

New Build Guide

This information guide contains useful information relating specifically to newly built properties and should be read in conjunction with our Buying Guide. If you have any questions about the contents of this guide, please do not hesitate to contact us and we will be happy to assist.

Reservation Fees

Buying a new-build property can be a very exciting and practical way to create a ready-made home but there are some additional considerations when buying new builds of which you need to be aware.

If you are purchasing the property from a developer, it is likely you will have paid a 'Reservation Fee' for the property (sometimes know as a 'Plot Reservation Fee'). Reservation fees presently range from £100 to £5,000, depending on the developer concerned, and there are terms and conditions attached.

Often, the reservation fee will be paid as a non-refundable deposit which means that if you pull out of the transaction, for whatever reason, the Builder is under no obligation to refund your money. You will also be bound to meet the Builder's timetable for Exchange of Contracts, which means you will have 21 or 28 days, depending on the developer, to sort out your mortgage and arrange your finances. Should you miss this deadline, which is a distinct possibility given the pace at which many mortgage lenders move, the Developer may withdraw some of the incentives originally offered, or even back out of the deal altogether and offer the plot to another purchaser. This doesn't happen very often, but developers have every right to remove you from the list and keep your Reservation Fee if you don't comply with the terms and conditions attached, so you must take such arrangements seriously.

If you have not yet paid a Reservation Fee, you will have a chance to negotiate the price of the property with the Developer. Your success will depend largely on how many homes remain unsold on the development and whether the Builder has financial targets to achieve. If so, you may be able to negotiate a real bargain. You should also remember that there will be other angles for negotiation, such as promotional deals on payment of legal fees or Stamp Duty Land Tax, or additional extras such as curtains, flooring, white-goods, fencing or having the garden landscaped (which many new builds exclude). However, please remember to report any such incentives to your Mortgage Lender as these will need to be taken into account when assessing the value of the property.

The Contract Package

The contract documentation involved in new build properties is extremely lengthy and complex. Because of the legal complexities, and because there will often be numerous properties for sale on the same development, the Sale Contract and Transfer Deed (or Lease if the property is leasehold), will be in a standard format for the whole development and the Developer is very unlikely to agree to any amendments.

Often, the property is not ready for occupation at the time of Exchange of Contracts, so the Contract may contain numerous additional clauses in the event the property is not ready

within a reasonable period of time. It will also contain provisions that the Builder must complete the property, and the development as a whole, in accordance with all Planning Permissions and Building Regulations.

It is common for these types of contracts to allow the Developer to make minor alterations to the design and specification of the property, provided these do not substantially affect the value of the property, particularly if the development is in its very early stages where changes may, for instance, be imposed by third parties such as the Planning Authorities.

The Transfer Deed, because it is dealing with the transfer of ownership of only a portion of the whole estate, will usually be several pages long containing numerous restrictive covenants, rights and easements which all need to be examined and advised upon. As well as the Title documents, the Developer's Solicitor will provide a Local Authority search, a Drainage and Water search, an Environmental search, and, if the property is in a coal-mining area, a Mining search. The cost of these, and the cost of providing the Transfer Deed or new Lease, will usually be charged to you on completion.

Exchange of Contracts

On Exchange of Contracts, on or before the agreed deadline, you will be required to pay a 10% deposit in the usual way. Any Reservation Fee you have paid will be deducted from the deposit due.

Notice to Complete

If the property is still under construction at the time of Exchange of Contracts, it will not be possible to agree a fixed Completion date. Instead, the Contract will contain a provision whereby the Developer's Solicitor will serve a 'Completion Notice' on you (through us) when the property is ready and has passed its final Building Regulation inspection.

The Notice will state that the property is now complete and will give you 7 or 10 days to Complete (the exact number of days will depend on the provisions of the Contract). You *must* be ready to Complete by the end of the Notice period. Failure to Complete within the time specified in the Completion Notice means you will be liable to pay penalty interest on the balance of the purchase monies (charged daily at 4% above base rate) until payment in full is made. Ultimately, your deposit could be forfeited and you could risk losing the property altogether.

It is, therefore, essential that you keep in touch with the Developer during Exchange and Completion, either via their site office or through their Estate Agent, to ensure that you know when the property is likely to be ready and the Notice served. Please note that any Completion date given to you by the site office is not legally binding until the Notice to Complete has been received by us. During the Notice period, you must be available to sign the final legal documentation and arrange funds, so please do not book any holidays without first consulting with us.

If you are buying with the aid of a mortgage, you must remember to ensure that your mortgage offer will still be valid at the end of the Notice Period or, if not, that you arrange for the offer to be renewed or extended (mortgage offers are generally only valid for three months).

Immediately following service of the Notice to Complete, we will request the mortgage monies from your Lender and will write to you with our bill and a completion statement showing the amount which will be required from you in order to Complete. It is vital that cleared funds are received by us the day before expiry of the Notice period so that we are able to Complete on time.

Buildings insurance will need to be in place from Completion, not Exchange, as with existing properties. This is because the Developer will have buildings insurance in place which covers the whole development and this will be maintained until the last plot is sold.

Snagging

As soon as you are advised that the property is ready for inspection (after service of the Notice and before the legal Completion date), please remember to inspect the property and agree any snagging items with the Developer. The term 'snagging' is used to describe minor errors or defects in the property which will need to be corrected by the Builder, such as incorrectly hung doors, unpainted walls, faulty water pressure, and so on.

You can conduct the inspection yourself, as long as you know what to look for, but it is advisable to hire a professional snagging company who will inspect the property thoroughly and provide both you, and the Builder, with a list of corrections which need to be addressed before you Complete. Please bear in mind that you will not normally be able to delay Completion for snagging items of a minor, non structural nature if they do not render the property unfit for occupation. However, the earlier you raise any issues with us, the more time we will have to see whether the problems can be resolved quickly. If you do instruct a snagging company, please ensure they are independently selected by you and not by the Builder.

One point worth mentioning is that developers often leave the roads on a new estate until last. There is little point laying tarmac and making up the roads to a good standard whilst development work is still continuing around the site as the diggers and heavy machinery would soon churn them up. Whilst frustrating, be aware that it can sometimes be many years before the final touches to the site are completed.

Completion

On the day of Completion, keys will normally be available for collection at the site office following receipt of the purchase monies by the Developer's Solicitor. If there is no site office, please ensure you contact the Developer beforehand to find out where the keys can be collected.

New Home Warranties

Unlike existing properties, where you buy subject to any defects in the state and condition of the property, new build properties will normally be sold with the benefit of a 10 year National House Building Council (NHBC) Guarantee, or its equivalent. Under the terms of the Guarantee, which is effectively an insurance policy, you can make the Developer fix all defects and faults with the property within the first two years. These defects can be minor (snagging items) or major, and can include:

- Aerials not working properly
- Doors incorrectly fitted
- Loose screws and other fittings
- Open electrical sockets
- Damp & mould caused by incorrectly fitted extractors
- Flooding due to poorly fitted pipes
- Wrongly fitted double glazing

- Poor or incorrect wiring
- Incorrectly installed boilers
- Roof not secured against the elements

In all instances, the Guarantee ensures that these are fixed at the cost and expense of the Builder, provided you bring them to the attention of the Developer in writing within the first two years of Completion of the property.

Accordingly, after the first six, twelve and eighteen months of living in your property, we strongly advise you to conduct a proper inspection and note down any problems with the property since you've been living there and to notify the Developer in writing. If the Builder fails to fix problems, NHBC will.

After the expiration of two years, up until the tenth year when the Guarantee expires, the Developer is only liable for repairs on major structural issues, such as subsidence. However, this depends on the exact terms of the Insurance Certificate and this can vary between developers.

Timescales

It is important to realise that if you are purchasing the property before building works are complete, or before they have even started (known as 'purchasing off-plan'), there is no guarantee the property will be finished on time. Some developers will put an anticipated Completion date on the Reservation Form, but this should not be relied upon. Often, Completion of the property can be delayed by as much as 9 months or more, and there is little you can do about it, unless the terms of the Contract permit you to withdraw from the purchase and obtain a refund of the deposit if the development is delayed beyond a specified date (called a 'long-stop date'), but this is not always the case.

Please check with us before committing yourself to the purchase as a delay in completion of the construction of the property could have a knock-on effect which you will need to consider.

If you require any further information or have any queries please contact Rebecca Soar, Head of the Residential Property Department on 01159 471 501 or email rsoar@fraserbrown.com



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