



The essential aspects to consider before signing your building contract with a builder

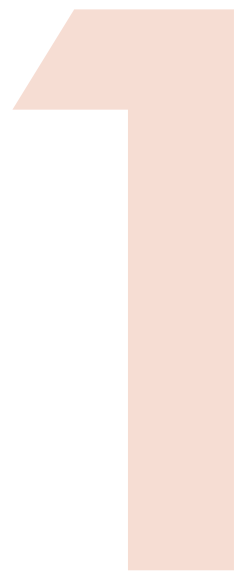
OVER 30 YEARS STRONG SINCE 1991



Discover insider secrets to save **time and money** when selecting a builder and signing a contract.

- 1. Plan your budget**
- 2. Plan your deadline**
- 3. Plan your selections**
- 4. Know Contract Variation Costs**
- 5. Building Quote or Estimate**
- 6. Communication with your builder**
- 7. Building Proposal Content**
- 8. The Master Building Checklist**





PLAN YOUR BUDGET

Know your budget

Before discussing your plans with anyone, you need to know your budget. Know what you can afford and how much you would like to spend. Remember these two numbers are never the same, so decide on your **limit for the design and construction of your home.**

Once you have decided on a budget, it's in your best interest to share this information with everyone in the design process.

The biggest mistake consumers make when renovating their home is when they either understate their budget or refuse to set one.

A professional will make sure they design and build your home suit your lifestyle and fit in with your budget. Contrary to popular belief, you will not pay more for a home just because you disclose a larger budget.

Having an open discussion about your budget with the builder at the beginning of the project will help you decide what is achievable.

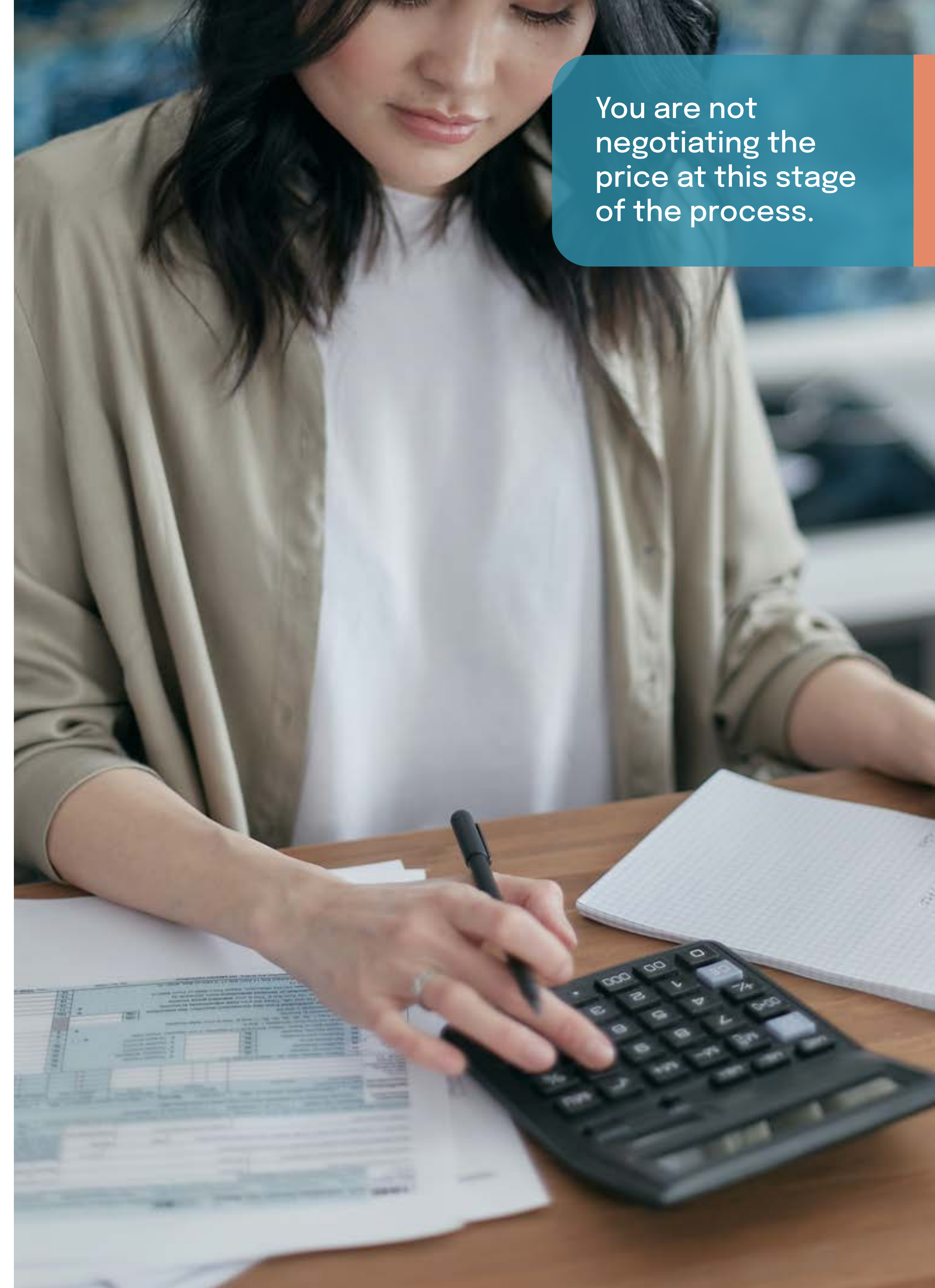
If it's not, and the size of your project goes beyond your budget, a professional builder can make recommendations on where to cut back based on your priorities.

Make sure you establish the fundamentals before the work commences, or you will find yourself constantly redesigning your home and struggling to keep to budget.

If you are fortunate enough not to be restricted by a limited budget, the brief should focus on lifestyle and quality of finishes.

However, if your budget is tight, limiting the overall size of the home along with the architectural flare of the designer will be important aspects to take control of early.

You are not negotiating the price at this stage of the process.



2

PLAN YOUR DEADLINE

Are you working to a **deadline** for handover that cannot be extended? Do you need to be in by Christmas or before a lease expires on a rental property?

Let your builder know you have a fixed deadline for handover before you start the design and build process.

The entire construction process can take between 5-15 months to complete depending on how complex the design is, and the approvals required.

A professional builder can provide you with a scheduled timeline once the initial design has been completed, allowing you to visualise how long all the different processes such as construction drawings, engineering and quoting can take.

All these processes, when placed in a scheduled timeline will impact on the start date and ultimately the completion date of your new home.

Remember that custom home builders only build a limited number of homes a year due to

the high level of supervision required. This can result in limited start dates becoming available for new builds.

Delaying important decisions that a builder needs to finalise a contract proposal could result in you missing the next available construction slot, which could delay to your project start date by 2-3 months.

Communicate with your builder regularly to check on the upcoming available start times. Make sure that your builder has put a complete liquidated damages clause in your contract to pay you a set amount per week if they go over the estimated build time.

This is a very important part of your contract, please make sure that this is read, understood and is in there! The liquidated damages clause is simply put; the builder will pay you a set sum of fees for any delays that go over the building timeline. For example, a builder has a liquidated damages clause for \$350.00 per week for every week over schedule. This sum of money is given to the owner for any losses that they may incur during the delay, such as rent, investment or loan repayments.

You are not negotiating the price at this stage of the process.



3 PLAN YOUR SELECTIONS

Create a **wish list** of everything that you would like included in your home.

While it may appear there is no rush to decide on the colour and style of your bathroom tiles before you sign a building contract it's important to realise every selection decision has the potential to delay your project.

For example, tiles may have to be ordered up to 4 months in advance so it's important to make all of your selection choices during the design stage of your new home.

A builder will place hundreds of orders with subcontractors and suppliers in order to lock in pricing, once the building contract is signed.

If you go to contract with prime cost (PC's) or Provisional Sum (PS's) allowances, it's quite likely that prices will rise between contract signing and orders being placed.

Record all your selection choices in a spreadsheet to avoid blowing your budget unexpectedly. At this stage it can be easy

to overcapitalise when faced with endless opportunities to add more features.

Changing your selections after signing a building contract can incur delays, as new orders have to be placed and delivery times may impact the construction schedule.

If a selection choice delays construction, this will lead to a variation and an Extension of Time (EOT) added to your completion date.



You are not negotiating the price at this stage of the process.

4

KNOW CONTRACT VARIATION COSTS

Variations can be introduced for many different reasons. The most popular reason for a variation being raised is when you **change your mind** on something after the contract has been signed.

Variations document any changes and/or additional costs that relate to labor, materials and administration fees.

You could also incur variations when any unforeseen work arises. This is typical of projects involving renovations and/or extensions. If there was no way of knowing about the issues at the time of quoting your project, it's simply an unforeseen variation that needs to be raised so the builder can do the necessary work.

Typically, each time a variation is raised an extension of time is attached to them.

Make sure you are happy with everything in your contract before signing it to avoid changing your mind and causing serious delays on your project.



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BUILDING QUOTE OR ESTIMATE

Step one is always to start with the estimate. The first thing to understand is the difference between a quote and an estimate. Even among builders themselves, this term gets used pretty loosely.

You have probably been thinking and planning out your dream home for some time.

You know you want 4 bedrooms, 3 bathrooms, a 2 car garage and a swimming pool for the kids would be nice too. Maybe you even have a budget in mind which is extremely helpful for a builder to know, so they can plan the home you want.

Armed with all of this information, getting the estimate is really just confirming that what you want is roughly within your budget. It's the starting point in your building process.

Estimates are ballpark figures based on your criteria. They don't require the builder to go away and calculate every material and fitting.

Estimates don't usually cost you anything and are generally worthless as no detailed work or planning has begun.

One way you can tell if you are getting an estimate instead of a quote, is by how long the actual document you receive is. A one-page estimate is fairly standard, and can easily include all the necessary information to let you know if your new home is within reach.



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COMMUNICATION WITH YOUR BUILDER

Clear communication with your builder is crucial for any construction project to succeed. Look for a builder with reporting systems and a document process to minimize misunderstandings and disputes.

How will you communicate with your builder once the job starts?

Building a home can be one of the most stressful times in a person's life. It can be a difficult time if the project does not progress as expected and you must have a clearly defined line of communication before you enter into a contract.

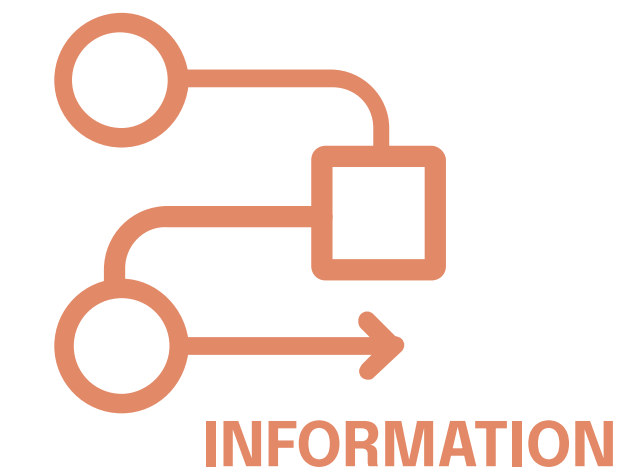
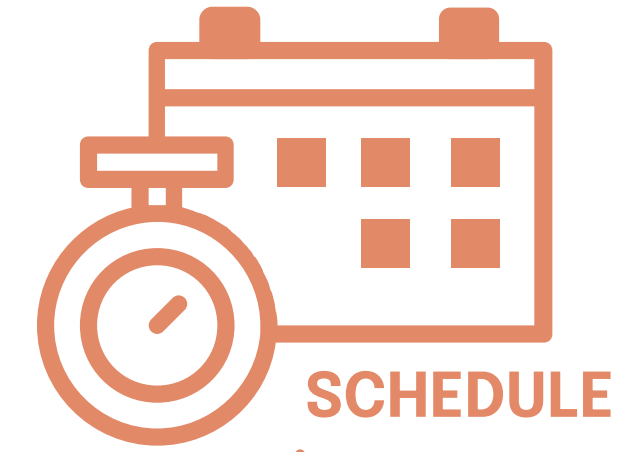
Does the builder have systems in place to keep you informed?

During the planning and construction of a home there will be many questions to be answered and decisions made. A regular steady flow of information between you and the builder will help ease the process.

Does the builder schedule regular onsite meetings, allowing you to view the work progress and to discuss any construction issues that may arise from time to time.

Does the builder have reporting systems in place to keep you informed, advise you of any issues as they arise or to seek your input on building decisions.

Does the builder have a document process to ensure all correspondence is recorded and acknowledged to eliminate disputes over misunderstandings or incorrect instructions?



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BUILDING PROPOSAL CONTENT

A quote details **for you and the builder** the amount of materials and labor for the duration of your project.

A detailed quote should be between 25-40 pages and specify every inclusion, it can even reference working drawings of your project.

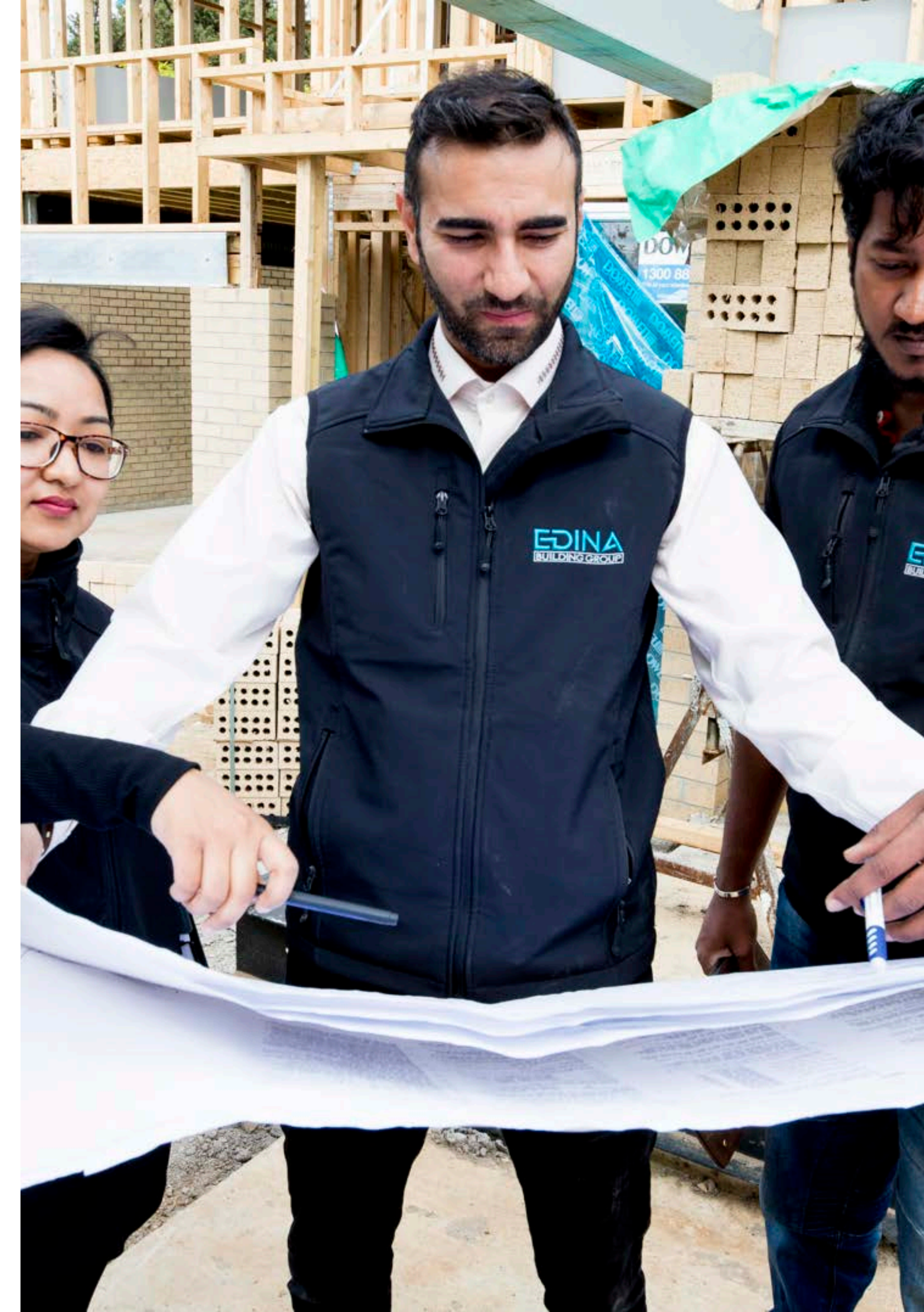
Creating a detailed accurate quote is a time-consuming process for a builder, often taking more than 50 hours to complete. A quote for your new home involves professional estimators, contacting subcontractors for quotes and creating a lengthy and detailed job schedule. This easily runs up a cost to the builder of several thousand dollars.

It's for this reason that a full quote from a professional builder should never be free. A nominal fee is charged for their time to provide you with a detailed quote for your project. Builders offering free quotes often rush this process and miss out incredibly

important details for your home. Remember that step 1 is to work with a builder and ask for an initial estimate to see if your project can be built within your budget.

Some builders will cut corners, leave out specifics and instead include Provisional Sums (PS's) and Prime Cost Items (PC's). If you see either of these on your document it should raise a flag. These are just estimated allowances and eventually, they can end up costing you significantly more once the real values are known. This is a dead giveaway the builder saved time and gave you an estimate rather than a detailed quote.

If you are working with a preferred builder on a quote for your new home, make sure you ask for a copy of the job schedule. This will show you if the builder has quoted the job or guesstimated it.



HOW TO DECIDE ON A PROFESSIONAL CUSTOM BUILDER BEFORE YOU START ON YOUR PROJECT.

BONUS

Check out builders' websites and Facebook pages, look at their reviews, customer testimonials, the information they are providing and the organisations they belong to.

Narrow your list down to 3 custom home builders who specialise in building the type of home you are looking to build.

Contact them via their website or by calling their office number and leaving a message.

Use a different name for each enquiry you make so that you can check that they respond both by email and phone in a timely manner.

Builders who don't respond or don't communicate with their clients tend to communicate poorly with their suppliers and subcontractors, which can lead to delays on site.

Disqualify builders from your shortlist if they don't get back to you in a reasonable time frame either by phone or email.

With your shortlist of builders, invest 15-20 minutes in an initial phone conversation. A professional builder will ask you a lot more questions than you ask them at this stage, so they can understand your desired end result.

If you feel comfortable the next step will be to progress onto an on-site meeting.



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THE MASTER BUILDING CHECKLIST

Key elements to review in your building quote before you sign the contract

Your Builder:

- Is your builder allowed to build in Victoria?
- Does your builder have the relevant skills and experience to undertake the proposed project?
- Is your builder and his company registered in VBA?
- What insurances does your builder provide?
- Does your builder offer 10 years of builders warranty?
- Does your builder have a list of clients they have build for?
- Does your builder provide you 24/7 online access to review construction progress on site, regular site photos and actual budget and construction program?

Building contract proposal

A building contract must thoroughly specify the work to be completed, along with the following:

- The commencement and completion date of the project clearly stated or easily able to be worked out
- Your name as the home buyer and the contractor's license number included
- A description of all the work to be carried out during the building process, including plans, specifications, and any particular requirements that you may have.
- The necessary insurances
- The contract price
- A clearly stated cooling off period
- The Consumer Building Guide which you must read and acknowledge
- A checklist of items and a caution about signing the contract if you can't tick yes to all items
- A place for the buyer to acknowledge that they have read and understood everything in relation to the contract
- Prime Cost or Provisional Sum items clearly stated, along with the builder's margin to be applied.
- Progress payments clearly specified for each stage.
- A clause that states that all work will comply with the Building Code of Australia as well as the other standards required by law
- That the contract begins on the day when the last party signs the contract and the other party is made aware of this signing - this is the date and should not be confused with the starting date for the project
- What is the amount of liquidated damages the builder is required to pay in the case of delay in completion?
- Is the construction program provided in detail?

Key elements to review in your building quote before you sign the contract

Site works

- Is there a Site Identification Survey included?
- Is there Provisioning for site access included in the quote?
- Are all traffic controls, delivery and fines included?
- Is Temporary Fencing and Temporary Pool Fencing Platform included in the quote?
- Does the builder have an Approved Risk Management Plan?
(Only applicable in some specific projects)
- Are the Site Works, Footings and Slab quoted as per soil test with minimum 300mm
- Slab Depth above pad Level and are they a fixed price (No Provisional Sums)?
- Are all the Set Out Surveys included in the price?
- Are temporary power and services included?
- Has an allowance been included to Pump standing water out of the swimming pool to comply with WHS? (If so, how much?)
- Has a cost been allowed for stormwater and sewer connection?
- Is the Telstra lead In (NBN connection) included in the price?
- Is hard and soft landscaping allowed?

Inspections

- Are the Footings and Slab Engineer Inspections (& Re-inspections) included?
- Is the Engineers Frame Inspection included?
- How many maintenance inspections have been allowed for after handover?
- If independent inspectors engaged, has it been specified in your agreement?

Insurances and permits

- Is Home Owner Protection Insurance included?
- Are all Building Approvals, Insurances, Certifications included?

Foundations

- What standard of termite protection has been allowed?
- Has allowance been made with slabs for rainwater tank, storage shed, air conditioning unit etc?
- What finish does the Driveway have?
- What finish does the garage floor have?
- Has allowance been made for concrete crossover?

Constructions

- Is the frame and trusses engineered to relevant wind pressures and all frame certifications available?
- What size frame & what is the stud spacing allowed for?
- Has any protection been allowed for Windows, Doors, Cabinetry & Floors during construction?
- What size flashings have been allowed for?
- Are Supplier Delivery Charges Included in the quote?

Key elements to review in your building quote before you sign the contract

Air-conditioning, Heating, Insulation and Hot Water

- What are the specifications for air conditioning and what percentage of the home can be cooled at any one time? (Allowance for separate zones?)
- Is 3 Phase Power required?
- Has an underground pit been allowed for underground power connection?
- Are Insulation Batts included To all External Walls & Upper-Level Living Area Ceilings as per energy rating?
- Is the quote inclusive of any additional materials required for 6 Star Energy Efficiency Rating?
- Is Gas Installation included?
- What is the specification for the Hot Water System?

External Fitting and Finishes

- What is the finish to the Soffits?
- Has external rendering been included? (2 coat or 3 coat system?)
- Is the Letter Box included?
- Are any external features (Hoods/Awnings/Batten Screens etc) included in the price?
- Is the TV Antenna included?
- What is the specification for the garage door?
- How many outside taps have been allowed for?.
- What is the specification for the External Balustrades?
- What is the specification for the water tank?
- Has External Caulking been included?

Internal Fittings and Finishes

- Who is the Colour Consultant and how much time has been allowed?
- How many coats of paint have been allowed and what is the paint specification?
- What finish has been allowed for to the ceiling/Wall Junctions?
- What size Skirting & Architraves have been allowed?
- What height is the tiling in each wet area?
- What type of floor and wall coverings have been allowed for the walls & floors?
- If it is an allowance, what size and quality do the allowance cover?
- What is the specification for the stairs and balustrades?
- What is the specification for the Security System?
- What carpets and underlay have been allowed?
- What is the specification and furniture for the internal doors?
- How many Ceiling Manholes are included?
- Which type of Windows & Doors has been included? (does it include flyscreens and security screens?)

Key elements to review in your building quote before you sign the contract

Cabinetry

- What type and size are the wardrobe doors?
- What is the fit-out to all robes & linen cupboards?
- What is the specification for the Cabinetry in the Kitchen, Laundry & Bathrooms?

Kitchen

- What types of Splashbacks are allowed for in the kitchen?
- Is there a Dishwasher Stop Tap included?
- What is the specification for the Kitchen Sink?
- What tapware has been allowed for?
- What Kitchen Appliances have been allowed?

Bathroom and Laundry

- What Bathroom Accessories are included and which models?
- What tapware has been allowed for?
- What is the specification for the shower screens?
- What is the specification for the mirrors?
- What basins are included?
- What type of Laundry Tub has been allowed for?
- Have Stainless Steel Washing Machine
- Connectors been included?
- Are the Internal WC's externally vented? (BCA Requirement)



Handover

- What was the average number of defects on the last 6 builds and how long did it take to fix them?
- What is the Handover & Orientation process? (Handover Manual)
- Has the Site been left clear and tidy with any excess soil & rubbish removed?
- How clean is the home at handover? (What is the process?)
- A quote should typically be around 30-40 pages to capture all the detail. Anything less than that is ambiguous and leads to an increase in over 36% to the contract price by completion.

Ready to speak to a professional builder?

CALL US ON: 1300 097 921

To book your free consultation or book online from our website to talk to your builder.



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