



Should You Hire An Agent (for FREE) To Buy New Construction?

A guide on how to protect your best interests.

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1. Preface

Do you even need to use a real estate agent when buying new construction? Or should you just deal directly with the builder and their sales representative?

These are common questions people who are considering buying new construction ask.

If you Google it, you'll basically find two schools of thought:

1) People who say, "Nope! You don't need 'em. They just want to latch onto you and get a commission for basically doing nothing." (These are usually people not in the real estate business and often ones who are predisposed to avoiding working with them if possible.)

2) People who say you absolutely should because an agent is indispensable and you're going to get hurt and regret it if you don't. (Surprise, surprise...it's almost always real estate agents saying this.)

But there's a *third* group of people — people who *aren't* real estate agents who recommend using one when you buy new construction. (These are usually people who've been through it and regret not using an agent independent of the builder.)

Here's a fourth unique point of view...

Mine. As an agent, I don't think there's an absolute answer to this.

Some people, in some situations, are just fine working directly with the builder and their reps — without the help of their own real estate agent — and they get good results with little or no downside.

But a lot of people find themselves making mistakes they don't even know they're making. These mistakes often begin the minute they see a sign or an ad for new construction, and they take a ride to just see the place.

As an agent, I may be a bit biased, but I'll say this: You *don't* "need" an agent. You can certainly go it alone. Is it the right choice? Nope, not for most people and most situations. But you can, and you might be fine.

But in my experience, many people regret it and wish they *had* hired their own agent — and they would have if only they were more informed from the beginning.

Which is why I created this booklet...

...to help you think through for yourself whether or not *you* should use an agent when buying new construction.

I've included tips and insights about dealing with builders that will be useful to you no matter which way you decide to go — with an agent or without.

Whichever way you decide to go, I hope you find this booklet thoughtful and useful! If at any point you have any questions about anything within this booklet or even things we don't get into about buying new construction, feel free to reach out to me directly.

2. The Pen Is Mighty!

You've heard the saying, "The pen is mightier than the sword." Right?

You can find out just how much mightier it is if you happen to casually go see a new construction house and decide to buy it.

One of the first things a builder or their rep will ask you to do if you visit their development or model home is to sign in. It sounds fairly innocent, so many people sign in without thinking twice about doing so.

The problem is, if you *do* have a real estate agent you're working with or want to choose one to work with down the road, you may have just made it close to impossible to have your own agent involved in the deal. A few strokes of ink from a pen could cause you a pretty big fight.

By signing in, builders will often use that to cut out any real estate agent you may want involved from being involved in the transaction. You may not have even realized that's what you were causing by signing in.

So, if you want your own agent involved, or at least want the option of having your own agent involved, here are a few tips:

- ▶ Always bring your agent with you for at least the first visit to a development, model home, or meeting with a builder. (You may even want your agent present at *all* site visits and meetings.)
- ▶ If for some reason you can't or didn't bring your agent with you on the first visit, make it known that you are in fact working with an agent, and write your agent's name and information when you sign in. (Make sure that will satisfy their policies. If it doesn't, refuse to sign in and come back another time with your agent.)
- ▶ If you don't already have an agent you're working with, make note that you reserve the right to use one in the future. (Also make sure that this will be honored by the

builder. If not, don't sign in. Instead, find an agent you want to work with, and go back at a later date.)

If you absolutely, positively don't want your own agent, independent of the builder, then by all means give 'em your John Hancock. But most people aren't that sure or adamant about not having their own agent...they just unknowingly sign off on it by simply signing in.

3. It's Not That They Lie...

A lot of times, builders will make it sound like you'd be better off if you didn't involve your own real estate agent.

They may also make it sound like you don't need to get a home inspection. After all, it's new construction! What could be wrong with a new house?!

And they may have a lender they say you should use because it'll be better and/or easier for you.

Don't worry about the closing either because they have a title company that will take care of everything.

It isn't like they *lie* and say you can't or shouldn't have your own real estate agent, home inspector, lender, or title company. But it's certainly something they often *imply*.

And it isn't unheard of for them to strongly imply that you'd be better off by just going with their recommendations and that it'll get you a better deal or make it easier for you. And even, possibly, they may make you feel like if you don't it will hurt you in some way.

It can be really subtle. But if you feel in any way like a builder you're dealing with is trying to sway you from choosing your own representatives, professionals, and services, then you might want to take a step back and wonder why.

The reality is, they can't dictate any of these things. Don't feel like you have to use any of their recommendations, and don't feel like you can't think and choose for yourself.

4. They Don't "Represent" You

One of the biggest reasons for having your own agent when buying a new construction house is to have yourself and your interests represented by someone who understands the purchasing process.

A lot of people presume that the builder's rep, who may very well be a licensed agent, represents them. But the rep is almost always hired by and paid by the builder. He or she answers to the builder first and foremost. He or she may very well facilitate the process and get paperwork done but is unlikely to be your true advocate.

And if there's no rep and you're dealing with a builder directly, he or she is hardly in the best position to look out for you and your needs.

That's a real estate agent's job — to look out for their clients' best interests. Too many people tend to see an agent's job as just "finding" them a house, filling out a contract, and then just waiting around for closing day to go pick up their commission check. Sure, there are some agents in the business that fit that description. But a reputable agent is your "fiduciary" — someone you entrust to look out for your best interests beyond just showing you houses and pushing some paperwork around.

So, for instance, if a builder is pushing you to use their lender, title company, or to skip a home inspection like we discussed in the last section, you have someone on your side to help you assess whether it's the right choice or not.

5. The Light At The End Of The Tunnel Vision

You can pretty much find any house for sale on your own nowadays. The Internet has made it not only possible to find most of the options you have but to be able to pretty much see the inside of any home that interests you without even going to the house.

Information is readily and easily available.

What isn't necessarily easy for everyone is to know how to analyze and assess all of the options and the market data.

It's easy for people to fall in love with a house. That's the fairy tale, right? People feel like they'll know "the one" the minute they see it. The problem with that is they can end up having tunnel vision and ignore other great options or market data that would help them get a better deal on the house.

If you fall in love with a new construction house and the only professional you have to turn to is the builder or their sales representative, you can be pretty certain they won't be offering up alternative houses on the market which you might want to consider. And they probably aren't going to help you analyze whether the house they are selling is the best deal you can get.

Having your own real estate agent will help you avoid tunnel vision. He or she will show you other options *beyond* what a particular builder has available in a development.

Perhaps a builder and development is perfect for you. Your agent can then help you assess which lot, model, and options you should choose in order to get the best value you can while keeping future resale value in mind.

An onsite rep may very well be able to help you choose a lot, model, and finishes, but the rep probably also has a bit of tunnel vision. Most reps are focused entirely on the development and builder they represent. They may be out of touch with the market as a whole or not even experienced beyond just selling new construction.

New construction or a particular development you have in mind may, in fact, be your best option. But there may be other options that are better choices and better values. Having an agent who's not tethered to one particular development will help ensure you don't miss seeing something that was not right in front of your eyes.

6. They Expect To Pay An Agent

One of the biggest reasons buyers feel compelled to not have their own real estate agent is because they feel they'll get a better deal from the builder if they don't. After all, if the builder doesn't have to pay a commission, then they should be willing to give the buyer a better deal.

But most builders have built the cost of paying a buyer's agent a commission into their projected costs and expected profits.

Also, builders don't tend to sell a house for less than their asking price. (Unless of course they were way off the mark on their price to begin with and have to reduce it in order to sell.) They want to maintain the value of all future sales in the development, so they're not likely to reduce the sales price by the amount of commission they saved by a buyer not having a real estate agent.

If you don't have your own agent, the chances are that the builder (or the builder's agent) will keep the money saved by you not having a buyer's agent involved.

That doesn't mean they won't make you feel like you're getting a better deal though.

7. Maybe They'll "Throw In" ...

Negotiating a better deal isn't all about price.

While most builders won't agree to negotiate and reduce the price of a house if you don't have a real estate agent involved, if they're asked to do that, they may offer to throw in some upgrades or other "bonuses."

Again, these are things most builders have already built into their projected costs and expected profits. It's a convenient way to address a buyer's request for a better deal if they don't have a real estate agent involved, but the chances are they were already ready and willing to throw those in anyway (if they were asked or pushed to do so).

The trick is *knowing* what and how much you can ask for...and actually get it.

People often feel they're savvy negotiators, and they can easily feel good about having gotten a "deal" if a builder throws in a few things. But that can be misleading. It's hard to truly know how much a builder would have agreed to, or even what they aren't "agreeing" to, so much as making it sound like you played hardball and they caved in.

This is why it's a good idea to have an agent on your side who knows what to go after and how to get a builder to agree to it.

8. Expect To Pay More Than List Price

People tend to buy cars more frequently than houses. As such, most people are familiar with how it feels to get excited about a car they saw an advertisement for, only to go to the dealer and discover the price is nowhere near as low as they made it sound on TV. (Oh, they warn us, but it's in that speedy voice at the end or the finest fine print they can get away with flashing for a second on the bottom of the screen.) Sure, you *could* get that model car at that price...if you want the absolute baseline car, with no upgrades, and if they still had one of those in stock. It often feels like a bait-and-switch.

It's kind of the same with a new construction house...

You need to be prepared for the possibility of paying more than the actual list price for a new construction house.

The price you see for the house is likely a *baseline* price. It'll have everything it needs to be a house, but it will most likely be for lower-grade finishes and amenities. Different models, layouts, lot locations, and appliances than what were figured into their baseline price will increase how much your house will finally cost. Obviously, the builder and their sales rep will most likely be happy to help you choose upgrades. It just means they make more on the house.

Having a knowledgeable real estate agent on your side can help keep you from going overboard on upgrades and also advise you on ones that are worth the money, ones that aren't, and ones you might be able to do later on or for less money.

9. Don't Be "Encouraged" To Do This

Most people get a mortgage when buying a house (new construction or not).

You should get "pre-approved" by a lender before you even start looking for a house. That way you'll know that a lender will be willing to lend you money and how much you can afford. It will also be something any seller will want to see when you make an offer on a house.

That doesn't mean you have to actually get your mortgage through the lender who did your pre-approval. You can certainly shop around and find the best loan product, rate, and lender to work with when you do go under contract for a house.

One thing a lot of builders do is "encourage" people buying one of their houses to use their "preferred lender." It can actually come across as much more than being encouraged; sometimes it sounds and feels like you don't have a choice. In some cases, builders even make it sound like you won't get the house you want if you don't use their lender.

Why would they do that?

If a builder is pushing you to use their preferred lender, it's probably because they have a bit more than just a good relationship with them. The builder probably has some financial incentive for encouraging you to use their lender.

That doesn't mean you shouldn't *consider* using the builder's lender. That lender may very well be a good option for you. Perhaps they have better rates than any other lender you researched. Maybe they are willing to lend on the development when other banks will not. (Sometimes lenders don't want to do mortgages until a certain amount of homes are sold and occupied by homeowners.)

Just don't ever feel like you have to use the builder's preferred lender. In most areas and scenarios, they have no right to dictate that. It's your choice. So, if you're feeling

undue pressure or even coercion to use the builder's lender, you may want to question why and push back on that.

Having a real estate agent will likely help you avoid any of this pressure since a builder will know that agents know they're not allowed to push this issue. And an agent can help you assess whether the lender they recommend is actually a good option or if you should go to a different lender. Your agent will have recommendations that aren't tied to any financial incentives.

It's against the law for agents to be compensated for recommending a lender. Also, they have to disclose any affiliation with the lenders they recommend. That's why most agents will actually recommend several — so they don't push you toward one particular lender.

10. The Anticipation Is Killing Me!

When you buy an “existing” home — one that’s been built and a homeowner is selling — you usually can’t make an offer, get it accepted, and move into it immediately. It usually takes at least a month, maybe even two or three months, depending upon the circumstances. For instance, the owner may not be ready to move for a month or two. Maybe you need some time before you can move. And of course the process of buying and closing on a home takes some time.

But when you’re buying new construction, you should budget even more time to be able to move in.

Unless you find a house that the builder has already completed and it’s ready to move right into, you need to be prepared for delays. Building a house takes time to begin with, and things can (and do) happen. Sometimes it’s the builder who simply isn’t on top of things, and sometimes it’s beyond the builder’s control. It could be weather related or a delay in materials being delivered. Inspections by the local authorities may delay a job. It could also be something you cause if you don’t make decisions in a timely manner — like what cabinets, countertop, or appliances you want installed.

Unfortunately, there’s no “typical” amount of time you can plan on. But if timing is a concern to you and you aren’t able to wait for a house to be built, you should probably focus on buying an existing house or a new house that’s more or less complete and ready to move into.

If you do have time, flexibility, and patience, you should still get the builder to commit to an anticipated delivery date. But don’t be surprised if that delivery date comes and goes and your house is still not complete. In fact, plan on it taking at least a month or two beyond the completion date.

If you’re dealing directly with the builder and their sales rep, make sure you check in on the project frequently and get a feel for the progress.

Having your own agent who's good at handling new construction and builders is helpful because it can be tough to constantly keep tabs on *the* job when it's not *your* job. An agent who handles new construction can help keep the job (and builder) in check for you and keep the actual completion date as close to the anticipated completion date as possible. He or she can also help keep the rest of the closing process in check as well.

11. What Could Possibly Be Wrong With The House?

If you're buying an existing home from a homeowner, most people will get a home inspection. A home inspector comes in and looks for any problems with the house that you might not have noticed (or could never have noticed on your own). A homeowner is supposed to disclose any known problems with their house, but sometimes they don't even know about problems a home inspector may find. (And, of course, some less-than-honest homeowners try to hide a problem they know about.) So, most home buyers *want* to get an inspection on the home they're buying to make sure there aren't any problems they should be aware of.

But many *new construction* home buyers feel that getting a home inspection is a waste of time and money. They feel like, "What could possibly be wrong with the house...*it's brand new?!"*

You'd be amazed at what can be wrong with a new house! Whether it's because a builder just made a mistake or deliberately cut corners, new houses aren't always flawless.

Sure, their work gets inspected by the local building inspectors. But that doesn't mean the building inspectors catch everything or are looking at it as closely as your own inspector would. It's important to note that the local building inspector isn't an agent for you. They are enforcing code, which is meant to protect you, but they aren't your direct advocate.

So not only should you get an inspection, you should have your inspector do *several* inspections throughout the project.

Builders may not encourage you to do this. In fact, they may *discourage* you from doing it. Just know that you have the right to hire your own inspector. And if you do want the right to an inspection, make sure you put that into the purchase contract.

Home inspections are just one of many things that a knowledgeable agent will help you know about, look for, insist on, and negotiate into your contract.

12. If It Ain't In Writing...

In real estate, a good rule of thumb to follow is, "If it ain't in writing, it don't exist." Make sure everything you want and everything you agree to is in writing. Don't just go by a handshake or verbal agreement.

But you also want to make sure that what's in writing is also in your favor and not just the builder's...

It's not uncommon for builders to have their own contracts that they want to use. Some people look at this as a good reason not to involve a real estate agent — because they feel like that's about all they do...just fill in some lines on a standard contract. So if the builder has one already, why even have an agent?

Plus, many people feel like the builder's contract is simpler and more straightforward than all of the paperwork real estate agents insist upon.

First of all, some builder's contracts are actually *longer* than the contracts agents use. But it isn't about what's shorter or easier...it's about making sure you are protected.

The chances are that any contract a builder has is going to be written in their favor. No, not necessarily. But you at least have to be alert to the fact that it might be. You need to read every bit of it and understand what you're signing and agreeing to before you sign it.

If you have your own real estate agent, the builder may allow you to use contracts and forms that your real estate agent prepares — rather than their own contract — which should include protections for you as a buyer. But even if the builder insists upon using his or her own contract and forms, a real estate agent who handles new construction knows what to look for in the builder's contract and can help you negotiate things that are not in your favor out of the contract. Similarly, he or she can add in protections for you that the builder did not include.

In addition, you might also want to hire an attorney to review the contract. While it isn't something you have to do, it can be worth every penny you spend to have an attorney review the contract before you sign it.

13. Do You Know Who You're Dealing With?!

New construction builders aren't one-size-fits-all...

- ▶ Some are big, publicly-held companies.
- ▶ Some are big but privately held.
- ▶ Some are smaller, local builders who run a tight ship.
- ▶ Some are smaller, local builders who probably shouldn't run a "ship" at *all*, let alone a tight one.

And there are even more types and descriptions of builders we could list beyond that. The point is this: Every builder is different. So it's important to size up who you're dealing with and deal with them accordingly.

While there's too much to even make a dent, here are a couple examples of things that could help you when you "know" who you're dealing with:

- ▶ If you're dealing with a big, national brand company, they may be able to hold out for longer than a smaller, local builder who's desperate for cash flow. So you may not be able to negotiate as hard with a bigger company than the smaller, local one.
- ▶ On the other hand, a bigger brand may be very willing to strike a better deal if they're publicly held and need to show sales and profits at the end of a month or quarter. Or perhaps they just have another project they want to move on to.

And how the builder acts, reacts, and how easy or difficult they are to deal with will also be affected by the type of builder they are. If it's a big brand, they most likely will have employees who manage the process. On the other hand, a local builder may be swinging a hammer and actively engaged with the process. There are pros and cons to each scenario for you as a home buyer. It isn't about one necessarily being a *better* scenario than the other so much as it's about being able to *handle* the different

scenarios. Knowing who you're dealing with and being able to deal with them accordingly is how you get as much as you want, can, and should...and getting it all in as timely and smooth a manner as possible.

Obviously, if you don't deal with new construction builders regularly, the learning curve happens *as* you're dealing with the process and the builder. Having an agent who deals with new construction is a benefit because he or she can size up who they're dealing with...if they haven't already dealt with this builder many times before. Or the agent can help you get the best deal by knowing how to deal with that particular builder.

14. You Don't Need Any Agent

While I've been saying an agent would be useful to most new construction home buyers throughout this booklet, that does not mean *any* agent would be...

I've certainly tried to choose my words carefully so that it's apparent that if you're buying a new construction home, you should hire an agent *who understands new construction* and has skills that will be useful to you. Having an agent who's just along for the ride to the commission check is pointless. Your agent should be earning their commission and be worth every penny he or she makes.

That does not mean you need to hire an agent who *only* specializes in new construction. In fact, an agent who also handles "existing" home sales can be quite helpful by bringing that insight and perspective to the mix for you.

Most people buying *any* home (not just new construction) don't put enough thought into the real estate agent they decide to work with. They more or less stumble into working with someone, which plays a part in why some people feel like agents aren't all that great or useful.

But if you take the time to find one that truly understands new construction, it can save you a lot of time, effort, and stress. He or she will help you avoid making costly mistakes and get you the best deal possible on your new home. And since you don't directly pay for your agent's services (the builder pays), why not choose the best one you can?

15. This Might Also Be Helpful

I hope you've found this booklet helpful and are better equipped to decide if buying new construction with an agent, or without, is the best decision for you.

If you decide to go it alone, good luck!

If you would like the help of an agent, I'd love the chance to work with you! (Hopefully you've gotten the sense that I kinda "get" the whole new construction thing.)

Either way, I have another booklet I'd like to suggest because I think it might also be helpful to you.

While this booklet focused only on aspects of buying a new construction home, my booklet entitled "The Ultimate Home Buyer's Guide" is a start-to-finish look at the process of buying *any* house. It'll help you find the best home for your wants and needs and get it at the best possible price.

It's free, and there's no obligation. Just let me know if you'd like a copy by sending me an email, a text, or giving me a call!

Hope to hear from you soon! If not, good luck with your move!

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