

Constructing Fact From Fiction - New Construction Today
4 Hour Course Outline
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Course Description

A keen understanding and the ability to educate your clients has never been more important! In this timely course, you will learn about the opportunities, costs, features, advantages, and challenges of new construction today. Whether you have a buyer determined to build new or investigating building versus existing home market, this course will equip you to answer and advise your clients with confidence. We will also discuss what has changed most in the last few years as new construction has made a come back: land prices have increased steadily, building materials have skyrocketed, while labor shortage is at an all time high.

TEACHING TECHNIQUES

The class will incorporate lecture, Power Point slides, general discussion with questions and answers, internet and similar technology updates, and hand outs.

LEARNING LEVELS AND LEARNING OBJECTIVES

1. Knowledge: Licensee will be able to assist buyers in deciding whether building new or buying existing is right for their needs.
2. Understand: Licensee will be able to explain and interpret builder representation in the transaction and financing considerations.
3. Apply: Licensee will be able to apply in their practice, identify and understand the current working components tied to building codes.
4. Analyze: Licensee will perceive and be capable of illustrating to his or her clientele the varied links between municipal regulations for building and construction costs.
5. Evaluate: Licensee will be able to judge applicable practice techniques to avoid liability and possible misrepresentation issues applicable to construction.
6. Create: Licensee will be able to prepare, or aid the client in listing sources that impact cost fluctuations and their impact on home buyers.

MEANS OF ASSESSING WHETHER THE LEARNING OBJECTIVES HAVE BEEN MET

Class discussion / Q&A / Handouts

TIMED OUTLINE WITH TEACHING TECHNIQUE AND SEGMENT DESCRIPTION

See the following page.

ALL SECTIONS WILL INCLUDE PERIODIC SLIDE / POWER-POINT PRESENTATION

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10 Min Discussion/Q&A	Review
05 Min Review	Takeaways

UNIT 1

Before the Build

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Assist buyers in deciding whether building new or buying existing is right for their needs.

I. GENERAL FACTORS TO ASSESS

A. Building a new home

1. What do you need to know?
2. What should your buyer be prepared for?
3. What are the steps to a successful process and closing?

II. THE NEW CONSTRUCTION VERSUS EXISTING HOME DECISION

A. Introduction

1. The following three things are high on the list when someone is considering going with a new or newly constructed home:
 - a. Fresh designs
 - b. Everything is new
 - c. The buyer is the first one to live in the home
2. But, what is actually behind the allure of these properties? The pros and cons of going with new construction over an existing home need careful assessment.

UNIT 2

Show Me the Money!

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Assist buyers in deciding on a builder and a lot, as well as understand how they will be represented in the transaction and financing considerations.

I. THE COMPENSATION

A. Who will pay the buyer's broker?

1. Builders generally advertise how much they will pay to the buyer's broker, but understand most buyers have no idea how representation works, so it is your job to have this finalized before they start the process of looking.
2. Rarely do builders refuse to pay a buyer agent/broker but they can, so this must be discussed and settled before any further contract(s) are executed.
3. Remember that as an agent/broker for the buyer, you can be paid by the builder or the buyer.
4. The buyer's broker fee can be added to the sales price or be paid directly by the buyer to the broker upon closing, or at any other time as mutually agreed upon.

B. Proper representation

1. When selling new construction homes today, many builders prefer the real estate agent take a back seat role to the process and the sale.
 - a. Builders want the control during the process and work directly with the buyer without interaction of their real estate agent.

UNIT 3

What Should I Build?

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

› Assist buyers in deciding what to build.

I. IN THE CONTEXT OF BUYER AGE AND STAGE OF LIFE CONSIDERATIONS, THE FOLLOWING ESSENTIAL COMPONENTS MUST BE CONSIDERED.

A. Different styles of homes

1. Split entry (split level)
2. Rambler
3. Modified two story
4. Two story
5. Custom style as chosen by the buyer

B. Different size homes

1. Large
2. Medium

UNIT 4

What Is the Building Code?

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Summarize what building codes are.

I. BUILDING CODE DEFINITION AND HISTORY

A. Definition

1. A building code is a set of rules, regulations, definitions, and requirements that must be adhered to when building a structure.

B. History

1. Building codes have been around since the Roman Empire.
2. Early codes in the United States were documented in the late 1800s.
3. They evolved in large cities and centered around fire prevention in cities that had experienced fire catastrophes. The Chicago fire is an example.
4. The codes focused on
 - a. framing style,
 - b. setbacks,
 - c. fire blocking, and
 - d. density issues.

UNIT 5

Why Have a Building Code and Who Enforces It?

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Describe why building codes are important and who enforces them.

I. WHO OWNS THE CODE?

A. This varies by state

1. Example

- a. In one state, the legislature and governor approve the adoption of the code and any subsequent changes. The state has appointed the Commissioner of the Department of Labor and Industry (DLI) to head the oversight agency whose duties include the following:
 - i. Reviewing the IRC code and proposing state-specific changes to the code before adoption.
 - ii. Determining code areas to be changed, modified, or emphasized.
 - iii. Over half of this state's typical code upgrades involve energy efficiency.

II. ENFORCING THE CODE

A. This also varies by state

1. Following the example state

- a. The code is enforced in the example state through the Department of Labor and Industry's Construction, Codes, and Licensing Department (CCLD), which includes finding and fining contractors for unlicensed

UNIT 6

How Do Code Changes Affect the Cost of New Construction?

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Explain how code changes can affect the cost of new construction.

I. HOW CODE CHANGES AFFECT REAL ESTATE COSTS

A. Introduction

1. Code changes may occur every three years in most states. Some code changes are minor and some are very significant. Code changes since 2015 have seriously impacted the increased costs on building new construction across the country. These costly code changes primarily focus on three distinct areas:
 - a. Structural standards
 - b. Safety and health
 - c. Energy efficiency

II. CORRELATION OF SPECIFIC CODE CHANGE TO DIRECT COSTS

A. The samples

1. The samples of a new construction homes for this study included a 1,700-square-foot rambler with an unfinished basement and a 2,700-square-foot, two-story with an unfinished basement, in the Midwest region.

UNIT 7

How Are New Home Buyers Affected by the Cost Increases?

LEARNING OBJECTIVE

When you have completed this unit, you will be able to accomplish the following.

- › Summarize how cost increases can affect new home buyers.

I. HOME PRICING OUT OF BUYER'S REACH

A. First-time homebuyers

1. With new home prices steadily rising, the availability for purchase is diminishing for the first-time buyer or those with low-to-moderate income.
2. The price of new homes is becoming out of reach for a growing segment of the population.

B. Improvements can't be seen

1. Even though cost increases for new homes may be justified by listing improvements, the new homebuyer cannot see the improvements, because they are under the floor, inside the walls, in the attic, or in the mechanical room.
2. This makes justification to buy new difficult for both the homebuyer and the real estate agent.

C. Energy efficiency questions

1. Assuming many of the changes are energy related, the homebuyer may ask how long it will take in energy savings to recoup the price increase.
 - a. The answer is no one knows because every household's energy usage is different.