



10 Costly Mistakes People Make When Building A New Home

1. Selecting the Right Building Site. This should be done prior to selecting the home design. To maximize finished value, the home plan should be designed to enhance the natural features of your building site.

2. Pitfalls of Poor Site Selection. Some items to be careful of during the site selection process are:

- a. Slope or grade of the site;
- b. Water table underlying site;
- c. Soil grade, quality and compatibility;
- d. Geological factors ie) underground streams, earthquake faults, aquifers, and easements, underground utility lines, etc.
- e. Availability of utility connections;
- f. Costs of utility connections – surprisingly, some municipalities charge an incredibly high fee for hooking up to their sewer as an example.
- g. Well permits and septic permits for rural site selections.
- h. Adjacent properties – are they going to enhance or detract from the value of your new home? Example, gravel pit or gas station.
- i. Ease of building, using the terrain to your advantage.
- j. CC&R's (Covent's, Conditions, Restrictions) Know your requirements of the site if CC&R's are part of the subdivision. If present read before buying the lot. This could take your budget through the roof. Example site requirements may ask for all brick, or?
- k. Watch out for busy streets. They may have a negative impact on value.

3. Watch out for boilerplate plans.

Using plan book plans can be like trying to insert a square peg into a round hole.

a. Most counties have their own set of rules and codes, for wind and/or snow loads etc.. Buying mail order plans can result in having the entire set of plans re-drawn to meet local codes. This is one of the most common mistakes made.

4. Pitfalls of Poor Plans: Probably the most critically important factor of all is that you begin this process with professionally designed plans. It is impossible to overly stress that one major factor. In the real estate industry, we

learn that there is one mistake that is virtually impossible to overcome when re-selling a property. That mistake is called functional obsolescence. Simply put, this means that the property will not perform adequately the purpose for which it was intended. Poor home design will almost always result in functional obsolescence whether you're re-modeling, adding on, or building a new structure altogether. Here are some prime examples of this huge mistake:

- a. Big house with large master suite, and little closet. Do you know of any family who can afford a large expensive home in which the wife doesn't have a lot of clothing?
- b. Kitchen sink visible from the front door – what a way to impress your visitors and guests.
- c. Laundry room next to the formal dining or formal living room – this is where you'll do your entertaining.
- d. Large tall garage with a little door amounts to a garage that won't allow a recreational vehicles or boat or truck with shell through the door.
- e. Really strange rooflines to try to upgrade a façade. Big ugly things.

All of the foregoing mistakes were made at the design phase before the home was even constructed. If you do not consult with a professional in this area, the results, however well intended, can be disastrous.

5. Know Your Budget Limits. Make sure when you select your plan and building site that the required improvements to the site, building costs, and site improvement costs meet your budget. There are a myriad of factors that are involved in calculating the overall price of a construction project. It is critically important that you get professional help in planning this phase of your new home. A mistake made by everybody is going over budget. Plan for this ahead of time. Small little things can add up to major cost overruns. Many people get so excited about building their home that they catch designer fever and forget the budget. Having to get 2nd and even 3rd mortgages. End results they loose their home.

6. Have a detailed budget in place prior to starting construction. You should spend the time to research what the costs are before even getting a bid on the work. This will make people tow the line. (example) if you know that tile floor labor is \$3 to \$4 dollars a square foot and your bid is for \$5 you can have the contractor explain why.

- a. Track your costs on a spreadsheet.
- b. Know where overruns and under runs are.
- c. Use a contingency fun, have one in place.

7. Decide if a custom home is for you. If this is your first home, or you have serious time constraints, a pre-built or spec home may be the way to go. Building a new home from a model home will avoid custom home pitfalls. Remember plan for cost over runs ahead of time. a. Custom home building. When using a General Contractor or if your decide to build yourself. Either way building a new home is time consuming and will require your full attention. The decisions all fall down to you. Even if you use a General Contractor many many choices need to be make daily by you as the real person in charge.

8. Get all contracts signed! A good way to drag on building a home forever is letting the subcontractors have no timeline or deadlines. Not having a signed contract could cause price confusion, not everyone has as good a memory as you do. Remember signing the contract the sub-contractor gives you is not getting a contract signed for you. These are for the sub-contractor. Sometimes these are vague and leave room for more charges payment up front, no time

lines, etc.. A well-written attorney reviewed contract with your interests, protecting you should be in place prior to any work being started. These contracts have many different clauses and you should have an attorney that specializes in construction law draft this document.

9. Make sure the work is completed properly. Inspections are made, if required. Payment in full too early could result in the contractor never coming back to finish the work. Another very good reason to have the Sub-contractor sign your contract!

10. Check into the long term financing and construction financing. Know your limits. Know what these costs are going to be and how long the time frame for building is. Keep your closing cost money for the long term loan saved don't use it to build the house with. You will need this money to close.



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