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RED FLAGS OF BUYING A NEW BUILD OR SPEC HOME

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 in their own right, but should trigger a little more research.



Late Payment Interest - If you don't pay on time, builders sometimes charge unethical interest rates until full payment is made. Everything is negotiable.



Additional Fees - Sometimes the builder will charge extra fees or interest even if delays are their fault.



Discouraged from Using a Realtor - If you have nothing to hide....



Discouraged from Getting a Home Inspection - No one builds a perfect home.



No Pre-Possession Walk Through Scheduled - This is the time to point out deficiencies.



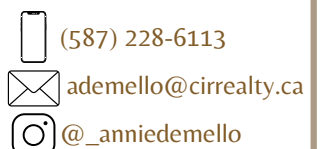
Speculative Pricing - In or just after a hot market, some builders price homes based on what they think the property will be worth in 6-12 months.



Sold Out Phases - It may just be that builder who is sold out. Shop around.



Paid Legal and Mortgage Fees - They will usually require you to use their people who are likely more interested in keeping the builder happy than you.



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- Future Development Plans – What is being built around me?
- Utility Right of Ways – Is there any place on my lot I cannot build on?
- New Home Warranty – How long and what are the terms?
- GST – Is it included, or not, and am I entitled to the rebate?
- Late Exterior Additions – If you ask to have a deck put on late in the process, then do you have an RPR or permit saying that it is properly located and built? And is there a holdback built into the contract in case it doesn't ever get built?
- Verbal Promises – MEAN NOTHING. If it is important, get it in writing.
- Non-Standard Upgrades – If it is unique, they may not stand behind the work.
- Marketing Material Specs – This information may be exaggerated (check the square footage).
- Alteration Clauses – Ensure that you know exactly what the builder can and cannot change on your home, without your permission.
- Seller's Conditions – The builder may have a clause saying that they can increase the cost, or ask for more money down at a later date.
- Ambiguous Buyer's Conditions – If a condition says the buyer will simply "get approved for financing", then regardless of the interest rate or terms, you would have fulfilled your condition if you get approved for any mortgage. If a condition is for you the buyer, then add the following words to the end: "..... to the Buyer's satisfaction."

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

