

THE FOUR P'S OF
RESIDENTIAL DEVELOPMENT

AND HOW THE RIGHT REAL-ESTATE PARTNER CAN HELP
YOU EACH STEP OF THE WAY

PRODUCT

PROCESS

PEOPLE

PRICE

THE PRODUCT

The single most important decision you will make as a developer is: what are you going to build? A lot goes into this decision. For example:

- GIVE THE PEOPLE WHAT THEY WANT. This is part of the “HIGHEST AND BEST” concept. There are a couple ways to approach this. First, you could see what is selling in the area and try to match your product to that demand. Another way is to try to determine what is not being offered to the buying public, but that you think would be a winner. Can you fill that market niche? Either way, the product you are offering should be desirable for that area and you should be able to build it at a reasonable cost and sell it for the highest price in a short enough period of time to allow you to complete the project as soon as is reasonable. Are the basics of the home you are building (size, layout, style) consistent with what the market is demanding? Is it compatible with the demands of the local buyers? Are there opportunities for buyers to customize their new home? Your brokerage can and should answer all these question for you, as well as make suggestions to increase the desirability of your product
- LOCATION IS NOT A MYTH. Location is one of your potential value multipliers. If your project does not have self-contained amenities (water access for example) then it is extremely important that your project’s location be desirable to many potential buyers. Is it easily accessible? Are there opportunities nearby for family entertainment? For employment? All projects are different and there are many factors increasing or decreasing the desirability of a new development’s location. A good brokerage will accentuate all the positives of the area in their marketing campaign.
- THEY ARE BUYING THE PROJECT AS MUCH AS THE HOUSE. The development must be attractive to buyers. The entire concept of the project must make sense and fit with both the local culture and heritage as well as the expectations and aspirations of out of state buyers. What is the visual appeal of the project? How is it laid out on the property? Does it take advantage of the topography and potential views? Are the homes or condo buildings jammed together or is there room to breathe? There are other aspects of this

to remember as well. What are the proposed rules for the association? What is the timeframe for construction? People do not want to live in a construction zone, but they will understand and deal with it if the plans are realistic and everyone is operating in good faith.

A Realtor experienced with new construction and project development can help speed the completion of your project, most importantly by increasing the tempo of sales and streamlining the transaction and closing process.

THE PROCESS

Going from purchasing an undeveloped tract, deciding on the product to sell, all the way to a completed neighborhood full of happy families is a massive undertaking.

Prior to beginning construction, you will need to check many boxes:

- **ALL STATE, LOCAL, AND POTENTIALLY FEDERAL PERMITS** This is a complicated and time-consuming part of the process. Some municipalities make it quite easy to do construction projects, some seem to want to discourage it. The state is involved as well, particularly when it comes to waterfront projects. It is important at this point to be working with an experienced engineer and/or surveyor who can help plot out land usages, densities, and infrastructural requirements that are specific to that location. Having the proper permits in place, at least preliminarily, will go a long way to determining the feasibility of a project.
- **ATTORNEY GENERAL APPROVAL** This can be another long process and can hold up putting the properties on the market. It is important that this step be taken as early as possible, but only after determining with your engineer and Realtor that the envisioned project is feasible. It is important to seek the help of a qualified law firm that specializes in this field. Generating the appropriate HOA/condo documents and working with the NH AG's Office is a specialty. The quicker you obtain approval, then the quicker you can take binding deposits and signed contracts. This can actually be done at all stages of construction and even before construction begins. Being able to do this is extremely helpful in many ways.
- **DECIDING ON THE STANDARDS AND SPECS (THE PRODUCT)**
- **PRICING THE STANDARD OFFERING (THE BASE PRICE)**

- PRICING THE CUSTOM CHOICES. This can be a lucrative portion of the process. People will pay a premium to customize their home to their particular taste. It is important to know what the costs of producing these customizations is on your end and what you can charge for them. Some upgrades aren't worth it, some are. Experience and market knowledge can answer that specifically. Providing input into what is desired by today's buyers is one of the main jobs of your real-estate partner. It is also their job to "up-sell" the most lucrative upgrades and customizations to maximize your profits.
- DEVELOP THE APPROPRIATE POLICIES WITH YOUR BROKERAGE AS TO HANDLING DEPOSITS. You will want a large portion of the buyers' deposits to be non-refundable. You do not want to customize a home or pre-order custom materials only to have the buyer walk away and leave you with a highly customized home without being compensated for it. It is important that your brokerage be able to explain this to buyers in the correct manner. It is also important that your brokerage be capable of handling these many escrows.
- PRE-MARKETING You and your brokerage can work together to conceive of a marketing strategy that begins before the first shovel goes into the ground. It is the realtor's job to pull together all the possible material from various sources to present the conceived project in the best light. This includes publicly available pictures and videos of local amenities. The best thing for you as the developer to do now is to invest in high quality architectural renderings and virtual staging of a finished product, and of the finished project. There are many resources available to produce this material, but you should start with your architect. With this material your brokerage can put together a website, signage, a social media presence, print material, and a broker outreach campaign designed to put your project in front of as many qualified buyers as possible. This can be done at any time, consistent with advertising regulations insisted on by the NH AG's Office. However, the pre-marketing campaign should be in place by ground-breaking.
- MLS LISTING AND ADVERTISING Once AG approval is obtained, the properties can be advertised more aggressively and binding contracts with secured deposits obtained. It is vitally important, perhaps the most important part of this process, that the MLS listing be as attractive and professionally

done as possible. A simple MLS search will show you that most new construction projects are poorly represented with limited information, poor descriptions, inferior imagery and no link to a single-property website. Most buyers will have their first exposure to your project through the MLS or through their personal Zillow searches. The listing should have professional photography, drone shots of the project, renderings of the finished product, construction standards and custom choices, and detailed descriptions that move buyers to reach out. Your brokerage should also have a listing strategy to put different versions of your product out over a period of time to maximize exposure.

- **BUYER SHOWINGS AND OPEN HOUSES** Your brokerage should have access to the property to show the project even in its beginning stages. When appropriate they should be bringing buyers into the homes. An unfinished house can be an exciting and attractive stage for an experienced agent to make the sale. With some assistance, buyers can often envision themselves in the homes, making the final touches for themselves, at the same time adding lucrative upgrades to the final sales price. You and your brokerage should decide on whether you will be building a model home, and if so, Open Houses should be held on weekends and during mid-week after work hours. You should insist on that and refuse to do business with any brokerage that hesitates to invest their time in that manner.
- **TRANSACTION COORDINATION** Eighty percent of the work performed by your brokerage will be done after the contract is signed. In this process it is important that the brokerage manage the buyer's expectations. A new house is not a box of cereal pulled off a shelf, it is its own entity with individual characteristics and details. Additionally, each home or condominium unit will be different and will require a detailed and accurate accounting of the original agreement, upgrades, change orders, selections of available choices, deposits and payments, and other addendums. You will need the brokerage to manage buyer access to the property and to you or your project manager. An experienced agent is vital to make this go smoothly. Further you will need consistent policies regarding appraisals, buyer inspections if allowed, municipal inspections, and closings. Simply put, the more of this that can be handled by your brokerage then the more time you will have to work on the project.

- **THE PROCESS OF COMPLETING THE PROJECT** Prior to beginning the development, you will decide on a timeline of construction, and the logistics of developing the property. Will you put in all the roads and infrastructure prior to breaking ground on the homes or condo buildings? Will you do the project in phases? What is the timeline for completion? A lot of this will depend on the manner in which you finance the project. Lenders may want tangible progress at each stage before releasing money for the next. Your brokerage will help you with absorption rates of similar properties (although these statistics can be misleading). This is one of the most important calculations that you will make. In new construction, time is most definitely money, and an aggressive but realistic timeline based on solid information is vital.
- **THE PROCESS OF UNIT CONSTRUCTION** Getting to the closing table and getting paid for each home or unit in the development is the goal. It is important that during this process you have an open but structured and documented line of communication with your buyers. Your brokerage will be responsible for that. On your end, it is a good idea to operate with a single voice, and have one person that can communicate with the buyer regarding all the choices and customization that they will want to make. It may be that your preference is to limit customization, that is an understandable desire. However, it is my experience that customization is another value multiplier that can make the difference of a buyer selecting your product over another new construction project that may be more “cookie-cutter,” and another developer less willing to meet the needs of the buyer. That person may be the listing agent or it may be a design coordinator more experienced in that field. It can also be you or your project manager if appropriate.

THE PEOPLE

Taking raw land all the way to a finished residential development requires the cooperation of many people. It is simply impossible for one person or one development company to do everything and to be everywhere at one time. The people you choose to work with can make the difference between success and

failure. You are making a huge investment of money, time, and reputation and you should expect everyone involved to respect that and to do everything they can to make your project a success. An experienced real-estate partner will have people or companies that they can recommend for each of these roles, and can help communicate the expectations of everyone involved.

- ENGINEER/SURVEYOR: This person or company will help you determine the absolute best use of the land in terms of road, building, and infrastructure placement as well as the “carrying capacity” of the land. A good surveyor will be knowledgeable regarding local and state regulations that will determine how many units and of what type you can build. This is extraordinarily important and should be the first step.
- LAWYER: There are lawyers and firms that specialize in real-estate law. They can help you navigate the regulatory maze and develop proposals that will meet local and state requirements, thereby limiting the need for multiple designs or concepts. They can also prepare the necessary documents for your project to receive approval from the state Attorney General’s Office. This is obviously hugely important, as is the development of condominium documents or HOA rules and regulations. The lawyer will work with you throughout the entire process including handling closings.
- ENGINEER/SURVEYOR: This person or company will help you determine the absolute best use of the land in terms of road, building, and infrastructure placement as well as the “carrying capacity” of the land. A good surveyor will be knowledgeable regarding local and state regulations that will determine how many units and of what type you can build.
- GENERAL CONTRACTOR/PROJECT MANAGER: Although technically different, in many cases a project’s General Contractor will also operate as the Project Manager. In any case, the person or company is generally involved in all aspects of the project, from conception to completion. A good GC will save you money by utilizing a stable of dependable sub-contractors, limiting errors and costly repairs or delays. You will rely on your project manager and subcontractors for the majority of this. Does your GC have experience bringing a development from concept to completion? Does he understand the Critical Path? Do your subcontractors have a track record of reliability and quality work? It costs more to repair shoddy work than it does to have it done correctly in the first place by qualified tradespeople. A good GC will maintain a clear line of communication with signed buyers thereby limiting change orders and providing a finished product in a timely manner. It is imperative

that the GC have experience in the type of project you are building. A large portion of what the GC does will be done without your oversight or observation. Mistakes will be hard to correct. Often it is a good idea to select your GC based on qualifications not on price (within reason of course).

- LENDER: Many banks have representatives that will work with you in providing the funds needed to get your project started, and then work with you during the course of construction to limit your initial outlays and maximize your profit. There are a few different models of project lending, and a good lender will be able to explain to you the differences and help you decide which format works best for you. Importantly, a local lender can be beneficial as they will know the market and can assist in financing everything from the original land purchase, infrastructure improvements, and the construction of the individual units. The appropriate lender will also be able to provide funds to the buyers for their individual purchases as well. Anything that streamlines the process is helpful.
- REAL-ESTATE BROKERAGE: The company you hire to represent your product to the buying public can make or break your project. A good brokerage will help you from start to finish, all the way from project concept and what to build to the coordination of punch-list items on the very last house in the neighborhood. They will conceive of and execute the entire marketing campaign including everything from logo and sign design to a project website that will generate hundreds of buyer contacts per month. They are the face of your development and how they present your efforts, and to whom, means everything. It is also extremely important that the listing agent or agent(s) specifically assigned to the property are experienced in new construction projects. This is a different ballgame than listing a house, showing it, and selling it. The listing agent will be your line of communication to the buyers, putting out fires and handling issues rather than just stepping back and letting you or your GC handle all the many little problems that arise, and they must be able to do all this with multiple transactions at varying stages of construction, while always representing your best interests. There are not many agents or brokerages that can handle the job.

THE PRICE

Your Realtor partner will help you arrive at the correct price for the product you are offering. This is obviously extremely important. An attractive listing with a reasonable price will bring buyers to your project and get the conversation started. High prices that seem unreasonable or are not supported by a quality advertising campaign will doom a project, or severely slow your progress. The price needs to be an integral part of the advertising, and the use of “pre-construction pricing” to get a few units sold prior to ground-breaking is a great tactic to ensure momentum moving forward. Your brokerage will help you determine that price.

HOWEVER, AND I CANNOT STRESS THIS ENOUGH, YOU ONLY GET ONE SHOT AT THIS. You are making a huge investment as we mentioned earlier, and you deserve every potential dollar in return. Do not let an agent mislead you with low-ball pricing. A good brokerage with experience in new construction projects will give you the advice you need on pricing and will help you get what you deserve. Do not settle for eighty percent or ninety or ninety-five percent of what your efforts and ideas and talents should get you. You should get it all.

PLEASE CALL ME AT 603-481-2657 TO DISCUSS YOUR NEW CONSTRUCTION PROJECT. MY OFFICE HAS BROUGHT BOTH LARGE AND SMALL PROJECTS FROM CONCEPT TO COMPLETION. ALSO, FEEL FREE TO ASK FOR A PORTFOLIO OF POTENTIAL RESIDENTIAL DEVELOPMENTS THROUGHOUT THE STATE. I WOULD LOVE THE OPPORTUNITY TO EARN YOUR BUSINESS.

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