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Builders use innovative measures to sell their properties & the touring of foreclosed properties

June 18, 2008 - Connecticut

Over the last several years, builders and their agents were able to sell new construction properties the old fashion way; market in local newspapers and the internet, send out mailers and flyers, build spec homes, and perform open houses when a model or spec home is ready to be shown. Builders were able to offer a standard package with options at an additional charge for upgrades, such as, hardwood floors, tile, marble, granite counters, stainless steel appliances, etc. In addition, they were able to hold firm on their pricing structure for their homes.

Welcome to 2008 with declining real estate sales and a tightening of the financial markets. Circumstances have required that builders and their agents find new innovative ways to sell their properties. There are three things that builders can do to stay afloat until their property is sold.

Builders can minimize the soft costs of owning property by taking purchase options on the lots they wish to build on and sell. With the current real estate market conditions, it would be wise to secure the property for a long period of time, say 1-2 years. Normally, the builder will have to give a non-refundable deposit to secure the property along with obtaining the right to perform tests on the site, zoning cooperation if necessary, permission to clear the lot, signage, etc. This will greatly reduce the expense of purchasing the property and carrying it until the property sells. It will also free up the builder's purchasing power to get loans for other properties or construction costs. If an owner is unwilling to do a purchase option on a lot, the builder may be able to persuade the land owner to take back financing which will again help the builder in his ability to finance other projects.

Another consideration some builders are considering is to enter in a joint venture with the property owner. This can be structured in such a way as to reduce and delay costs until after the house(s) have closed.

Some builders are offering Realtors incentives to sell their properties.

- * They are willing to offer a higher commission split to the Realtor who represents the buyers. This is usually in the form of a ½ to 1% increase in their commission.

- * Some builders are willing to pay the Realtors involved in a sale, one-half the total commission when the buyers receive a mortgage commitment.

- * Since it will take longer to sell the new home, they may also be willing to pay for or share in the cost of additional marketing for the property.

As was stated earlier, builders and their agents are becoming increasingly creative to attract buyers to purchase their property. Listed below are some things that are being used.

- * Items that were once options are now included in the base package of the property. These usually include hardwood and tile floors, granite countertops, stainless steel appliances, etc.

- * The dollar amount of the option packages is increasing for items like carpeting, lighting, etc.

- * Finished lower levels or bonus rooms over garages are often being offered in the base price.

- * More luxurious baths.
- * Chef's kitchens with professional cookware and appliances.
- * Custom millwork and trim work is being used.
- * Installation of pre-wired sound, theater, security and other state of the art electronics applications.
- * More fireplaces and even an in-ground pool will attract some buyers.
- * If the property is near a golf course, a one year free membership may be offered by the builder.
- * Money incentives, such as, no closing costs at closing for the buyers or the first year taxes/condo fees can be paid for by the builder.

Tough times call for builders and their agents to use any means necessary to attract and persuade buyers to look at and purchase their property. It is more important then ever that builders and their agents work together as a team to utilize their resources and make this happen.

Touring of Foreclosed Properties

More and more investors of single and multi-family properties are looking at foreclosed properties as a sound investment opportunity whether they are used as rental properties or properties that they can fix and sell for a substantial profit. Often, the problem becomes time consuming by calling several different real estate companies and setting up separate appointments to view these properties.

Some innovative realtors have come up with a way to simplify the process. The Realtor will schedule a bus tour of foreclosed properties. A large number of properties will be shown on that day. The Realtor will prepare a package of information for the buyers that will include important property information as well as financing scenarios. It also allows the Realtor, a mortgage consultant, or an attorney to discuss the pros and cons of purchasing foreclosed properties. Those wishing to purchase a property can write an offer immediately. In this way, everyone may come out a winner!

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