like new construction. People imagine the homes of their dreams with few compromises, no old components, and the latest design trends.

Clients enjoy making design decisions, and you'll have fun guiding them through the transaction and construction process, says real estate educator Reba Saxon.

But new construction transactions have important differences from other residential home sales. Saxon teaches the CE course New-Home Construction and Buyer Representation Professionals, Product, Process. Here's what she recommends when helping clients buy new homes.



Touring properties beforehand also adds credibility when you talk to clients.

-Reba Saxon

Before meeting your client

Don't wait until you have an interested client to start learning about what's out there. Agents and brokers should get to know local homebuilders.

"Make a dedicated effort to take field trips to subdivisions. Make an appointment to meet with the onsite agent. Go midweek, not on a weekend," Saxon says. "Let them walk you through the site. Learn what benefits the community has to offer. Look at floor plans without having a client there."

Doing so develops relationships with the homebuilders. Onsite agents in Texas are almost always unlicensed and cannot sell homes themselves, but they can refer prospects to you, she says.

Touring properties beforehand also adds credibility when you talk to clients. If clients ask about a subdivision, you can tell them all you know about it. You also learn more about the construction process and each subdivision's benefits.

Homeowners associations and subdivisions

Unless your clients are custom-building their home on land they already own, their new construction home will be in a subdivision with a property owners association. That's been the case in Texas since the early 2000s, Saxon says.

Research the status of the subdivision and property owners association. Clients need to know about the builder's reputation, the quality of the build-out, and the timing, she continues.

"It used to be that the builder promised six months and delivered in three. Now they promise a year and they cross their fingers. Sometimes they can deliver; other times there are supply chain issues and they can't get the materials they need."

Advising your client

Saxon encourages agents and brokers to thoroughly research the new home market in general. Most new construction options haven't been built yet. Already built new construction, or spec homes, are less common. "A year ago, when the market was white-hot, there were no spec homes; everything was bought up. It was all to-be-built. It depends on what's happening in the market," she says.

Clients will want to know about the value of various upgrades. "It's easy to go crazy adding upgrades and then the home doesn't appraise for the price they end up paying for it," Saxon says. "Then the buyer will need to make up the difference."

Help your clients look at materials; they don't necessarily have to live with the builder's options. For example, if your clients are considering a spec home, you may consider researching the cost of replacing builder-grade carpet for wood flooring. That could be useful information for them.

Remind your clients it is easier to make changes before or during construction than afterward. If your clients know already that they want ceiling fans in every bedroom, make sure the builders know that and wire the rooms accordingly, Saxon says.

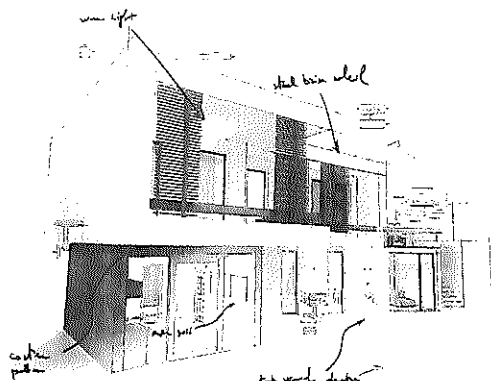
Your role in the transaction

Your role as an advocate for your clients is especially important during new construction transactions. Clients often aren't aware of all of the questions they can ask homebuilders and onsite agents. Encourage them to ask questions and discuss possibilities.

Your clients may be surprised to learn what can be negotiated, such as the position of the future home on the lot. Do they want the home set farther back or more forward? Do they want their back porch perfectly aligned with their neighbor's porch or offset a little bit? "Having seen more houses than your clients, you'll know how these choices will impact their daily lives," she says.

Advocate for your clients to get a second loan estimate. The builder's lender may not give them a competitive loan unless the lender is competing for business. "Suggest your clients get their own

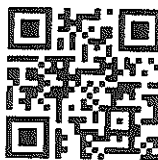
Encourage your clients to point out everything: a scratch on the granite or a paint splatter. The builder needs to make sure it is in as perfect condition as possible before it is transferred.



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inspection, too," Saxon advises. Just because it's new construction doesn't mean there will be no issues. "A builder will take an inspection as a punch list. It's important to get an outside inspection."

Your experience will be invaluable to clients during the buyer walkthrough, Saxon says. "Encourage your clients to point out everything: a scratch on the granite or a paint splatter. The builder needs to make sure it is in as perfect condition as possible before it is transferred over to the buyer."

Check out the contracts

Agents must keep a complete file for their clients, Saxon says. Your clients may be involved with signing off on elements of the project, and it's your job to help your clients keep up with their obligations.

Agents should review the builder's contract for completeness. Make sure the contract includes all applicable addenda. Clients will need to seek the assistance of a private attorney if they have questions about the language contained in the builder's contract.

Saxon says to make sure there is an agreement that spells out how the broker gets paid. Brokers can use the *Registration Agreement Between Broker and Owner* (TXR 2401) or, if the builder is represented by a broker, the *Registration Agreement Between Brokers* (TXR 2402) if the new home was not listed in the MLS.

Stay involved

Whether the home is old, new, or hasn't been built yet, your clients need your attention and guidance at each step of the transaction. They're counting on you.

Often, the onsite agent couldn't be friendlier or more helpful. A common misconception among clients is that the onsite agent is on their side. They aren't—they work for the builder.

That's a lesson you should take to heart, too. "Many agents feel like they show the client the property, the onsite agent takes over, and they can show up at closing to pick up a check," Saxon says. Though that might happen in some transactions, that's not how a buyer's agent should be serving a client. "There are things you really should be checking. I've had students take my class and realize they have sold several new-construction houses and didn't do enough." ★

JOE OLIVIERI is a freelance writer who has written for many newspapers and publications, including *Texas REALTOR*.