



FIRST HOME
BUYER CLUB



18

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**Mistakes to Avoid
When Building**

YOUR DREAM HOME



18 Mistakes to Avoid When Building Your Dream Home

If you attempt to build a new home without the necessary training or experience, then your dream can quickly become an expensive nightmare. Whether it's your first home, your second home or an investment property, there are numerous factors that must be considered to ensure a successful project. If you don't know what you're doing then the mistakes can pile up, resulting in cost-blowouts and endless stress for you and your family.

On the other hand, if you allow the fear of failure to hold you back, then you risk missing out on opportunities to build wealth and benefit from capital growth in the market. The cost of not taking action can be equally devastating to your financial future.

But there's no need to sit on the fence. This report introduces the 18 most common mistakes that most purchasers make when buying a block of land and building their dream home or investment property. By considering each of these factors, you can buy and develop your own block of land with complete confidence.



Mistake #1

Failing to taking action when you find a block you like

Unless you're purchasing in a falling market, waiting often costs you money. Most developers release land in stages, and the price increases from stage to stage. The next development is rarely cheaper than the last.

If you don't have time to continually check real estate sites or speak to developers, then you should consider seeking advice from an independent consultant with knowledge of your preferred locations.

Mistake #2

Falling victim to development registration delays

When looking at suitable land options, consider the expected timeframe for registering the block. Who is the developer, and what projects has he completed in the past?

It's not unusual for developments to run behind schedule and for land to register after the predicted date. A six-month registration delay will cost you a lot of money in rental payments, resulting in cash-flow issues and rising stress levels for your household.

Mistake #3



Not spotting hidden issues with the block

Have you carefully reviewed the disclosure plans and development plans to confirm the block is suitable for the type of home that you intend to build? Being forced to reduce the size or layout of your house might involve unexpected costs or mean you can't include all the features you had originally planned.

Mistake #4



Lack of knowledge about the location

Selecting an area with low capital growth or poor rental yields will negatively impact your return when you sell or rent the property. You can boost the performance of your investment by taking the time to carefully research your chosen location.

Online resources like CoreLogic, SQM Research, Residex and Domain offer unbiased historical data on every suburb in the country, including median rent, rental yield, capital growth and demographic information. A good builder's sales rep can help you understanding the reports. And if you're planning to live in the new home for a number of years, you should also consider whether the area suits your lifestyle.

Mistake #5



Inaccurate site cost estimates

Site costs are estimated by the developer before you sign, and they're usually referred to as a provisional sum item. However, many sales reps deliberately under-estimate these costs to lower the advertised price and encourage you to sign the contract.

After you sign, the work is requoted and you discover you're liable for thousands of dollars more than expected. Always request a cost breakdown before signing, and obtain a second opinion if you're concerned.

Mistake #6



Unrealistic build schedule

Large construction companies often overwork their supervisors, requiring them to handle up to 40 consecutive builds. This means supervisors lack sufficient time to perform effective contractor management or quality control, so projects blow out beyond the promised schedule.

You don't want to discover your build will take two years, when you had originally been told six months. Find out how many projects your supervisor will be managing, ask for client references, and request a firm completion date.



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Mistake #7



Misunderstanding floor plan dimensions

Beware of making mismatched comparisons between designs. Building dimensions can be calculated in various ways, and developers often exaggerate floor plans to give the impression that their design is larger than it really is. Dimensions may be measured from the edge or centre of the wall, and may include or omit space below the eaves.

Mistake #8



Failing to shop around for finance

Many buyers simply select the bank they're already familiar with, even though the interest rate may not be competitive. But there's a much better way to secure your home loan.

Mortgage brokers work closely with a range of lenders, so they know which banks to approach in order to gain the most appropriate loan for your individual circumstances. To identify the best finance solution for your needs, you should speak to your own bank, as well as a reputable broker.

Mistake #9



Not confirming that the home is turnkey

Some builders advertise their product as turnkey when in reality many crucial items are not included. Request a breakdown of inclusions and ensure everything you need is covered. A turnkey house and land package should be delivered to you ready to live in or rent, with no further work needed or items to be purchased.

This means the home should come fully painted, landscaped, and with all necessary floor coverings, window furnishings, light fittings, TV aerial and clothesline etc.

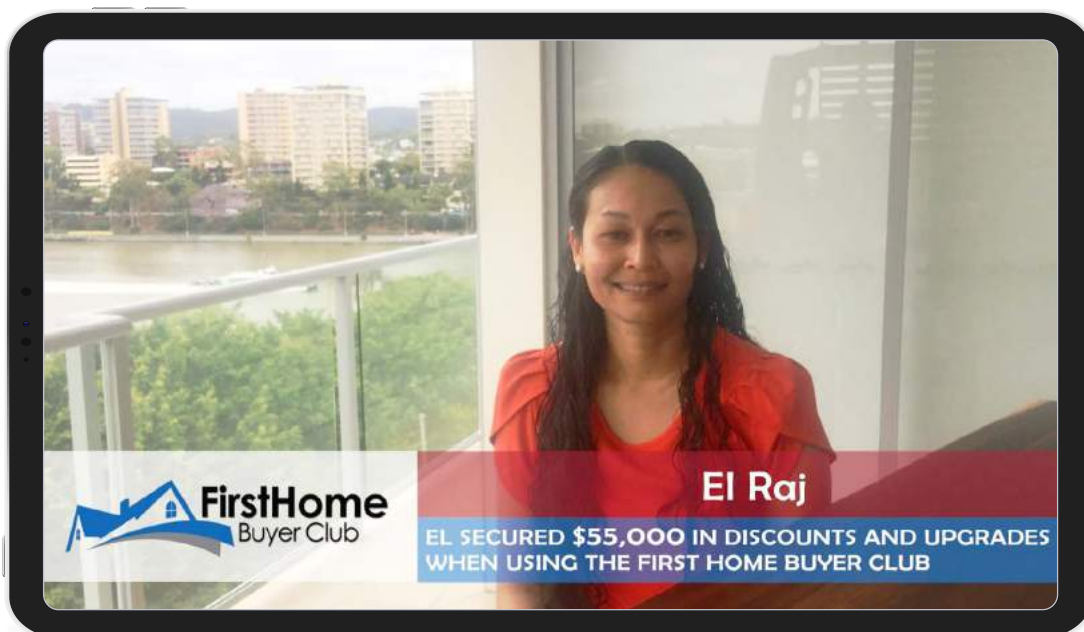
Mistake #10



Blowing your budget on upgrades

Don't over-spend on fixtures and fittings. Have an investor's mindset and only upgrade items that will increase the value of your property or increase the rental income. Your lender will arrange a valuation prior to finance approval.

If you spend too much without adding to the value of your home, then you'll need to come up with additional funds to cover the difference between the build cost and the property value.



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Mistake #11



Building an excessively large home

If most homes in the suburb are small one-storey dwellings, and you build an elaborate multi-level mansion, then you may be over-capitalising. Others may struggle to see the value of such a large dwelling in that area, and your ability to sell or rent for a reasonable price may be affected. Make sure your build is appropriate for your chosen location.

Mistake #12



Comparing dissimilar inclusions from different builders

It's not easy to compare homes from different builders to determine which offers better value. Specifications, construction methods, materials and build quality differ widely.

You could spend months making apples-to-oranges comparisons, and meanwhile the housing market is moving ahead. So don't waste too long on your decision – select a design within your budget that ticks most of your boxes, and then begin the build process.

Mistake #13



Falling for the display home trap

Display homes usually feature many upgrades – luxury fittings, finishes and appliances – that aren't included in the standard price. Even the paint, floor coverings, high ceilings, heating or air-conditioning may cost extra.

Don't be afraid to ask for the total price including all extras – you may discover this adds another 25% to the total build cost.

Mistake #14



Don't become emotionally attached to an investment home

Many buyers fall in love with features or a location that won't necessarily appeal to others. This can lead you to over-pay for the home.

When building an investment property, consider the price rationally, and prioritise inclusions that will boost the property's attraction to prospective buyers or tenants.

Mistake #15

Making expensive changes to your home's design

Requesting structural changes to a builder's standard design will result in significant additional drafting and build charges, as well as delays in construction. Keep your costs low by taking the time to find a standard design you like, and then minimising any changes.

Mistake #16

Paying extra for 'free' developer bonuses

In some new estates, developers include 'free' items like fencing, landscaping and solar rebates. In reality, these costs are already factored into the standard price.

Don't end up paying for inclusions you don't actually need. Instead, assess the various developments in your chosen area to find one that minimises any unwanted 'free' developer bonuses.

Mistake #17



Agreeing to a cost-plus contract

With a cost-plus contract, you don't know how much you'll be charged until after the build is complete. This can be a major regret for many first homebuyers, with large unexpected costs arising during the build. To keep the price down, remember that builders charge a margin on all contractors and materials.

You can save money by organising your own landscaping, flooring and painting. However you'll only be able to schedule these tasks after the builder has finished and handed you the keys.



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Mistake #18



Overlooking smaller builders

All Australian builders are governed by a set of rules and regulations. In Queensland, the Queensland Building and Construction Commission (QBCC) is the statutory authority established to regulate the state's building industry. QBCC's mission is to improve standards, equity and confidence in the industry.

This means large and small builders must deliver products and materials of an equally high standard. But the larger builders have much higher overheads, and you can often obtain a more competitive quote from the smaller players.



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Conclusion

With these 18 points in mind, you should also remember that the First Home Buyer Club offers a one-stop-shop when it comes to purchasing or building a new home. We assist you with your finance, search for suitable sites, negotiate the price, arrange for the custom design of a suitable home on that block, and manage the entire build process right through to the end when you receive your keys and move in.

The only thing we don't do is pack and unpack for you! With our guidance, you need never worry about your dream home turning into a financial and logistical nightmare.

So if you'd like to learn more about the options available to you, and discuss the best custom house and land packages for your needs, call me today on ☎ **(07) 3911 1377** or email me at ✉ **info@firsthomebuyerclub.com.au**

Cheers,

Clayton Tierney

Clayton Tierney

Director

First Home Buyer Club

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