

Contracts and fees

New build developers usually ask for a £500 reservation fee to secure a plot which is generally refunded on completion. However, if you withdraw you may not get this amount back and administration fees may well be deducted.

Most developers will require that you exchange contracts and pay a 10% deposit within 28 days of reserving the property. You will need to ensure that your mortgage advisor and conveyancer are aware of the deadline and are able to work towards this.

In most cases, you will also be required to pay an engrossment fee on completion; this is a fee payable to the developer's conveyancer for preparing and supplying the legal documentation for signature. The fee varies depending on the developer but is generally in the region of £150 + VAT.

As with anything that you buy, 'terms and conditions apply' so the contract needs to be checked carefully.

Other checks and fees

If the property has the use of common areas such as a play area or private drive, developers often set up a management company to be responsible for future maintenance. If this is the case you will be required to pay a monthly or yearly maintenance fee to the management company.

Checks will also need to be made to ascertain the previous use of the land. You should be wary of former industrial sites that may carry a risk of contaminated land and also former floodplain sites that may be at risk of flooding. If factors such as these exist they could affect the value of the property and future saleability.

Why use Timms?

This guide is not an exhaustive list of matters that need to be checked or considered before you commit to buying a new build property.

We have a host of experience in dealing with sales and purchases of new build property and will be happy to discuss any concerns you may have about buying from the developer. Please feel free to contact one of our friendly conveyancing team on **freephone 0800 011 6666**

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Buying 'New Build' Property

inside is a step by step guide
to helping you buy a 'new
build' property

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Guide to buying 'New-Build' Property

Buying a new-build property may seem like a good idea - being the first owners, choosing your own kitchen etc. Incentives offered by developers can be very appealing but buying a new-build property is not as straightforward as you may think and you need specialist advice.

Insurance against Structural Defects

Most new build properties will be offered with the benefit of structural defects insurance (sometimes referred to as a warranty). Most major developers subscribe to the National House Building Council (NHBC) scheme which offers a 10 year 'Buildmark' warranty. Other developers may subscribe to similar schemes such as the Premier Guarantee Scheme or LABC warranty. The warranty is designed to cover defects in the property which arise in the warranty period and which are due to the developers' failure to observe the scheme requirements. However,

like any insurance policy there are terms and limitations on the cover available that need to be checked carefully.

Most mortgages on new-build properties are issued on the condition that structural defects insurance under an acceptable scheme will be available.

A warranty may not be available for individual new properties or properties constructed by a small local builder. In such cases, the property should be constructed under the supervision of an architect. Some mortgage lenders will accept an architect's certificate instead of structural defects insurance but checks will need to be made to ensure that the architect has sufficient professional indemnity insurance in place to cover subsequent claims.

If a new build property does not have the benefit of structural defects insurance or an architect's certificate this could affect the value of the property and make it more difficult to sell.

Planning Permission, Building Control, Roads and Sewers

The developer should provide evidence of compliance with Planning and Building Regulations as any failure to observe planning and building regulations could give rise to local authority enforcement action. Planning obligations entered into by the developer will also need to be checked because these can pass to the new property owner.

If the property is still under construction, the developer should agree to construct the property in accordance with planning permissions, building regulations and NHBC requirements so that you can be assured it will be built to a satisfactory standard.

A proper check of the construction and adoption of new drains, sewers and roads is also highly important. The roads, drains and sewers serving the property will probably have been constructed by the developer. The Highways Authority and Water Authority will not take over responsibility for maintenance of roads or sewers until construction has been completed satisfactorily by the developer. This process is called adoption. A buyer of a new property should be sure that agreements are in place to provide for the adoption of roads and sewers at some point in the future and that a sum of money will be set aside to cover the cost of the works should the developer go out of business. If satisfactory agreements are not in place, you might have to pay towards maintenance until adoption takes place.

'Snagging Lists'

With most new-build properties there will be minor issues with the property that may need to be repaired. The developer's sale contract should include provision for repairs to be done after you move in. Most developers will not allow you to withhold the purchase price or delay completion if certain works are not finished. It can often be quite difficult to motivate a developer to complete unfinished work or carry out snagging repairs if they have moved off site.



Mortgage Lenders & Developers Incentives

These days many mortgage lenders regard new-build properties as a risk. They consider that buying a new home is like buying a new car in that there could be a swift depreciation in value following the first purchase of the property. For this reason many lenders are only prepared to lend around 85% of the purchase price on a new-build property. Your financial advisor should ensure that your mortgage offer will apply to a new-build property.

Many developers offer incentives such as a gifted deposit or money towards stamp duty to encourage buyers to purchase new plots. Most lenders look suspiciously at discounts or incentives like this on the basis that they artificially inflate the purchase price. Lenders will only lend on the net amount of the purchase price once all incentives have been deducted. You should check with your financial advisor if these incentives will affect your mortgage offer before you proceed.