



PLANNING FOR A SUPERIOR PROJECT

A QUICK GUIDE TO AVOIDING
BUILDING COST BLOWOUTS



**Master
Builders
Association**

MASTER BUILDER, BETTER BUILDER

BUDGET BLOW-OUTS

Budget blow-outs during a build can be a nightmare for homeowners, but with careful planning and working with the right building firm, staying on track is as easy 1 2 3...

Building a house is similar to buying a car in that you need to consider three important factors: Size, quality and level of complexity. It just normally costs a lot more money. A custom-built home can cost anywhere from \$2,000 per square metre right up to \$12,000 or more per square metre while a project home can cost around \$1,600 per square metre.

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A mistake many people embarking on a new building project make is not doing their homework – it's important to know exactly what makes up your dream home and what's important to you based on your lifestyle. If not, budgets get stretched and you end up compromising on the details you really wanted and getting the building blow-out blues.

The quoting stage of any build is very important to ensure you have an accurate figure to work with. If a builder does a 'free quote' you have less than a 20% chance that the quote will be accurate. A typical free quote or estimate is often used at the very early stages when conducting a feasibility test to see if a certain path in construction is worth pursuing. An Estimate is a very rough calculation often using limited information and time regarding specifications, measurements, plans and negotiating with suppliers etc to calculate the value or costing of the project

Like anything in life, you get what you pay for. Most builders who charge for a quote have a process they use to crunch the numbers and will give you a very specific breakdown of material and labour costs, as well as a scheduling timeline.

PRIME COST AND PROVISIONAL SUM ITEMS

Many people are also unaware of what provisional sums (PS) and prime cost (PC) items are. These are parts of the build that can't be accurately quoted early on and are given an estimated allocation by the builder when quoting. A builder that spends the time with a client in the tendering process can normally completely bypass PS & PC items because all the answers are normally there; time and effort just must be put in to shed light on these answers. The big problem arises when these numbers are 'low-balled' by some builders to make their quotes more attractive and then the client is hit with a very uncomfortable costing surprise later in the build.

Make sure the quotes you receive have detail surrounding quantities and your builder has gone into bat for you by negotiating with suppliers and subcontractors to receive the best pricing. If the time and effort have been put in there should be no or at the very least minimal PS (Provisional Sum) and PC (Prime Cost) items for optimum accuracy. Bear in mind it's not just the building costs you have either, you also should also consider costs for landscaping, fencing and site preparation, driveways, letter boxes, how many taps you want in the garden and where they're located. Believe me – the list goes on and on...and on and a good builder will cover all these items and options with you early in the preliminary process.

**A 'FREE QUOTE' FROM
A BUILDER ONLY HAS
A 20% CHANCE OF
BEING ACCURATE.**

FIND A SPECIALIST

Find a specialist builder who has a proven track record of building the type of home you are looking to get done. One of the mistakes many people make is getting lots of 'free quotes' from a range of non-specialist builders. It's a complete waste of time. It's more beneficial to spend your time looking for specialist builders who specialise in the type of build you want to be done, whether it's a custom home builder or renovation and extension specialist.

If you have a difficult site, it can often result in cost blow-outs in the preliminary works. We also commonly see labour cost blow-out due to delays often caused by the client being late with their selections. Make sure you use a builder who has a process's and systems for programming the job well before they start and get your fixtures and fitting selections in as early as possible to avoid costly delays. Pro-active builders will be asking for these early on I the piece and should demonstrate a proven process for doing so.

BUILDER OR AN ARCHITECT FIRST?

Another mistake we see people make is going to an architect or designer first for an estimate of costs to build. It sounds logical, but unless the architect or designer has a strong relationship with a builder who can do an accurate 'cost analysis' and give them certainty on the numbers, it's hard to get an accurate figure. Finding a builder that has partnering architects and other specialty trades like engineers that they are used to working with and engaging them to design and construct closes a communication gap and potentially a money pit by amalgamating the entire process



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THE COMPONENTS

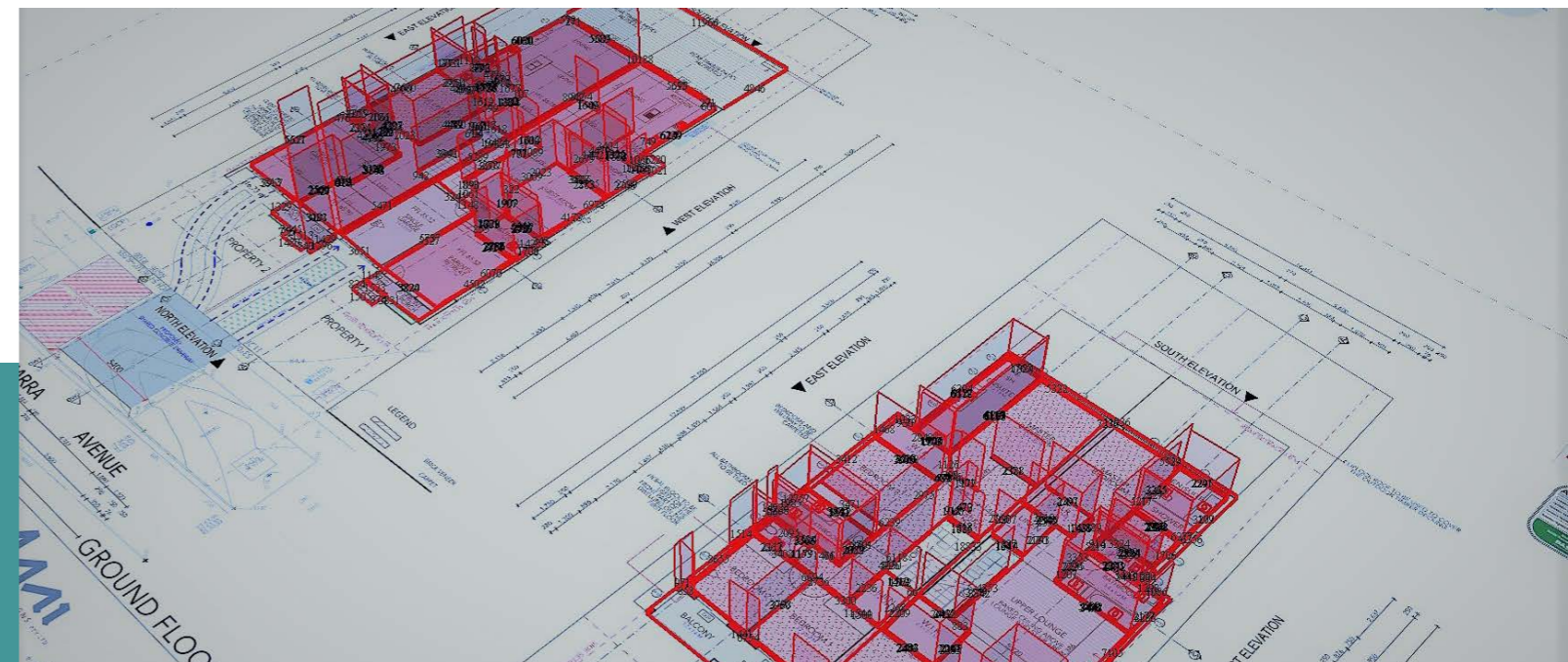
When putting together a detailed quotation or tender submission there are many components and vital pieces of information that contribute to a job-specific accurate costing. Some aspects which should be considered are:

- Viewing the current dwelling and assessing its condition
- Assessing site conditions and planning for a safe site
- Locating the current services
- Any other conditions that may impact the work proposed
- Capture photos for reference
- Multiple site visits from the builder, sub-contractors and specialist to gather critical information
- Why the new work is required
- What will hopefully be achieved once it's complete
- Time constraints
- Budget constraints
- Architectural plans
- Engineering plans and reports
- Geo-Technical reports
- Specification document containing a schedule of finishing's, fittings and fixture choices and preferred materials list
- Complying for Council consent

THE COMPONENTS

Once all the information has been attained, many hours will be spent compiling the information and building an accurate quotation that includes but is certainly not limited to -

- Studying the council documentation regarding constraints and limitations
- assessing a methodical way of completing the project
- Reconstructing the proposed work timeline using foresight and experience
- Measuring and calculating materials and labour components
- Sourcing the best market rate materials and labour component quotations while adhering to quality standards
- Calculating and including supervision required, managing client expectations and off-site project management.
- Submission of a job-specific and accurate document



EXPERT GUIDANCE FROM A PROFESSIONAL BUILDING COACH

We speak to Kurt Hegetschweiler:

If you think that a free quote is “free”, you’re wrong.

“The thing is a free quote is not worth the paper it’s written on. In fact, a blank piece of paper is worth as much as a free quote”

Why is that?

“Professional builders charge for their time and that includes the preparation of quotes. If you’re offered a free quote you are more than likely dealing with an amateur who just wants your business, so they offer a “free” service that will always end up costing you more in the long run”

What is the fallacy of free quotes?

“In my experience, the types of builders who provide free quotes are also the ones that run a “one-size-fits-all” business.

Their “quotes” involve little more than gross generalisations of what the project may – and usually will not – cost. They utilise an overworked estimator who churns out hundreds of cookie-cutter estimates every year. You might think your project is unique, but these cowboys think they’re all the same. The free quotes on offer provide little more than generalised rates based on square meterage of construction so that it seems like a competitive price.

What follows a free quote is plenty of promises to ensure that you say “yes” and not “no” to them”



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Then what do you think happens?

“Well, it’s inevitable that once you’ve signed on the dotted line that you’re faced with a plethora of variations, which all cost money of course, as well as delays and disputes during construction – again these all cost you money you probably haven’t budgeted for.

At the end of the day, even if your project is completely adequately, it’s highly unlikely that your free quote resembles anything close to what you ended up paying for the build. And that doesn’t even take into consideration the cost of litigation if such a turn of events comes to pass.”

What’s the value of paying for a quote?

“Contrary to the scenario I outlined above, a professional builder will charge you to prepare a quote. They do that because they are professionals and will spend the required amount of time to understand your project and to price it correctly.

Whether you’re a home builder or a small property developer, to improve your chances of a successful outcome, you must work with someone who is prepared to put in the time and effort to provide you with a detailed quote. You need someone who is going to sit down with you, compile the bill of quantities, shop out the costings and provide you with an accurate quote.

Preparing a detailed quote takes time and it’s only fair and reasonable that a professional would charge for its creation. Professional builders do not provide free quotes in an attempt to win your business.

Instead, they charge a fee for their service.”

EXPERT GUIDANCE FROM A PROFESSIONAL BUILDING COACH

“Would you work for free if you had spent hours preparing a quote which includes pricing the cost of subcontractors as well as fixtures and fittings? No, of course you wouldn’t, Unfortunately, the prevalence of “free” quotes means that some consumers expect this as the norm.

But it’s not.

The norm is for a fee to be charged to provide an accurate quote for your project, which is small change compared to costly variations, delays or litigation. I suppose, at the end of the day, it comes down to whether you want to pay a small fee up front or a very large “learning fee” at the end.”

I hope this has shed some light on the initial stage of your building journey!

For more information or assistance
moving forward contact us.

We’re here to help - (02) 8331 7171

