



**HARBOUR  
GROUP  
CAPITAL**  
PRIVATE LENDER FOR REAL ESTATE INVESTORS



## EVERYTHING YOU NEED TO KNOW **FOR SUCCESSFUL GROUND-UP CONSTRUCTION PROJECTS**

Ground-up construction is a start-to-finish process with no room for procrastination. Every project hinges on successful communication, collaboration, and completion of the project's design intent and construction while keeping an eye on deadlines and delivery. Make no mistake, tackling this type of project is a full-time, big-time responsibility.

Let us make this process easier for you by outlining what you need to prioritize, tips for handling the process and what to expect.



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## TOP 7 THINGS YOU NEED TO KNOW BEFORE YOU START CONSTRUCTION

*While there are many aspects to any ground-up construction project.*

*Keep these principles in mind throughout the whole construction and put these strategies in place from start to end.*

### 1. Choose Your Project Location:

If you are building a residential 1- 4 Unit home, choosing a neighborhood with other factors such as low crime rates and good school districts may be more important. It's also important to prepare for weather delays. Building in the winter presents different challenges than a summer construction project.

### 2. Plan a Site Visit & Finalize Your Design

Before breaking ground your builder should inspect the property and be familiar with the lay of the land through survey maps and observation. Plan to take a site visit with your builder if possible. Make sure any final touches on the design are in place before you begin construction. You want to have a clear game plan in place before work begins. This means that you can enjoy ample freedom when it comes to design and location choices, but it also means that you're taking on a large responsibility. In addition, make sure any required permits are secured. Your design plans need to be approved by local authorities and any requirement permit should be in place before you break ground.

### 3. Setting A Realistic Budget:

Construction is expensive and finding financing is one of the first steps to get the ball rolling. Be upfront with your contractor from the beginning about the scope of the project you can afford. Do your best to add in some buffer room to the budget in case scope creep occurs. Things rarely go according to plan so building in an error margin to cover unforeseen expenses is a good idea to avoid future delays. When building your budget you need to take into consideration costs for permits and labor as well. A well crafted budget balances your wants with a realistic assessment of how much you can afford to spend. When securing your loan make sure you work with a finance team you can trust. Read on for more in depth tips on how to source financing.





**REMEMBER:**  
Mapping out your project timeline  
beforehand ensures you will have  
benchmarks in place to show progress  
and prioritize tasks.

#### **4. Project Timeline:**

Educate yourself on how the construction project will proceed and when you aim to complete the project. From there you can build a timeline. Be sure to build in time for possible delays in shipments of materials, paint drying, and weather. Inform your contractor and project manager about your expected start and end dates so that your team is on the same page and so that you can provide feedback if your timeline is unrealistic. Shifts in the timeline will inevitably occur but it is important to map out an ideal schedule beforehand.

#### **5. Rely on Experts You Trust:**

Be sure to hire a licensed and insured contractor with integrity and experience. While you may be tempted to maximize profits by decreasing spending on whom you hire, this may lead to substandard quality, excessive delays, and disorganization as you build. A new construction project isn't the time to "try out" a new contractor. It will fall on your shoulders to make sure that you have the right people and the most qualified people in place to handle everything from excavation, demo, and foundation work to building your structure, insulating it, integrating electrical, plumbing, and HVAC and installation finishes and appliances. Do your research!

#### **6. Get to Know Your Team & Prioritize Communication**

Make sure you are familiar with your architect, designer, contractors, and project managers. You will be working with your team for several months and communicating effectively will lead you to success. Be upfront about your budget, timeline, and requirements. At every stage of your project, you will be establishing relationships and managing ongoing progress through email, meetings, and phone calls. From the first phase of your project to the last, every aspect needs to be handled with crystal-clear communication to ensure all parties are on the same page and moving in the same direction for maximum results.

#### **7. Do Your Best to Be Patient**

If you've done it before, you know full well that the ground-up construction process is a long journey. Pay attention to your timetable and feel accomplished as you progress along your benchmarks. With a good communication plan, expert financing, and a team you can trust, your ground-up construction project is set up for success! The more time you spend planning and nailing down details before you begin, the less time your ground-up construction project will take.





## What to Look for When Financing a Ground -Up Construction Project

A costly ground-up construction project will likely require financing and a loan that provides a quick, creative financing solution that can assist real estate investors as the project is under construction.

This type of loan is best suited for an investor who has already purchased land and is looking to finance the start of their project and for investors that need to close on a loan quickly to capitalize on an opportunity. They can be used to finance the purchase of building materials, labor, or the land itself, and fall under the category of bridge loans, which are typically processed as short-term hard money loans.

With this type of loan the borrower can customize the project itself with the money provided. There are no starting boundaries that the loan relies on. Loan amounts vary depending on your project details.

### Advantages for new construction loans:

- Competitive financing and loan terms
- Uses the future costs of property to borrow more
- Fast approvals and closings for ground-up projects
- minimum income documentation
- Cover up to 85% of project cost
- No occupancy requirements
- Interest only loans
- Qualify based on the **borrowers experience and property itself**
- Simple single loan application
- Build & finance in stages





## What is the Typical Ground Up Construction Timeline?

Ground-up construction starts with an undeveloped area of land and works step by step until the home is built. This allows you the flexibility to design a space customized for your needs. Because there is usually nothing preexisting to work with, it is helpful to have a general idea of the usual process construction takes. Starting with excavation and demolition and ending with final installations or modifications, there are three major phases of the project timeline.

### Phase 1: Pre Construction

This phase includes due diligence, research, planning and permitting. Before you invest in a project its critical to do your research beforehand.

#### Common steps include:

- Market analysis
- Land/property acquisition
- Environmental assessments
- Concept/Site/Development/ Building plans
- Permitting
- Construction financing
- Value engineering & Project bidding
- Construction schedule & timeline determination

### Phase 2: Construction

Finally during this phase the construction can begin, bringing your proposed plan to life!

#### Common steps include:

- Earthwork and excavation
- Demolition
- Foundation
- Structural Work
- Insulation
- Electrical, plumbing & HVAC
- Install walls, flooring, windows & doors
- Appliance installation

### Phase 3: Post Construction

Now that the construction has been completed, its time for any final touches and to make sure the space is livable. Quality checks and any testing is completed during this stage.

#### Common steps are as follows:

- Final inspection
- Punch list
- Title Registration
- Receive certificate of completion
- Move-in and opening day





## **Major Things to Look Out For During Ground-Up Construction:**

The ground up construction process is long and common mistakes may occur. Being informed of common pitfalls will help you avoid them during your project. Below are common mistakes made during ground up construction:

- Poor communication- causes delays and conflict
- Ignoring safety measures- make sure your contractor and crew are prepared and trained to handle accidents
- Lack of Monitoring-Make sure you monitor progress and that your team has processes in place to ensure proper handling of equipment and to reduce costs
- Not reading before signing- make sure your contractor reads documents before signing off
- Outdated software- make sure your contractor is using up to date software applications
- Unorganized ordering- ordering materials in a haphazard or unorganized way can lead to costly delays
- Rushing pre-construction- make sure you don't skip this phase as it helps you prepare for unexpected delays down the line. The more time you spend in pre-construction, the shorter the construction and post phases will be.

Another part of ground-up construction is working with your contractors to ensure the project stays on track and deadline. Below are some tips on how to manage your contractor during ground-up construction :

- Use your timeline to keep track of tasks and benchmarks. Be mindful of start and end dates for tasks being completed
- Be open and available for communication with your contractor. Be reachable and able to communicate any changes to the scope of the work or the timeline in writing or email.
- Check with your contractor at least 2x a day. Ideally, before work starts in the morning and touch base at the end of the day to monitor progress
- Make sure your contractor notifies you immediately of any problems or delays and don't give the contractor permission to go over budget without your written authorization
- Refrain from signing off on the project until the work has passed a final inspection
- Always be respectful. A good relationship with your contractor goes a long way to building a collaborative team that you may work with again in the future. Remember to thank them for the work they do.





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## GET FINANCED TODAY

Ground-up construction may seem like an overwhelming project to tackle. But if you follow our guide above, you are well on your way to a successful build! Remember, if you have a successful track record of **3+** new construction projects and are looking for financing, Harbour Group Capital can help!



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