



HOUSE AND HOME CO

MY FIRST BUILD GUIDE

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Welcome to *My First Build Guide* presented by House and Home Co.

Building a new home can be both exciting and daunting, especially the first time around. Creating something which is yet to physically exist presents many challenges. Visualising size and space can be difficult enough. Add to this the endless options for fixtures, fittings and colours. For some the thought of buying a home they cannot physically view or explore is inconceivable. However, for those that are able to look beyond the initial mind-set hurdles, will quickly understand the considerable upside to building new.

Unfortunately, it is not possible to successfully build a new home, avoid stress and unexpected costs, without considerable experience and industry knowledge. The following guide outlines key steps and identifies areas which need careful consideration. However, it should be considered as a general guide only, as there are many variables and unique circumstances with every build. For the ultimate guide and ongoing support, work with House and Home Co. We will ensure a successful stress-free experience, with no unexpected costs and may even save you thousands.



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1. **WELCOME TO THE BUILDING INDUSTRY**

You'll save time and potentially thousands if you have some understanding from inside the industry, before venturing out to the local display village, or talking to a building representative.

For many the initial encounter with the industry is via the front door of a pristine, polished and outrageously extravagant display home. These are more advertising masterpiece, than humble home and likely beyond even the wealthiest home buyer's budget. Most builders spend a majority of their advertising budgets on display homes for good reason. They successfully capture people's attention by appearing to provide the most luxurious and high-quality homes one could imagine. In reality there is usually zero correlation between the wow factor presented that draws people in and the home they sign on for. If you would ever like to test this theory, ask the staff at a display home for the price of the display! All inclusions, exactly how it appears and compare that to their advertised prices and/or your budget.

Did you know that display home staff and builder representatives are not required to hold any formal qualifications or license? They operate under a builder or corporate who is unlikely to be present. While a representative may have some experience or knowledge, others may have also been selling toasters/mobile phones/furniture a week ago. Who would you like managing your contract and build, worth hundreds of thousands of dollars?

2. ***LOOK BEYOND THE VIEW***

When you are ready to begin exploring the market, as a first step it's best to narrow down the area you wish to live and the style of property you desire. Unfortunately for most of us there will be a finite budget when it comes to the completion of a new home. So balancing the cost of land and preparation is an extremely necessary step and you may need to carefully consider your overall goal.

When viewing land, it's not always obvious to the untrained eye, however even the most minor of imperfections could require solutions that significantly increase the cost of construction. All too often that amazing view may also mean serious engineering and earthworks are required before any construction can take place. Will those costs render your budget for construction unachievable?

Sometimes land may appear close enough to level however I guarantee you'll be surprised that it's far from flat. Naturally occurring obstacles like trees, roots, rock and water run off could all restrict the available area to build, or add insurmountable costs. I have encountered numerous people who have bought their dream piece of land only to be stuck with something they will never have the budget to complete construction on and even have trouble re-selling because of the unimaginable expense.

3. ***THE WISH-LIST***

Creating a wish-list provides a guide for identifying the type of construction and commencing initial design. A good way to begin is listing must-haves, nice to have, practical needs and dislikes. Initially start with a broad and unedited list, budget, practicality and guidance will help define the list later on.

Sometimes your initial thoughts of what you want in a home or property evolve dramatically. So it's a worthwhile exercise that could save time, money and energy. Unsure how to begin, House and Home Co provides complimentary consultations and have great experience with this process.

4. ***PLANS AND FANS***

Have you ever heard someone say something similar to "It takes building five houses to get it right"?

I recently spoke to someone with decades of industry experience and high-level project management skills, who said that the last house he and his wife built after 30 years will almost be perfect, almost.

When it comes to building, there are many variables from advances in materials, technology and style, making it difficult to achieve absolute perfection. There are primarily two ways to obtain a house plan, licensed builder's pro forma or standard plans and architectural plans. Builders often have a variety of pre-drawn plans ranging in size to suit common lot dimensions. Generally, there is no additional charge to use these plans, however they can be quite inflexible. In the event changes are permitted a cost will be charged to make changes or variations. Engaging architectural or a custom design will inevitably cost significantly more. The design process itself will likely run into several thousand dollars, or beyond to deliver full working drawings. In addition, as most architects focus on innovation and design, they are unlikely to consider the economy of the build or cost-effective solutions. As it is also unlikely your builder was provided any consultation during design, expect their pricing to now be a premium to cover any anomalies and the potential for cost run over.

In terms of inclusions during the planning process there are many items that are easily overlooked. Be aware that the builder is likely to charge a premium through the "variation" process should you forget something as simple as a few fans. If you haven't experienced this before, most building contracts allow for a type of admin fee or percentage to be added to any additional item or change known in the industry as a "variation".

5. ***CONTRACT CAUTION***

Some of the biggest issues and disputes occur with building due to contractual misunderstanding.

A building contract is a legally binding document, they often contain jargon and terms the average home buyer will struggle to comprehend. It's therefore important to be aware of some of the key areas of the document that could allow for unexpected costs, require certain payments and release the builder from their initial estimations and quotes.

A common practice by many popular retail builders is requiring payment of an initial deposit to formalise plans and pricing. While it's understandable they wish to cover some of the potential administrative costs. This can place the customer in a difficult position in that they must first commit financially to understand the real contract price as opposed to the loosely quoted "starting" price. It is no secret within the industry, that those who lure in customers with dazzling display homes and unbelievable advertised prices, profit from inflated pricing. Adding on all the extras required to make the home habitable. Most find it impossible to walk away from their deposit and therefore have no negotiation power over the final quote.

There can be many allowances listed in a contract. These may include additional and unquoted charges for anything from a water connection, site works, rock removal and even fencing. Once construction is underway there is no way to avoid these potential costs. I have heard many people's experience with this stressful issue. In some cases, costs run tens of thousands over the quoted and contract prices. This unsurprisingly left the customer wondering how they would afford the cost and more importantly how they would even finish building their new home.

Another widely used contract loophole is the inclusion of provisional sum and prime cost items. Essentially an allowance for expenditure is estimated which is not to be confused with a firm quote. These often relate, although not limited to kitchen fit out, tiling, window treatments and even pools. The issue often only becomes apparent when the builder contacts the customer during construction and says something to the tune of; "That customised kitchen we allowed for, we estimated \$12,000 however with all the extras and modifications we'll be looking at least another six or seven thousand".

Imagine having to scrape together even a few thousand more after you've committed to a contract of three hundred thousand. It also important to understand that once construction contracts are finalised and a bank has issued a loan, it is extremely rare that they will advance further money beyond the contract price. It is unfortunately often the case that people building have to dig into savings or borrow from family to complete their home.

6. APPROVALS AND TIME ALLOWANCE

Planning a move along with the sale of a home or ending a lease, can be a balancing act in normal circumstances. Add the building of a new home and it may be almost impossible to work out the timing of everything.

There are a number of builders that promote guaranteed times or extremely short periods for building. The ability to achieve this all lays within the fine print of a building contract. In my opinion the way in which this works would mean any reasonable builder should achieve the time promised. The trick is in the wording and the key milestones of a building contract. Most building contracts will include a time allowance as well as allowable delays for items like weather, trades and material shortages. Unfortunately, even with any promise around timing, there are factors usually beyond a builder's control which will add to time and uncertainty.

The first and largest-time variant which is beyond any builder's control and estimation will be encountered with building approvals. This is assuming that the land itself, which is to be built upon is ready and not delayed through development. That can add yet another layer of unknown to the timing. Building approvals require collaboration of a number of parties usually including the builder, developer, local government agencies and a certifier. The period for approval can be impacted by many factors, from having final plans issued, through to amendments requested to meet covenant approval by the developer. Typically, the period can be four to six weeks for approval however anywhere from two to twelve weeks is not unheard of.

The next variant is scheduling a site start, this is of course completely pending the above approvals. As well as awaiting approvals, the actual scheduling can be impacted by availability of trades and equipment as well as inclement weather. These are definitely in the fine print.

There can also be delays around the time of hand-over and following practical completion. These can be caused by overlooked finishes and defects. Often these periods follow the contract completion date in the contract. Which means the time hasn't been allowed for.

For a realistic and close estimate, as well as some strategies to help manage the planned move, it's worth having an independent expert like House and Home Co guide you through.

7. *STAGE INSPECTIONS*

In recent times there has been a larger focus on workplace safety and managing construction sites to prevent injury to the public. For this reason, it has now become common practice to forbid public entry into construction sites. This includes the property owner. With this in mind, generally customers are prevented from any informal visit or casually walking the site. While some builders have added the process of regular scheduled and supervised inspections, it is highly recommended that formal stage inspections and reports be completed independently. This not only assists with monitoring quality of workmanship, any areas of concern, errors or omissions may be addressed before progress is interrupted. The representative should be introduced to the builder prior to commencement and formally approved for access.

8. *PRACTICAL COMPLETION AND INSPECTION*

As the building approaches practical completion, which is the final stage of construction, it will be extremely important to organise an independent inspection. At this stage of construction all items should be complete and ready for a thorough review of workmanship and a final check of inclusions. It is good practice to double check that the builder is certain of all work being complete. There often can be a few small finishing touches required, the builder may have even already assessed and noted. However, ideally to effectively complete this inspection there should be very few if any items remaining. It will also be necessary to refer back to the contract and any variations, this not only ensures items haven't been overlooked, but there may also be allowances for certain work to be completed by handover following practical completion eg. a pool installation, certain landscaping, or even fencing.

One of the most common questions at this point is regarding the requirement of final payment. As there may be a number of items outstanding, yet the builder has finalised the practical completion stage, people often question making final payment. It is also hard to understand that a builder will be paid in full without formally handing the property over complete. This is where building contracts and the industry are quite different to other property transactions. Payment is required unless there are serious issues detected or an excessive list for completion at time of inspection. The contract will provide a guide on these issues and the requirement to make the payment. Generally, once practical completion has been attended the property will hand-over within a few weeks with final touches complete. This will be pending the receipt of final payment and for this reason it is important not to withhold payment at practical completion.

9. *HAND-OVER*

Hand-over is without doubt the most exciting point of a new home build. As with the previous stages through construction, there are some important checks which should be completed.

Following on from practical completion there should be one final and thorough review of any outstanding items which were to be rectified. Make sure to return to the list provide to the builder. As the previous inspections should have been thorough and meticulous there should be no need for another complete and detailed inspection. Many builders may even object to any new items being listed or any new inspection report. This is why it is critical to have a thorough independent inspection at practical completion. Of course, there may be the odd item overlooked or damage by returning trades. These should be brought to the builder's attention while attending the hand-over, so it can be assessed and discussed.

Check any final items like the landscaping and be aware of any omissions.

The builder should present all relevant documents and certificates, like a gas compliance certificate will be required for connecting services.

The builder should also present all manuals and warranty documents including termite treatment plan where applicable. These need to be retained, storing an electronic copy and relevant dates is a great way to ensure items are claimable should the unexpected happen.

Keys for doors, windows and garage, remotes and fittings should all be checked for completeness and operation. Often builders will operate from a construction key for entry into multiple properties. Providing keys are correct these should simply turn the locks and eliminate the previous setting allowing construction key entry. It's good practice to run fans, air-conditioners, dishwashers, taps and toilets for a last final check. Where possible check hot water is operating. This will save any frustration on moving day.

Often at practical completion the builder will cease maintaining and watering any garden. It's a good idea to check when this will occur. New turf in particular needs extreme care and from handover, the builder will not be accountable for any deterioration of the garden. Where the property could be vacant for more than a few days it is recommended that arrangements are made to attend to the garden.

Some trades will leave behind samples of the fittings and fixtures e.g. tiles, paint even carpet. These are worth retaining for future repairs however this is not a requirement and if there appears to be excessive waste left behind the builder is required to remove.

Finally, the builder will request a document is signed confirming receipt of the property and keys along with confirmation of the condition the property was received. Most builders will complete a reasonable clean just prior to hand-over however most contracts will not detail the level of clean required. Some builders will do a simple sweep and wipe over, they refer to this as a “builder’s clean”. In this case it may be necessary to do a thorough clean of the whole property, be aware that most builders will not accept any clean fees or reimburse, unless it was previously documented. This can create unwanted stress, especially if the removalist has just reversed up the driveway.

10. WARRANTY AND CLAIM

The laws around building warranty are significantly different to regular consumer warranty and it’s not always simple to understand. In the case of a new home there are usually both building warranty and consumer warranty in use. Building warranty is broken into two main components and generally the consumer warranty for appliances and fittings, will be a simple time period covering certain manufacturers faults.

While various States govern and manage building warranty and/or insurance differently. Generally, building workmanship itself will have a short period of claim for any defect detected following hand-over. In QLD for example there is now a 12-month defective work period for the notification of defects to the builder. Due to the nature most items will be covered by either the builder, their contractor or at times the manufacturer. Importantly to make a claim a detailed list and notification must be issued to the builder within the 12-month period. With a restricted time, it is good practice to collate a list and make a 6-month check. In addition to this in QLD the governing body for building provides and manages a homeowner’s warranty. The period is much longer at 6.5 years; however, this is only applied to major structural issues or incompleteness of work. It will not provide for the repair of minor defects e.g. cosmetic cracking or painting, any exterior landscaping or fencing etc. Items like significant movement, and in most cases leaking roofs and bathrooms will be covered.

Consumer items like air-conditioning and other appliances are not covered by the builder’s or homeowner warranty except where there has been a clear installation error. It is therefore important to note the dates and periods of warranty to ensure the appropriate claim can commence.

Reach out to House and Home Co and let us assist you with your first property build.

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