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PREFACE

Most Australians, and nearly all those who have families, have a home they either bought or had built. It is for them, especially those planning to build rather than buy, that this book is primarily intended.

The average man in the street has little knowledge of the procedure necessary to get a good home built and even less of architecture and the technical issues of building. This is not surprising, as we are all specialists today. Nevertheless, those professionally involved with building are constantly amazed at the casualness with which many people embark upon the building of their homes, even though they and their families intend to live in the home for many years. This is despite the fact that the building of a home will involve the largest capital expenditure of the owner's life, and have a great effect upon the wellbeing, happiness, and the health of the occupants.

The unfortunate result is that the person who builds a new home often learns the many pitfalls the hard way: by bitter experience and aggravation, or even dispute, litigation, or financial loss. This book is aimed at assisting the reader enjoying building process and more importantly, in **making money** and **not losing** his or her hard earned revenue.

There are many books published in America and other Western countries intended to assist the new home owner in those countries, but they are of little use to Australians as we have our own methods of procedure, building materials and, of course, our own peculiar climate, social conditions and architectural traditions.

The Australian homebuilder has a number of channels through which he or she can achieve their dreams. He or she can approach an architect or designer to act as his agent, contract a builder to design and build his home, or undertake and organise the construction him or herself through subcontractors. This last option is known as owner-building. This book explores all of these options but focuses mainly on dealing with a building contractor.

Through the media or from friends who are building, we often hear of problems associated in building new homes. We hear of builders overcharging, builders going into liquidation during the construction, poor workmanship by subcontractors, inferior building materials being used and many more disturbing stories. Hearing about these problems is often enough for any prospective homeowner to look for a completed home rather than chance going through any unpleasant aggravations. This book will help to smooth the path of the would-be homebuilder.

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The more knowledge you have about building practices and procedure, and the problems of planning and design, the closer can be the co-operation between you and your architect/designer or his builder, and this will greatly assist in satisfying your wishes.

Building your own home is fun and will be all the more interesting if you understand the possible problems involved and act to resolve these problems early so the building can be enjoyed by it's occupants for many years to come.

This book looks at the inherent characteristics and procedures in homebuilding. Part 1 looks at the choices and options on offer, including looking for a building site, finance, employing an architect/designer, and selecting a builder or subcontractors. Part 2 looks at the legalities before building starts on site. Then in Part 3, the construction and building process is evaluated.

I hope that the information gathered in this book will prove invaluable to you and that you will find building your new home an enjoyable and trouble free experience.

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November 2002

Chapter 1.0

Planning

Building a new home is an emotional issue; it can be exciting, rewarding, satisfying, depressing, and stressful. It is often said that buying or building a new home can possibly lead to a divorce. Still, thousands of Australians continue to enter into this state of affairs every year with little or no knowledge of the building industry but relying heavily on their architect or builder.

Buying or building a new home is one of the major financial decisions we will make in our lifetime. It is consequently imperative that we plan our investment with caution and do the necessary research. There is always the dilemma of whether you should invest in a completed and established home or go through the process of building a new one. Whichever choice you make, you should plan carefully and research thoroughly - you will be rewarded not only in the short term but also for the years ahead.

Planning

If you decide to build your dream home you will find that there are numerous options and choices and you will have to make some crucial decisions. Some include:

- What accommodation will my family need now and in the future?
- What is the best architectural style that reflects our taste and that will not date in the future?
- How much will the building cost and how can I afford to pay for it?
- What are the best finance options available for building a new home?
- Do I employ an architect to design my home or do I approach a builder who will offer a design and construction package?

Building is an expansive industry and it requires approximately 40 or more individuals or groups to erect a standard home. These can include designers, builders, subcontractors and material suppliers. Because of this, even though you may have done thorough research on the industry, it will not cover every single aspect of construction, so there may still be problems along the way. If it is your first time building, it is therefore advisable to employ or use the services of an expert who has had a number of years of practice and local knowledge of the home construction industry in your area. It is futile employing a young architectural graduate or inexperienced builder, as he would not have had the time to experience

all the problems normally associated with building a new home, and so would not be able to anticipate and avoid possible troubles early.

Over the years, I have come across many people who claim to be experts in building construction and have decided to build their own home. It is not surprising that a great percentage of these owner-builders, who, after completing their home, claim that they will not undertake a similar project again. In analysing the reasons why, it was found that these owner-builders, whilst they may have had the technical knowledge, did not have the experience, and most importantly that they had not planned and researched their project before they started. Another reason is that because building involves a number of people from professionals to tradespeople, it is important how they handled and dealt these with people in order to make their project a success. They jumped in headfirst only to discover that their mistakes cost them dearly.

Good management

Planning alone will not make building a new home a success; it will also require good management. This job is normally undertaken by the senior member(s) of the family who will hopefully research, plan and make the final decisions. Whilst most family members will have little say in who may be elected as the decision-maker, they should in most circumstances contribute and have a major input to the overall process with regard to key decisions. The decision-makers should be prepared for demands from the rest of the family concerning the accommodation that directly affects them. It is important to ensure everyone feels involved in the planning of their future home but, in the end, all demands will usually be controlled by the available budget.

If you are the decision-maker you should take control of all aspects of the home building and this includes:

- **The budget**
This includes setting out and controlling the total amount of finance that can be allocated for the costs of the new home.
- **The design**
This involves setting out the family's objectives in terms of site selection, accommodation, room layouts and the relationship of rooms, external visual character and the outdoor living areas.
- **Appointments**
This involves negotiating and deciding which individuals or companies are to be appointed in both design and construction.
- **Building program**
This includes defining all activities that must be controlled over the agreed time period of the project from inception to completion.

It is obvious that the role of the decision-maker involves a great deal of responsibility and the person appointed should preferably have some

knowledge of the building industry or is prepared to research the industry. While it is best to appoint a professional such as project manager or other experienced person, This will unfortunately involve additional cost that may not be recovered or justified on a small building project.

Chapter 1.1

Building new versus buying established

Whether to buy an established home or build a new one is always a dilemma for a prospective new homeowner. The decision for most people will depend on a number of factors and these include budgets, timing, location and personal taste and requirements. As mentioned earlier, a home is probably the largest investment that we will make in our lives and like all investments we should all do our homework before making our final decision. In this chapter we will analyse the benefits and disadvantages of the two options.

Disadvantages of building a new home

Established value – budget blowouts

When a completed home is offered for sale there is usually a bottom line price that the seller is prepared to accept. This gives a certain degree of comfort to the purchaser, as he/she is only liable for additional costs such as stamp duty and conveyancing fees. When building a new home the owners know the fixed price for the land but can find themselves in the situation where the final cost of the building will blow out beyond their set budget. With a new home there are always additional costs such as landscaping, fencing, floor coverings, curtains and so on, that a builder does not include in his price. As well, you can get carried away and over-capitalise on building a new home so that when it comes to selling, you find yourself in a situation where you cannot get a buyer to match the amount of real money you spent on the building.

You cannot see what you are purchasing

Unless you are building a replica of a display home, most new homes are developed from an idea or concept and finally into a set of working plans. To most people reading and visualising the completed home from architectural drawings is a difficult task. With an established home you can walk through and obtain the exact feel of the plan layout and see the exact room sizes. Care should be taken when walking through a builder's display home, though, as some items displayed are not included in the price and you may be disappointed when your home is completed.

Established gardens

Plants and trees take a long time to grow and get established. If you are purchasing a home in an older suburb the plants and trees have had a number of years to reach maturity. But in building a new home your garden will, in the initial years, look stark unless you have a reasonable landscaping budget or are fortunate enough to have green fingers. Landscaping a new home can take a great deal of your free time and you may find that you are spending most of your weekends establishing your new garden.

Established neighbourhood and community

New suburbs, new families, new friends, new shops, new schools and new communal facilities always take a number of years before they become established. New community centres and shopping complexes are not normally built immediately and construction will only start when the local population increases. With an older suburb these communities and facilities are fully operational, but if you are young you may find that your surrounding neighbours belong to an older age group.

Disputes with contractors

Inefficient builders are constantly making media headlines, which make us aware of unscrupulous practices and create a degree of scepticism about the building industry: new homeowners are left with a poorly built home and their dreams are shattered. These reports are enough to make most people shy away from tackling a new building project but fortunately not all builders are dishonest and most have a well-established reputation for quality work and excellent client relationships.

Advantages of building new home

Free equity

If you have done your homework and you are a good negotiator there is always an opportunity to purchase materials and negotiate labour at discounted rates when undertaking a building project. If you are a handyman you can save money and put in your own sweat and do it yourself. In each situation you are creating "free equity". Free equity is the difference in value between the total cost of the land plus building and the bank value at the completion of the home. For example, if your total expense for your new home is \$250,000.00 and the valuation at the completion of the project is \$275,000.00, your free equity is \$25,000.00. In Australia your personal home is not subject to capital gains tax, which means that any profit you make after selling your home is not taxable. I know a number of clients who have periodically built a new home every few years to the point that they now no longer have a mortgage and now own their home outright. Bear in mind, though, that if you

build a new house every year and sell it you will be deemed to be a speculator and any profit made will be taxed.

Design to suit you and your family's needs

Hunting for an established home can be a daunting task: the rooms are too small, there is no family room, the kitchen looks tired and is not well planned, the colours of the bathrooms are over the top. With a brand new home you can plan and design the building to suit you and your family's lifestyle, select your own colours and finishes that suit your taste and create an elevation that is an expression of your family's personality.

Exciting

Watching your plans unfold as the architect presents your design, planning your kitchen layout with a cabinetmaker, selecting your own finishes and watching the various stages of construction whilst seeing your dreams being created can be exhilarating and stimulating. The same cannot be said of purchasing an established home. The excitement is limited and there is always the thought of renovating and adding new rooms to suit your lifestyle. Additions and alterations can create many headaches, as building operations are normally undertaken whilst the owners are still living in the home, causing problems to the family's routine.

New design and materials

Like the fashion industry, architectural trends and building materials are constantly changing to adapt to consumer taste and fads. Lifestyles are also constantly changing. For example, in new plans we now see a computer room, games room, home theatre and alfresco area, and open plan living presented as the typical Australian lifestyle. Most established homes reflect the period in which they were built in their elevation, planning, colours and building materials. Only with additional cost and alterations can an older home be brought up to date with the latest trends. Be careful when undertaking alterations and additions because if there is a reasonable amount of work the cost may exceed the value of building a new home of a similar size. The building costs for alterations and additions are higher than in a new home as the builder increases his rates to cover himself for any anomalies or surprises.

Longer life span

All older buildings have a certain amount of wear and tear and will require maintenance over their lifespan. Before buying an older home, engage the services of a building consultant to examine and uncover any structural defects, electrical faults, roof leaks etc. With a younger home built to quality standards, it is less likely that it would require maintenance over a short period. In addition, newer

homes have been planned to today's lifestyle and would therefore be more attractive if you decide to sell.

The comparison

Let us now compare the two hypothetical propositions from a financial point of view. The example shown below is for a 180 square metre, three-bedroom home in a typical new suburb. Figures could vary from one area to another.

New home		Established home	
Land	\$100,000	House and land	\$275,000
Stamp Duty	\$ 3,500	Stamp Duty	\$ 9,500
New building	\$150,000		
*Finishes (50% labour)	\$ 15,000		
*Painting (50% labour)	\$ 5,000		
*Landscaping (50% labour)	\$ 3,000		
Total	\$276,500		\$284,500
Sweat equity	\$ 11,500		nil

* Indicates items by the owner

From the above analysis you can see that there is an opportunity where one can create tax-free or "sweat" equity, which can be used as a deposit for a future investment property or reducing the amount of your mortgage.

The decision

The decision whether to purchase a completed or established home or have one designed and built to suit your needs will be a personal choice and dependent on the factors pointed out above. If you are prepared to go through the process of design with your architect or designer, select and negotiate with a builder and go through a certain amount of annoyance during construction, there is nothing to beat the excitement and stimulation of having a dream home built.