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RED FLAGS WHEN BUYING A NEW BUILD OR SPEC HOME

PRESENTED BY - BILL WHITE

The assumption that a new home or spec home does not have any problems is a very dangerous one. The transaction is basically a private sale and doesn't fall under typical Real Estate regulations. There are some serious "**RED FLAGS**" that you should be aware of.

PLEASE NOTE: These items are only red flags. They are not necessarily problems but should be a trigger to a little more research.

- 1 **LATE PAYMENT INTEREST** – if you don't pay on time, builders sometimes charge unethical interest rates until full payment is made. Everything is negotiable.
- 2 **ADDITIONAL FEES** – sometimes the builder will charge extra fees even if delays are their fault.
- 3 **DISCOURAGED FROM USING A REALTOR** – if you have nothing to hide!!
- 4 **DISCOURAGED FROM GETTING A HOME INSPECTION** – no one builds a perfect home.
- 5 **NO PRE-POSSESSION WALK THROUGH SCHEDULED** – this is the time to point out deficiencies.
- 6 **SPECULATIVE PRICING** – in or just after a hot market, some builders price homes based on what the property will be worth in 6 – 12 months.
- 7 **SOLD OUT PHASES** – shop around it may be that it's just this builder who is sold out.
- 8 **PAID LEGAL AND MORTGAGE FEES** – they will usually require that you use their people, who are likely more interested in keeping the builder happy than you.
- 9 **FUTURE DEVELOPMENT PLANS** – what is being built around you?

- 10 **UTILITY RIGHT OF WAYS** – is there any place on my lot I cannot build on?
- 11 **NEW HOME WARRANTY** – how long and what are the terms?
- 12 **GST** – is it included or not and do I get the entitled rebate?
- 13 **LATE EXTERIOR ADDITIONS** – if you ask to have a deck put on late in the process – then do you have an RPR (Real Property Report) and permit saying that it is properly located and built?
- 14 **VERBAL PROMISES** – mean nothing, if it is important, get it in writing.
- 15 **NON STANDARD UPGRADES** – if it is unique, they may not stand behind the work.
- 16 **MARKETING MATERIAL SPECIFICATIONS** – this information may be exaggerated (check square footage).
- 17 **ALTERATION CLAUSES** – ensure that you know exactly what the builder can and cannot change on your home without your permission.
- 18 **SELLERS CONDITIONS** – the builder may have a clause saying that they can increase the cost of ask for more money down at a later date.
- 19 **AMBIGUOUS BUYERS CONDITIONS** – if a condition says for the buyer to simply get approved for financing, then regardless of the interest rate or terms, you would have fulfilled the condition. If a condition is for you the buyer, then add the following words at the end “...to the Buyers satisfaction”.

A Realtor that understands new homes can be your biggest asset. Most good builders are happy for you to have a professional oversee the transaction. This is a must.