

Tips For Your New Construction

September 29, 2013

Dear Dave: I have recently purchased land in Homer and am in the process of figuring out what I need to do to build. What are some thoughts/guidelines/lessons/look-out-fors when going about hiring a builder and, actually, the entire process?

Answer: There is no substitute for engaging an experienced, local Realtor. While I can provide some guidelines, you must locate a Homer real estate licensee who will know all the builders plus the local authorities involved.

There are likely up to a dozen builders in the area who can create your new home but not all builders are themselves created equal. Integrity and quality will vary. Only a local real estate professional, with good character of their own, can steer you along the complex journey.

Real estate licensees normally will not charge you for this service because the majority of builders will pay a commission to your licensee. Here is your next landmark issue. Some builders have a listing licensee and that simplifies how your buyer representative gets paid. If the builder has a listing licensee, your representative's remuneration is normally provided for.

The issue arises when the builder has no professional real estate representative. Many builders will still be willing to pay a reasonable fee for you to be represented, but some balk at this point. Their argument to you is that they will have to charge you more for the construction to cover Realtor fees. I have always found this somewhat disingenuous.

I personally would hesitate with a builder who does not want to cooperate by enabling you to have professional representation. You have to wonder why the builder really wants to deal with you direct where he himself becomes the authority on all things "construction". Don't go down this path. Even if you have to pay a Realtor yourself, it is well worth your expense.

The reputation and quality of builders is usually well known in the area if you know the right people to ask. In my view, this information is paramount, just as it is here in the Anchorage real estate market. Experience, knowledge and character are everything.

Another big issue is the total cost of your project. Naturally, you will have visited a Lender if you are financing the new home, or you may have the cash. In either event, you should be aware that 99% of all new construction buyers end up spending more than the original estimate.

Pin down the numbers as much as possible. You will most likely have well and septic in addition to the structure itself. Most builders will wrap the entire project into one but, often, "Allowances" for certain aspects are included which will depend on your later choices, such as floor coverings, appliances and other things. "Allowances" are really "Estimates". If your choices exceed the allowance, you have additional cost.

Finally, do have an independent and qualified home inspector or engineer check the entire property prior to closing. The builder will assure you that his work is inspected by local

authorities several times over, and this is true. However, this by no means guarantees that everything was done right.

For \$400 to \$500, an independent inspection prior to closing is absolutely your best investment of all. The builder will walk you around your new home and your emotions will be high. Only a third party inspection will keep your eyes properly open at this time.

Even if you have developed a good relationship with the builder, and you think he is 'wonderful', do not overlook this small investment in a qualified inspector prior to closing. Irrespective of warranties and assurances from the builder, it is far better to find problems before the builder has been paid and moved on to his next project.

Dear Dave: When a home is listed, should garage and inside storage/workshop/utility room be included in the total square footage when listing the home? If storage/workshop/garage are all one unit in the basement of the home, would that footage be included as one unit or would the shop/storage need to be separated from the garage for the garage to be excluded? We are looking at a home and there is 1,300 square feet being included which is unfinished basement/storage/garage/utility room/deck etc. plus the main 3 car garage on another level. We are being told there are no rules as to how a home's square footage is determined for the listing. Doesn't Alaska have rules that need to be adhered to for standard practices when listing a home? When looking at other homes we have found the square footage to be for the living area, with the other areas referenced but not included in the actual living space.

Answer: The square footage of a home is the living space only. This 'living space' may be finished or unfinished but must meet the code for 'liveable'. Any space unfinished that cannot readily be finished to 'liveable' is not included.

Unliveable space would include the garage (and shop in the garage), crawl space, and other below ground portions that do not have code ceiling heights or proper fire egress. Decks are most certainly not living space. Without seeing your property it is difficult to comment further. Some storage may be part of the living space if in the house, as would also apply to the utility room.

There is no 'law' or 'rule' in general terms but any real estate professional, any appraiser and any municipal authority will assess the square footage of the home as the 'living space'. The garage, deck, crawl space, non-code basements, and some storage areas will not be included.