



**BuildMoreValue**



## **HIDDEN COSTS**

You must know  
Before Building  
A New Home



*Edmund Hapsburg*

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## Nine 9 Hidden Costs when building a new home.

**Dear New Home hunter**

Home hunting is a time charged with emotion and hope in attaining the all Australian dream a chance to have a “roof over your head” and NO landlord to kick you out - you are in control your dream your castle ! For investors, it's a chance to use THEIR TAX instead of losing it and have a “Plan B” to their job and money when they stop working.

Until now there was no one that could help you with the build process.

Now Build More Value “**Building Brokers**“ can help with the whole process, to get you from a plan to in a home. It's exciting and stressful, at the same time ....So many builders, so many plans, so many blocks...

Houses are built from thousands of components and many people have difficulty in perceiving rooms & spaces and don't buy houses everyday, so are unclear on details;- this is a normal human condition and why it is best to have someone with you who does, as there are long term consequences of these short term decisions. So having a professional that works on your side can make the process easy and get you more value and will cost you no more.

### **So What's right for you ??**

Nowadays with so much advertising hype and complicated contracts, building a house is now more confusing than ever, even with the help of the internet !

From driving around seeing sales people, dealing with builders, just trying to self educate about the whole process from what home suits what block ? to what home suits you ? what's included and what's not, with so many ads showing the lowest price... not the end price !

People are drawn in by a builder's advertised price, only to find that the finished product you may want is significantly more than that original ad price.

It is important to be clear ...there are Quotes Estimates, that mean not much.... then there is the one that matters... the Construction Contract together with specifications and plans and only after the soil test and computations are done and site costs fixed, will you have a End Price ....

With more builders to choose from than ever, it is overwhelming trying to compare prices, inclusions & what the builders construction and post handover service will be like ! BuildMoreValue has prepared this free report to highlight the hidden costs you must address to ensure are included in your base house price inclusions/budget .

Just like the car industry has a “drive away no more to pay including dealer delivery costs “ What we are after is the “End Price”. Except with building there is a service that is provided and build time , not just a commodity like a car, that it doesn't matter who you buy it from as it was made in the same factory...well houses aren't..

The “End Price” of your new home cannot be determined by a builder's standard inclusions & base price. It is location dependent, by travel region, by soil type by wind factor...etc Even the cost of good quality windows makes a difference ...so to the livability later also ! There are a lot of hidden extra costs when building a house and if you don't know about them, your budget will quickly blow out of control

..... **eating up vital LOAN FUNDS / cash needed to finish the job !.**

## **It is a case of “You don’t know what you don’t know ! “**

In this report I want to cover some of the costs you will experience when buying land and building a new house.

Even so called fixed build prices refer to the house construction only ...not site costs etc

These are generally NEVER fixed prices, so it is always a good idea to speak to your builder about exactly how much you should expect to pay.

It should also be noted that a fixed price contract only fixes the price of those items mentioned in the contract. Any additional items not included will be additional costs incurred during the build process.

An experienced development consultant can assist with your builder negotiations so that the contract includes all items required to complete your new home. A development consultant can also undertake any additional investigations necessary to determine an accurate indication of the final build price.

The buying & building process should have transparency, good communication, mutual respect and be a negotiation, should be a collaborative, open-discussion between you and your builder, so needs good clear TIMELY, FACT BASED communication (and understanding by the owner what is entailed in the build , so a little owner education on building is vital).

Don't be afraid to ask questions and ensure you are getting what you want and getting value for your money. Don't just take the sales/builder word for it !

You should know what to expect and not just get the minimums just to comply to the building code.

## **Things Beyond the Builders control that YOU can be aware of**

These will affect how much YOU pay for your home overall...

The neighbor builds first and you need protection works to protect his home and you have increased site costs due to limited access or need a crane to place materials on you land. It also affects where you may want to place bedroom and windows ! Also your homes open area orientation may come to affect any builders quoted price when he comes to start on site, say a day or many months later after neighbors have built .

**“Other than events outside his control..  
A builder cannot give a fixed price without  
full working drawings, specs, engineer's plans,  
necessary council approvals and inspecting the site.”**

**TIP: Always get a footing quote to a specification, not a per rate”**

*Invest in a little knowledge first, before you invest your money - E.Hapsburg*

## So what are some of the things to watch ?

Assuming that you have already reserved a lot (some developers allow 7-21 days) and got finance approval (lasts 90days). Actual construction of your new home is broken down into several stages and you will usually be invoiced a percentage of your overall contract value at the completion of each stage.

### 1. Slab    2. Frame    3. Lockup    4. Fixing    5. Completion

Once your home construction is complete, most builders will schedule Practical Completion Inspection with you. Don't be rushed during this inspection, it is your final inspection when you sign off on everything, so if you have concerns or issues do not hesitate to voice them. The handover occurs after you have fully paid and they give you keys and the home operation manual and appliance books. The builders profit is usually in the last payment so they are keen to finalize.

## NOW points to consider at the very start of process ....

### 1. Soil Test and Land(lot) Survey(site survey)

Before any builder can give you a fixed quote for a build they will need to carry out a soil test and a land survey that can cost upwards of \$1000 each depending on the number of sample holes and details required e.g., feature levels AHD, windows etc - . (This cost should be included in your base house price and not an extra cost to you, unless you want more than 3 sample holes done etc). These two tests are usually carried out once the builder receives an initial deposit of approx \$2000+.

**You may have also paid the land office \$1000 to 5%-10% to reserve the lot while you get finance approval and an end price(fixed price build cost vs a true "driveaway no more to pay) from builder.**

**Soil Test** - A Geo Technical company will come out and drill usually 3 holes on your lot and analyse the soil in a lab. If you have clay that expands and contracts or rocky soil or any issues (like fill) with your soil that makes it difficult to build and you will incur extra costs.

**Engineer** - This then goes to an engineer who will design footings etc around \$1000 depending on what's required.

**Land Survey**- Feature and Tile survey, check levels/fall, features and title boundaries. After the land is surveyed, a survey report is prepared and provided to the builder. It provides details as to the slope of the property and checks the title boundary. Builders need to adjust plans based on the slope of the property and if you buy a sloped block you are likely to incur extra costs, as too with one that has fill. The builder will set out his building footprint to locate the build on your lot. So it's a good time to see where the house walls will be and how much space is on the sides or at the back or if you need to place a large tank or tree in the back yard before building starts.

If you can take on these pre site costs and get a design done, then you can (or get a project manger to) tender out for the best price and use a project manager, potentially getting a better design with more included value and saving thousands as well.

## 2. OH&S and Council Requirements

OH&S(like cranes, trucks not entering the street at certain times or going around the block or no reversing !) and Council Requirements are a big one(crossover protection).

Every builder is aware of these cost but they are often left out of the base price, so speak to your builder & ensure they are included into your initial quote.

Councils require some, if not all of the following items:

Temporary Site Fencing	Waste disposal
Site Toilet	Crossover Protection
Asset Protection Permit (next door)	Sediment Control Barriers
Termite Protection	Bushfire Attack Level (BAL)
Perimeter Guardrail Safety Barrier	

These can cost over \$5000 and the builder may use security cameras at his cost..

## 3. Site Costs

### “Prices are always given on a flat block, full access basis”

Site Costs have the largest variability as they are based on your services locations soil test & survey results. Site access difficulties, fall of land & soil quality can have a big impact on your build budget. swallowing up useful dollars that could go into the home instead.

The bigger the slope of your land the greater the build cost as too the affect of parking on a slope or exit from driveway will affect how livable it will be. Watch out for easements that require set back and sight lines to existing homes for privacy (and sound travel/noise).

Blocks in dips/ depressions may be dearer to build on due to sub surface water flow or require higher finished floor levels due to overlays ...that may come in later but before you build so beware !

Below are rough estimates for extra costs to build on Sloping Blocks;

- front to back / vice versa: \$6,000 per metre of fall
- left to right / vice versa: \$9,000 per metre of fall

This also causes an impost by way of cost of required retaining walls/more drainage, or even pumps for storm water sewer and set backs that can affect how useful your yard becomes.

Ask your builder about what their cost expectations are for the block you are looking at. Site costs vary dramatically depending on your soil classification. This range can be huge, between \$10,000 & \$30,000 in a new estate / development. Your block needs to be assessed by itself ...not compared to one down the road or even next door

(e.g., windows, over looking, shadows, sun track, trees or a big hole there before on your block ) !

### Soil Classification:

Different suburbs have different geology and so blocks will have different types and compositions of soils. One of the most important things to consider when you are building is how 'reactive' the soil is - i.e. how much it moves in response to increased or decreased moisture content.

This is called the 'site classification'. It's normally more expensive to build on more reactive soils, simply because special measures like bored piers, screw piles or a heavily engineered concrete slab design are likely to be required in order to reach founding depth that can bear a load of the house and ensure a stable foundation for the life of your new home.

The majority of builders will include up to an M classification in their base price. If your soil test does not come in under an M class soil, then you are going to incur extra costs. The difference in costs to build on an M class site as opposed to a H class site can be quite substantial. Also H2 costs will be higher again. You will need a soil compaction / fill report.

**Table 3.2.4.1 DEFINITION OF SITE CLASSES. National Construction Code Series 2015 Volume 2**

<b>Class</b>	<b>Foundation</b>
<b>A</b>	Most sand and rock sites with little or no ground movement from moisture changes
<b>S</b>	Slightly reactive clay sites with only slight ground movement from moisture changes
<b>M</b>	Moderately reactive clay or silt sites which can experience moderate ground movement from moisture changes
<b>H</b>	Highly reactive clay sites which can experience high ground movement from moisture changes
<b>E</b>	Extremely reactive clay sites which can experience extreme ground movement from moisture changes
<b>A to P</b>	Filled sites
<b>P(Problem)</b>	Sites which include soft soils, such as soft clay or silt or loose sands; landslip; mine subsidence; collapsing soils subject to erosion; reactive sites subject to abnormal moisture conditions or sites which cannot be classified otherwise

## 4. Energy Rating

All new homes have to meet a mandatory minimum 6 Star Energy Rating. Any additional cost to maintain a 6-star energy rating that result of you using the builder's standard house design on your lot, should not cost YOU NO more, unless you have made significant alterations to the standard house design or site has special location or orientation issues (e.g., alpine seaside hi winds etc.).

The ratings can be achieved in a variety of ways e.g., double glazing insulation solar etc .

## 5. Developers Guidelines

As well as covenants on your title(which you must arrange to get & read, prior to signing) , most estates have developer guidelines that will apply to your lot, then you must present them to your builder and obtain a fixed price on what it will cost in order for the builder to meet all the developer's requirements and in turn obtain the developers approval from their panel so you can build.

If you are unsure whether or not developer's guidelines apply to the lot, DON'T go unconditional to BUY until you get them from the sales agent and seen your conveyancer/intended builder .

## 6. Flooring, Prime Cost Provisional Sums & Variations

Not all builders include floor coverings in their base price inclusions. The base price may be based simply on a house built on a concrete slab. It means you will have to purchase an upgrade to include flooring. Some builders allow tiles or floating floors with carpet in bedrooms, but say only allow cheaper click laminate (engineered look alike timber) not natural timber boards etc..so watch for the details.

The term 'variations' refers to changes to what's been agreed upon in signed building or design contracts.

Let's say, for example, that you've settled in a hurry on a certain style of tiles for your kitchen and that the style you've chosen has been written into your building contract. At some point during the project, you want to change these tiles. If you choose to tell the builder you need to change to a different style of tiles, you'll normally be liable for a **variation** to the original contract and the builder can rightly charge you a lot more for it... especially if they've already bought the original tiles.

Most building contracts are called "fixed price contracts", but the final contract sum can vary due to fluctuations in PC and PS items.

A PC item is an amount of money included in a contract sum to purchase a specified item such as tiles, taps, doors or bathroom fittings. An agreed estimated amount is included at contract signing but the specific products are not selected until a later stage. Under the Home Building Contracts Act (1991) a builder must estimate the cost of such items at or above the lowest amount these items could reasonably cost, which must not be understated. E.g., a client selects a more expensive door than allowed by the PC item, say a \$500 door compared with a \$400 PC amount, a variation will be required to cover the additional \$100, so if the PC item varies, so will the final contract sum.

A PS provisional sum is an amount of money included in the contract sum to cover work or materials, or both, the extent of which cannot be specifically detailed when entering a contract. Builders will include a PS for siteworks. The builder is legally required to take reasonable steps to ensure an accurate site works cost estimate. However, in some circumstances, unforeseen events mean that the provisional sum is exceeded, this can be added to the contract sum. E.g., a site has sandy loam is clean, so minimal siteworks required. But there may be large limestone rocks or tree roots which only emerge once site works start causing costs to rise. Buyers need to plan for these events and be careful upfront thinking about tile and door selection or other PC items can ensure that an accurate PC amount is included in the contract and you must have a "buffer" in your budget.

## 7. Home Owners Warranty Insurance

Domestic building insurance is a mandatory requirement for all building contracts that exceed \$16,000 , so check that it is included in your base house price.

"Domestic building insurance is provided by a builder when the cost of building work under the contract with the builder is more than \$16,000 (including labor & material costs). A claim against the builders Warranty Insurance can only be made if the builder dies, goes bankrupt or otherwise cannot be found.

If a property owner sells their house within six and a half years of the completion of building work, domestic building insurance, whether provided by an owner-builder or a registered building practitioner, will cover the purchaser of that property.

It is important that owners understand that the insurance policy is for the benefit of the purchaser and that the owner-builder or registered builder will be responsible for ensuring that the building work complies with the relevant legislation at the time of construction." (Source: Victorian Building Authority (VBA))

## 8. Upgrades ? or Just Getting details Clearer ?

As well as doing your due diligence on all the pre site commencement stuff, I encourage you to carryout the same level of diligence with the costs of the things you WANT in your dream home. While small builders may have more included value, their size limits material and labor discounts and some may simply work for less as they value a job to your benefit. Upgrades/changes (if allowed) are where the big companies make up their profit on the low ad price ! (just like McDonalds upsell fries once you are in front of them in the shop – so don't go in alone !)

It's all very seductive, you go into their swish display office and it's amazing, often overwhelming, bright lights, new things, multi color showroom and you really want to add some upgrades to what originally got you in (call it "a hook") the " cheap" advertised price.

Their method has got you in and they know they have got you as an upsell.

So I suggest make a list with your partner, in preference order of must have/need vs like.., prepare a checklist of the things over a period of time of what you really want in your home, so when it comes to cutting costs, you know which ones are sacrificed first and be prepared to negotiate hard and walk away, as there are many builders and many designs.

It is important to show interest but not be like a puppy dog , as they know it will weaken your bargaining position. Naturally any builder can't offer you everything in a base price, but there are certain things that you want and feel are essential for your new home. So make sure you know the costs before you decide and then make an informed decision on what you are happy to pay for now and what you can wait for.

Present your list of 'wants' UPFRONT in the initial sales process and obtain pricing on each item on your list to avoid being stung later on in the process when it is too late and you are bound. Don't wait until your Colour Selection appointment when it's too late as you are committed. If they decline, which they often will or they will give you very vague figures at best, demand to get a solid fixed price on what you are after so that you can make an informed decision before you SIGN. Don't be led on with verbals or vague writing

Also, if you are unsure of what the builder offers, request to browse their color showroom, and do so as many times as YOU Want Take your good time without someone in your face...so you are calm and comfortable. Get the brand color and take photos to be sure. Remember you are the boss ! it's your house & your money so do it at your pace, not theirs.

Clients can not expect the builder to quote a fixed building price to complete their home when the requirements of you, their customer are not clear and so the price will vary as things become more specific.

A builder is unable to assess the true cost until the client has finalised their plans, made their selections, council has given their recommendations and the engineer has designed the footings & structure of the building. Then the builder can fully cost the price of all materials and labour required.

During the course of the build, some of these items may be affected by what is happening locally, nationally and internationally. This can result in costs for the builder varying significantly from what they estimated at the date of signing the contract. Note. PC and Provisional Sum items differ and availability of items also.

Part of my role as a Broker is to give people a realistic guide as to what they can expect the final "END Price" to be. This is why clients should be wary if the builder is quoting a "Fixed Price" when many of these variables haven't been clarified and so prices will change as the requirements become clearer !

## 9. Holding Costs Delays

Is your preferred lot already titled and if not, when will it be likely to title?  
It's important to remember that until your lot is titled, you cannot start to build your new home and many builders will only hold their price for between 6-12months after contract signing.  
So if your preferred lot won't title for another 12-18months, you have plenty of time to choose your dream home and negotiate. But beware of rising land prices and estates sell quickly..so if you can "Reserve" a lot, using a licensed qualified broker it may be wise to do so as you never catch up working then saving.  
Find out when they will start on site, as many may take 3 months, costing you rent and interest !

Here are some **BONUS POINTS...**

## 10. Due Diligence

My comment here is one that you can adopt from the commercial projects area, where owners/buyers engage a professional advocate to negotiate and they arrange many deep hole soil test holes and do design computations before they fully commit, as it is often money well spent to enable them to get a fixed end price or avoid a over expensive/problem build that they have to live with and move on to a better site/design.

## 11. Hold off the Little Bits, But Build the valued Squarage Now

Some people get the builder to finish off certain things that will be covered by builders warranty and say, others like tiles or flooring by their own tradies after handover. Things like alfresco areas may be built as under part of roofline to flow from say kitchen area and you can finish later If you cant afford it now or it may stretch the budget , again it can be a lifestyle choice ..stay home more or and do it now or do it later when you have cash so there is less money stress on your relationship. Beware that this too can have complications later when there are defects or insurance claims.

## 12. Shopping around Comparing Apples with Apples

So why is one builder so much cheaper ? The answer is that they aren't, other than they may simply work for less. It usually means that the builder is not quoting the same thing (span, quality, specs) or they are leaving things out that will be added to the "END" price later. The difficult part is to determine what items are to be added onto the initial Low Advertised price that got you in. This is dangerous when buyers have limited borrowed funds to build with.

Generally when I get quotes back on behalf of clients, the builders know that I understand and have experience to identify missing items so they generally include everything and yes.. similar level builders are around the same price. The difference is quality, service, build times and how they deal with warranty issues, these are intangible and hard to evaluate unless you have built with the builder before.

Each block will have its own challenges and without you having experience of building many times over and the builders reps may not be able to give you advice relevant to your block. Many people do the rounds and go to builders displays contacting builders and getting their opinion and input as to issues & associated costs. The problem is that often you are actually talking to a sales rep who may not have the right information and his job is to sign you up, which means he may not have any building experience at all and will not want to point out issues as it will reduce the possibility of you signing up.

However, there are ethical sales people who do identify possible issues & quote realistic prices, but some buyers don't want to hear about the true additional problems and costs and instead sign with the builder who quotes the lowest price,..oops then live to regret it.

### FINAL MESSAGE

To make the journey worthwhile, there is nothing like the feeling of creating your own home, tailor made for your family, lifestyle and expressing your personality. There is a deep satisfaction of the primal need to shelter your family. Then blissful anticipation of the awaiting comfort when you turn into the driveway of your new home and the sense of achievement that you have in some small way created long term financial security and got a roof over your head.

I hope that after reading this article you will have the confidence to successfully navigate through the process of building your New Home and live the lifestyle you have always dreamed of.

**As they say;** 'There's no place like home'.

**BONUS GIFT – On Site Assessment (Value \$495) as a thank you for reading.**

Assessment includes comprehensive investigation and inspection of your chosen block including a site visit (where possible), review of potential risks & solutions onsite meeting with you.

**I trust that you have found these few short tips helpful.**

**I would be please to discuss your needs so don't hesitate to call.**



*Happy House Hunting .  
 . from Edmund Hapsburg  
0468377999*