

Lamorinda OUR HOMES

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Real Estate Dealings from the Ground Up

By Cathy Dausman



Story poles can help to visualize the impact of the development in an existing neighborhood Photo Cathy Dausman

Residential real estate often comes in two varieties: move-in ready and do-it-yourself. In the former, the house is usually available for occupancy shortly after close of sale. Yet some clients prefer to work literally from the ground up, by locating and buying a lot, and then building.

“Several of my clients got so frustrated with trying to buy an existing home and losing out in multiple offer situations that they pursued the idea of buying a lot and building their own home,” explains Diane Reilly of Orinda’s Alain Pinel Realtors.

Reilly, who has subdivided parcels of land in Butte and Plumas counties, says “there are many things to consider when purchasing land to build a home.” As this story went to press, the multiple listing service showed a total of 19 Lamorinda land or lot properties for sale, ranging in price from \$90,000 to \$4 million. In that same period there were 28 houses for sale.

Cary Amo of Bay Sotheby’s International Realty says agents can be unfamiliar with raw land purchases and some clients arrive “blissfully unaware”

of the challenges they face converting raw land or even a lot into home sweet home. Before Amo takes them out, he gives his prospective clients a crash course in reality.

“If it doesn’t put the fear of God in them, then it should,” he says.

Unlike a home purchase, the cost of a lot is usually a cash deal. In his 25 years in real estate, Amo says he has found only one bank willing to offer loans on raw land, and then only if the purchaser commits to 30 percent down. Lots priced under \$500,000 generally require a road to access the building site, which may necessitate costly bedrock excavation or retaining wall construction which cannot be done from November to April, so timing the groundbreaking itself is important. In addition to soil and engineering studies, other so-called non-construction related “soft costs” might include tree removal, slope feasibility studies (slopes with a greater than a 30 percent incline are generally considered unbuildable) and utility hookups. The combined cost of utility hookups can run from the tens of thousands of dollars into the more than \$100,000 range, Amo says.

Additional soft costs include city building fees, permits, design review, school district assessments, and transportation impact fees. Subdividing acreage can run an additional \$20,000 to \$30,000. A local architect, one familiar with the community’s ridge-line ordinance and zoning issues, is a valuable resource, Amo says. He strongly recommends his clients hire a project manager as well.

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