

Buying Land, Building a Home: The Process and Cost

The link below will direct you to the site of a national construction lender with all the information you will need to make the choice of whether to buy an existing home or build a new one.

<http://hcl.indymacbank.com/Consumers/B2C/default.asp?item=home>

You can't find the exact house you are looking for. You've looked for months and months and something is always wrong. It's a great house but the location is terrible. It's a great location but the house is terrible. It could be a great house but it needs so much work. Something just doesn't feel right about the house. The kitchen is too small and there is no room to enlarge it. The list goes on and on. The only solution is to buy a piece of land and build something, but do you *really* know what you're in for? This report will open your eyes, and perhaps, even change your mind about wanting to build a new home from scratch.

Step One: Finding the Right Piece of Property

Prioritize what you want in a piece of land. If you want lots of "acreage", ask yourself: **why?** What do you need it for? If you are looking for privacy, you can get privacy on as little as one wooded acre with the house sited so that others cannot see it from the road and you cannot see the road. You'll pay far less taxes on a smaller lot, so don't buy lots of land just so you can tell people how much land you own, buy it for a good reason! All things on the land checklist factor into the "buildability" of a lot and how much it will cost you to build on it.

Land Checklist

- Easy access to utilities; electric on the road and easily accessible to the site?
- Septic; above ground, below ground, or half and half?
- Wetlands anywhere on the property? A pond? Stream? Check local ordinances.
- Lot cleared or easily cleared? Tree cutting and site preparation costs money.
- Well water or community water? Depending on location, your well price will vary
- Any restrictions on building what you want? Minimum or maximum square footage.
- Outbuildings: what is allowed for zoning? Animals and horse? What is the zoning?

The Land Purchase and Construction Loan

A lender will look at the entire package when you apply for a construction loan. The “package” includes the purchase of the land, plus the cost to build, added together. Then typically, a lender will lend you 80% of the total package. For example, if your land costs \$100,000, the home costs \$150,000 to build, and the excavation and site preparation costs \$50,000, the total construction package is \$300,000. These are some typical costs for a 1,500 square foot house in today's market. That's not to say that it won't cost less, but it will likely cost a bit more.

If you are thinking of going MODULAR or LOG HOME

You often will be quoted the cost of the *home only*. Make sure you ask the builder what the infrastructure costs will be: site preparation, clearing, road cutting and paving, well and septic, foundation, etc. Those costs can vary greatly. Will the builder take care of all required permits, architectural plans and stamping, permit expediting, certificates of occupancy when completed? There are many more things to building a home than meets the eye. More often than not, if you are dealing with a reputable, experienced builder, things go smoothly, unless they don't. Then, it can be a nightmare, as "Murphy's Law" rules in real estate.

Building a new home is not for everyone. Just make sure that it's for you, if that's what you decide to do.



Ask for our information file titled: “New vs. Old”

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