

### 3 New Home Costs to Consider

People who are looking forward to building a home are always skeptical about how much new home construction costs. The cost of building a new home can be difficult to determine before the new construction begins due to certain considerations such as a change in material costs, labor rates and weather conditions costs, labor rates and weather conditions.

Each of these can affect the overall cost of construction. There are three main factors to consider when estimating new home construction costs.

#### 1. Lot Premium

This refers to an additional charge a buyer pays to purchase a new home in a particular location. It is the extra amount you pay for a lot you are interested in depending on its characteristics, and how its value is added to the actual price of the home.

When you buy a new home, the lot that it is built on also become yours. If a house is set further, upper than the other, will the view be blocked or will you see a wider range? Are you viewing at a golf course, a pond or a park?

You can add this and subtract that depending on the lot attributes, and that is what will be added to the actual price of that home.

How is Lot Premium Charged?

Premium home-sites has qualities that differentiate them from other basic home sites within a specific location. Most new homes are purchased based on their standard features or positive attributes, which are used to justify an additional price.

Some premium lots may be larger than the others, though the size is not the only determinant for a premium. Also, lots with additional street parking and privacy often come at a premium price.

Other kinds of lot considered as premium are:

- Waterfront view lots
- Flat lots
- Lot with a Golf View
- Lot with a treed view
- Lot on a cul-de-sac
- Lot with a preserved backup
- Corner lots
- Lots with a lakefront view.

There are also lots with negative attributes such as

- Closeness to a cemetery
- Closeness to heavily trafficked roads
- Lots with bad access roads
- Proximity to an industrial park.

## How is the Lot Premium Calculated?

The various statistics from the builder can be used to calculate premiums. For example, a home site with a small yard but backs to woods may have a higher lot premium than another home that backs to the street but has a large yard.

Builders also consider the market demand for the home site and their purchase price, especially for custom builders.

## What Are You Expected to Pay?

The price you pay for a lot premium depends on the lot, the location of the lot, the present demand and the type of lot.

Lot Premium does not have a fixed amount but ranges from zero or a few thousand dollars to hundreds of thousands or millions. Luxury homes with an open ocean view might have a higher premium than the same home across the street.

## Does Premium Lot Have Resale Value?

The resale value of a premium lot depends on some factors which include the lot, the location of the lot, lot premiums, and the present local real estate market.

Paying a lot premium on a new home does not mean you will get the premium back when you resell. Homes with a positive lot attributes, as mentioned above, often sell at a premium price above similar homes without such attributes.

For instance, if you are considering a new build home with a pleasant view, purchase it only for your pleasure and not as an investment. This is because future buyers may not think the same way you do when you place a dollar value on the view.

It may also take you some time to locate a buyer when you want to resell the house, and this may bring about a drop in the price of the house to match with the sale price of the houses in the neighborhood.

The bottom line is that, if you are buying a home with a premium lot, try to pay as little extra as possible, and choose your lot with care, otherwise, you might not get your money back if you eventually plan to sell it in the future.

## **2. CDD Fees**

A CDD Fee is a Community Development District fee structured by the developer and used for the provision of valuable infrastructures to a community and designed to serve a planned development.

These infrastructures include roads, utilities, bridges, street lights and amenities such as tennis courts, pools, golf courses and club pools, golf courses and a club-house.

CDD fees are a special-purpose government entity that provides infrastructures to the community that is generated by growth. With this, a developer is able to finance costs with a CDD through tax-free municipal bonds. The fee is also used for the development and maintenance of the community.

This means that the developer can obtain a municipal bond free of taxation as a type of loan/mortgage, and pay for utilities, roads, and amenities, then use the fee for the loan repayment.

Certain factors determine the amount to be paid by a first-time homeowner. Such factors include the number of residents living in the community, the total cost of the public project, and the repayment period.

Normally, the CDD fees are paid within a period of 10 to 30 years and it appears on a tax bill as a special assessment handled by the county tax collector.

If the property is eventually sold out by the homeowner before clearing the bond, the new owner takes responsibility for paying the balance after the property is successfully sold.

The Community Development District (CDD) fees are not some hidden costs to new homeowners. If the owner fails to mention all the fees associated with the property, the buyer can ask to know if he needs to pay CDD fees, or he can as well find every needed information in the purchasing document given to him.

Many people are not aware of this fee in some areas, even though it became known several years ago.

#### Merits and Demerits of CDD Fees

Many communities charge either CDD fee or HOA levy, but the CDD fee should not be confused with that of the HOA's. Home Owners Association (HOA) fees are for the maintenance of the community and assets coupled with security services and insurance.

Sometimes, these fees can be used for something more than the repayment of tax-free municipal bonds, they can also be used to settle the expenses of managing conservation areas, water/sewage system.

In some larger communities, both CDD and HOA fees do apply. In this case, the local HOA will take care of certain parts of the common grounds and amenities while the CDD will cover the bigger items like the nature trails, pools and club trails, pools, and club-house.

If your home purchase is financed by a bank, they can handle most CDD fees like taxes which will be collected monthly and paid at the appropriate time from an escrow account to avoid an additional bill.

CDD fees can increase according to price or budget increase. This happens if an additional municipal bond is acquired to build new amenities in a community based on the requirements of that community. The cost of maintaining this added value will probably increase the fees.

These fees can offer great benefits to any community, and it is set up during the planning stages of the development of an area. It is common in newer communities than in the older neighborhood.

Communities that obtain these fees are more attractive to home buyers because they provide a lot of recreational and functional amenities within the locality compared to homes built in a less attractive area.

People are yet to realize that the infrastructure costs are sometimes passed to the homeowner in the form of CDD fees or added to the price of the house.

### **3. Structure Upgrade and Design Center**

The cost of your new home may increase tremendously if you decide to get a customized and more luxurious home features.

If you are planning to buy new construction, we can assist you. We have expert brokers who will work with you to help you understand and identify the different financing options available and choose a mortgage alternative that is flexible.