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To Build or Not to Build

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Many people dream of building their own home, a place that's custom-made to their specifications and reflects their individual taste and style. Some find the whole process of creating a home from nothing particularly satisfying and ultimately rewarding. However for many, home building means muddy building sites, escalating costs and sleepless nights. "Never again!"

Buying land and building your own home is the ideal way to get exactly what you want from a house. Budget allowing, it gives you the opportunity to have it designed specifically for your needs and with precisely the fittings and fixtures you want – you're not paying for someone else's taste. A brand new home is shiny, new and hi-tech and usually requires far less maintenance than an older home. But building isn't without its share of problems lurking in the shadows.

For homebuyers, building can be an additionally stressful process, depending on how much involvement you choose to have. It can mean making all of the decisions yourself, from the type of roofing you want to the style of the light fittings in the kitchen.

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It's likely to also probably cost you more than buying a comparable existing house, and may take years to look fully established. If you are building in a new subdivision and neighbouring sections are bare, be aware that your privacy, views or sun may well be compromised by future building.

Probably the biggest negative is that building takes a long time – especially if the weather is unreliable – and in the meantime you are having to pay to live somewhere else.

Welcome to the money pit

It is critical that you are aware of all of the costs associated with building a home. You will need to keep a tight rein on expenses and ensure that you have budgeted correctly for the overall project. That dream home can turn into a bottomless money pit if you don't factor in all the potential costings, work to a strict budget and employ the right professionals.

The budget for a new house will be split roughly into two parts – the amount you pay for the section and the amount you pay for preparing the site and building the house.

While the new house is being built, you will have to live somewhere so there's also the cost of either rent or two mortgages to consider. You will probably pay for the section up-front (unless it's a design and build package in a new subdivision) and will pay for materials as they are

used as well as making progress payments to the builder.

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Work out what you can afford, visit the bank to establish how much you can borrow and arrange a provisional mortgage, then work out

what this will enable you to build. Research the cost of land in the area you want to build, and seek advice from builders about building costs. An average quality house will typically cost about \$2000 a square metre to build and the size of an average three-bedroom, two-bathroom house with double garage is 180-200 square metres. This will vary from region to region and will be affected by the type of section you buy, eg, if it is steep, rather than flat, the site preparation will be more expensive.

Your lender may require a registered valuation based upon your plans as a condition of the loan, and this will act to reassure you that you are on track with your budget. A quantity surveyor is trained in construction methods and costs and can help check that you are paying the right price for the materials and labour required for the job. A mortgage for a building project is generally paid out in increments. Your bank will want to inspect the house at various stages of building before releasing the next tranche of funds.

You will need a clear idea of what finishes and fittings you want in the new house before finalising your budget – a gourmet oven and top-of-the-line Italian tiles will obviously cost you more.

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It can be tempting to alter the design as you see the building going up; this should be avoided like the plague. Every change (large or small) that you make during the building process will result in additional costs (usually far higher than if you'd included them in the design in the first place). For example, changing a window to a set of bi-folding doors may not just involve more expensive joinery but may alter the structural requirements of the wall.

Gathering ideas

As early as possible, gather ideas for your new house and start a resource file. There are so many decisions to be made during the actual building process – the further along the track you are beforehand, the better.

Clip photographs from magazines of houses and interiors that appeal, collect brochures for any of the fittings, furnishings or appliances you like and note their prices on the brochures. Collect samples of carpet, tiles, paint colours, again with their prices. Note recommendations from friends and colleagues for tradespeople you might use. This resource file will be invaluable when you are briefing the architect or builder, and will help you to clarify your choices.

Buying land

Bear in mind that land near the centre of any of our large cities is in short supply, and if you do find it, it will probably be a small section which will restrict the type of house you can build.

As cities grow, local councils tend to re-zone rural land on the fringes of the city to allow for more residential growth. Much of this land is bought in bulk by developers who will either simply on-sell it, add services such

as water and power and then sell the individual sections, or offer land and building packages to would-be buyers.

Wherever the section of your dreams is found, check what services (water, telephone, electricity, sewerage and gas, etc) are available at the site. If they are not connected, you will need to decide which you require (find out from the council which ones you are legally obliged to have) and how much they'll cost to organise. If the section doesn't have an existing sewerage system, a septic tank or mini treatment plant may be an option. If it's not on mains water, your own water collection system may be acceptable in some areas.

Other factors to consider:

- What condition are the roads in? If they need upgrading, whose responsibility is that?
- How accessible will the site be for the builders? If it's very steep, or covered in a lot of vegetation, you may incur extra costs because of the time involved in getting machinery and materials to and around the site.
- If the site is in a very windy area, your building will need to be stronger and your costs will be higher.
- If there are a lot of trees on the site, you may need to remove some of them before you can build. You will usually need council permission to do this, and trees can be expensive to remove.
- Living close to the water is a dream for many. But if your site is near water, it may be prone to flooding. Check with the local council so you can assess whether it's worth the risk. If you build and live on flood-prone land, it can negatively affect your insurance cover.
- Make sure the house you want will actually fit on the site while complying with council regulations about how high structures can be, how close to boundaries and how much of the site they can cover.
- Make sure that the boundaries are where you think they are (a surveyor will do this): you don't want to have to pull down parts of your wonderful new house that have accidentally encroached on a neighbour's land.

- A soil test can reveal whether the land is suitable for building on. If it's rocky, for example, building costs can go sky-high. If it's unstable, you may have to pay for retaining walls. Look under 'soil testing' in the Yellow Pages and get expert advice.
- Make sure there is a clear title to the property. If it has only just been subdivided, the paperwork may still be going through council, so any offer you make should be conditional to clear title.
- Most local councils require that you obtain a PIM (Project Information Memorandum) before they will consider granting any building consent. This report will give you information on special land features including potential erosion; avulsion (removal of land by water action); falling debris; subsidence; slippage; alluvion (the deposition of silt from flooding); inundation (flooding); and presence of hazardous contaminants which are likely to be relevant to the design, construction or alteration of your proposed building and is known to the council. It will also tell you whether the New Zealand Historic Places Trust or the Department of Conservation has any interest in the land; and details of stormwater or wastewater utility systems which relate to your proposed building work, or which are adjacent to your building site.
- Ensure your lawyer checks whether there are any covenants or caveats on the land and, if there are, whether you are happy with them. If you're buying someone's back yard, for example, they may have lodged a caveat on the title stipulating that you can't build within five metres of their boundary, or that your new house must be designed in a certain way so as not to encroach on their privacy. In a new subdivision, there may be covenants restricting the types of building materials you may use or the style of house, in order to keep the neighbourhood up to a certain uniform standard.

Many of the other criteria for choosing a site are the same as those for buying any property: Will you enjoy living here? Is it close to work? Is there excessive noise from traffic or industry? Because empty sections are often in new areas, rather than established ones, you need to think long and hard about whether the area is probably going to develop into the place you want to live, or somewhere you want to leave.

Designing your home

Design and build packages

Many developers will offer land and design packages, where you have a choice of sections and a choice of house designs. They then build for you and will often offer their own finance packages. Although these sorts of arrangements tend to be standard, always have your own lawyer check the contract. For example, you might want to consider adding a penalty clause for late completion.

These house designs can often be modified slightly (you might want to sacrifice some space in the fourth bedroom to make the ensuite larger, or add French doors to one of the bedrooms to make a home office), and the finishes and fitting upgraded or changed.

Off-the-shelf plans

You can buy pre-drawn house plans for New Zealand conditions from a number of sources, one of which is the long-established www.blueprintplan.co.nz where you can order a book of 120 plans drawn by local architects. You then either order modifications or pay for a set of working drawings.

Kitset buildings

A number of companies offer a wide range of kitset homes. Economies of scale mean that their prices are very competitive compared with starting from scratch yourself. There are many designs available from traditional to contemporary.

For most people it can be difficult to accurately visualise the finished product from nothing more than plans and sketches. Many kitset companies have been in business a long time and have show homes you can visit. Check how the size, layout and finishes of the design you are considering compares with the show home, and don't get distracted by the gorgeous new furniture and lavish displays of fresh flowers.

Consider whether:

- the floor plan suits your lifestyle and will be easy to extend or modify as your needs change
- the style of the house will work in the location of your site (an 'olde worlde' cottage design will look tacky in a street of original old cottages, for example)
- the design maximises your site's best features, such as a view
- you will be able to orientate the house to get the sun where you want it

When you have chosen your design and had plans drawn up for it to go on your site, you will need approval from your local council.

Architect or draughtsperson?

Either an architect or a draughtsperson can draw up plans for your new home.

An architect will be more expensive but will bring design flair and can also be employed to manage the project if required. If you have a very clear idea of what you want in regards to layout and style, a draughtsperson may be a less expensive option. You might provide them with an existing design and ask them to alter certain features to suit your lifestyle and the site.

Beware of false economies however. You might feel that you're saving a lot of money by not hiring an architect, but a professional who can advise you on the pros and cons and costs of different building approaches, and explain how the design will work, can save you money and heart-ache in the long run.

Ask around, look through home magazines, get recommendations from friends and family: you need someone who is right for you, who will produce what you want with the added benefits of their knowledge and vision.

The cost of getting a home designed will vary considerably according to the architect's or draughtsperson's level of experience and their overheads, as well as how many redesigns they have to prepare before you approve the plans. The more clearly you can explain what you want, and your priorities, right from the start, the more you will keep costs down.

See *www.architecturenz.net*, the website of the NZ Institute of Architects, for information about finding and working with architects, including a recommended sliding scale of charges. For a residential design worth \$400,000 for example, the recommended fee is between 10% and 11.25% of the total value; for a \$1 million house it's between 8.75% and 9.75%.

The level of service required will also affect the cost: you might want them to provide the design and then leave you to order materials and manage the building work, or you might want them to oversee the whole project.

Choosing a builder

However you come by your design, the success of your new home will depend on you finding a good builder. Seek recommendations from friends, neighbours and work colleagues; if there's a new house you have noticed and are impressed by, approach the owners and ask who their builder was. Would they recommend him? Were they happy with the time frame for completion, and the budget? If you have used an architect or bought plans from a house-plan company, they will often have builders they recommend.

Put together a shortlist of potential builders. If possible, invite at least three builders to tender for your project. Advise each one that you are getting others to tender. This is in fairness to them but also so they are more likely to give you a competitive quote. You should also let them know that you won't necessarily pick the cheapest tender but will be considering other criteria like reputation and qualifications.

When you send out the invitations to tender, give the builders the detailed drawings of the house showing the extent of the work and the materials, the construction details, the location of the site and the position of the house on the site. Also provide the quantity surveyor's estimates for materials if you have any.

Tender documents received from the builders should provide exact costings for all the materials and fittings, and for the labour of the builder and subcontractors. Be suspicious of very low tender prices that differ from others, it might mean the builder has misunderstood the task required.

For an excellent checklist for choosing a builder see *www.consumerbuild.org.nz*

WORD TO THE WISE

If you can't afford everything you want immediately, consider finishing the house in stages. You might do the preparatory excavations for a swimming pool now but actually add the pool later, or you might delay landscaping indefinitely. Leave one of the bathrooms unfitted, or lay the carpet in six months time.

Any prospective builder should provide you with the addresses of the homes they have built, so you can view them. Ask if you can contact some owners for references. If the builder is a member of the Master Builders Federation of New Zealand, you have some quality and protection assurance if things go wrong. Visit www.masterbuild.org.nz to find a master builder near you. The website also has helpful information, documents and checklists.

Making it official

You and your builder should have a written contract. If the builder is the main contractor, he will organise the contracts with the subcontractors. If you are the project manager, and have a labour-only contract with the builder, you will need to arrange contracts with each of the sub-contractors, such as plasterers, painters and plumbers, as well as buy and organise delivery of all materials, and arrange for the various council inspections. It's not easy, and certainly not recommended for those without some building experience. There is also a mixed arrangement, called a managed labour-only contract.

“The strongest memory is weaker than the palest ink.”

Although contracts don't have to be written to be legally binding, having it all down in black and white and signed by both parties leaves less room for misunderstanding and disagreement. The strongest memory is weaker than the palest ink.

There is so much to organise that it can be tempting to simply rely on a written quote, or a list of tasks provided by the builder, as the contract. However, if something goes wrong, or there is a dispute, these casual documents are unlikely to contain enough detail about the rights and responsibilities of the parties to sort everything out.

Have your lawyer draw up a building contract, check out your builder's version or use the standard one (see below). The contract will specify the initial deposit to the builder (usually 10% of building costs), when progress payments will be made and how much they will be.

Many building companies and individual builders have their own form of contract. A standard contract has also been independently developed by Standards New Zealand: NZS 3902:2004 House Building Contract. It costs \$56 and can be ordered as a hard copy or downloaded from www.standards.co.nz. Even if you don't use it, it is worth buying, so you can check everything that should be covered is covered by the contract your builder puts forward. You can also buy a standard building contract from the NZ Institute of Architects, at www.nzia.co.nz.

Don't let work start on the job, or pay the deposit, until you and your lawyer are happy with the contract and you and your builder have both signed it.

IN A NUTSHELL...

- **Determine your budget and tailor your tastes accordingly.**
- **Find a suitable piece of land.**
- **Decide on who will design your home.**
- **Get a PIM report and building consents from the local council.**
- **Find a builder who's both recommended and available, get a written quote, and use a contract.**
- **Make sure you, your architect or your project manager have a strict schedule for inspecting progress.**
- **When building is complete, you need to check carefully that everything is up to the specified standard before you take possession (and before you hand over the final payment).**