



The Safe Way to Get the Home You Want, With the Right Builder, for the Right Price.

WHY WE ARE PUTTING OUT THIS INFORMATION

A short while ago we decided to survey some of the hundreds of customers we have helped over the years. We wanted to see their insight into how people could more easily find the home design that best worked for them.

We believed we can use this information to help you. The response was very interesting, but not surprising. How do most people go about finding their perfect home design?

It seems that they mostly began by browsing through plan galleries online, in the hope of stumbling onto a plan that would work for them. After mixed results, almost all of it a waste of time, most gave up in frustration. They found their way to Building Buddy where we managed to help them find what they needed. There were certainly others that managed to find what they needed using this process.

We consider all these customers to be sophisticated and educated people. Yet, they still adopted a strategy we consider to be akin to searching for a needle in a haystack.

Wouldn't the stars have to be aligned to find or cobble together a plan online that was the right layout, size, façade, price and, more importantly ... the best builder to deliver the project? It would be a miracle.

We hope that by writing this essay, we can show that it would be easier to find what you want, if you targeted the ideal outcome than taking a shot in the dark.

Shortcut #1

Fail Early & Fast.

Shortcut #2

"Budget" – What it Means and Why it is Important

Shortcut #3

How to Leverage Free Professional Consultations.

Shortcut #4

How to Quickly Evaluate if Your Project is Viable.

Shortcut #5

Cost Plan for Success.

Shortcut #6

Focus on a Minimum Acceptable Design Solution.

Shortcut #7

Understand the Assumptions that Underpin

Shortcut #1 – Fail Early & Fast.

THE PROCESS YOU FOLLOW IS IMPORTANT

If you read most guides about how you go about organising your building project, it will follow a familiar path that goes something like this ...



- **Find Ideas**
- **Put those ideas into a design; prepare plans and engineering**
- **Get 4 quotes**
- **Select a Builder based on those quotes**

It sounds logical, and the people making these suggestions are sincere professionals being helpful. Many people try to follow this process. My experience, after having a hand in the construction of more than a thousand homes over my career, is that this advice is misguided and is prone to be actioned in simplistic ways. There are many reasons for this. I will explore here the primary reason it does not work.

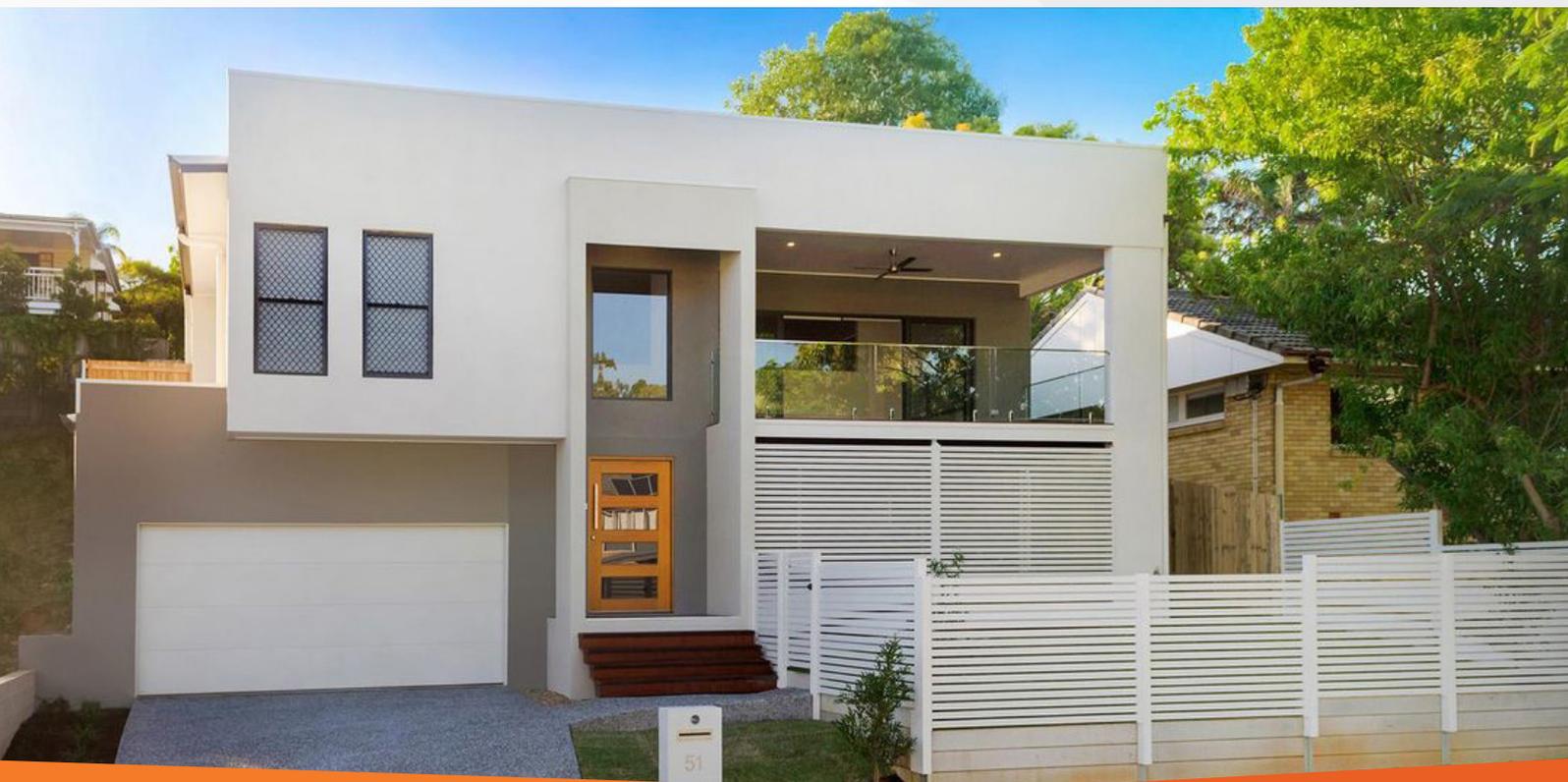
I have designed twice as many homes, than have been built. Fifty percent never get built at all. As astonishing as this sounds, this is a better than average record. Since we deliberately go out of our way to have our design failures early and fast, most fail after few hundred dollars of investment; right at the beginning. This saves the customers money they would have wasted on detailed

plans. The industry standard is that 70-80% of custom designed homes never get built. It is unfortunate that most fail after several thousands of dollars have been wasted. Tens of thousand dollars are routinely wasted on architectural design that cannot be built to budget.

It is not difficult to find exactly what you want, if money or time were no object, by simply bringing the force of money and energy to bear. However, build cost are generally a critical element in the home design process. Designers are always under pressure to cater to the expectations of the owner. Unless the owner is aware of the cost-implications of their wish-list, they will find it difficult to design to budget. The futility of searching haphazardly through design catalogues leaves them frustrated and prone to compromise. Settling for second-rate outcomes instead.

It can be a vicious circle; the owner gives the designer a budget and design brief to work with. The designer, acting on subjective cost-to-build information tries to design so that build costs hit a sweet spot in relation to the budget. One or two revisions later, the budget has been discarded, and the designer is responding to customer design requests without reference to costs. The owner is never clear on the cost implications of the modifications they are requesting.

In these 7 steps, we outline a rational approach to saving time and money in the search for your ideal home design. Your first task should be to collect information about your build options by talking to professionals. Your goal is to identify a potential solution and test its feasibility as quickly as possible. The idea is to plan your home design process, so that you minimize the risk associated with wasting money on designs that do not work.



Shortcut #2 – Your Budget

WHAT IT MEANS AND WHY IT IS IMPORTANT.

When you talk to builders or design professionals, they will usually ask you what your 'budget' is. They don't do this to make sure they take every dime you have, it is to filter the noise so they can better help you.

It may seem counter intuitive that designers should estimate build costs. It is how it was done in the past. What has changed, is that modern marketing techniques has sidelined the practice because it is a difficult and time-consuming process. Architects and designers have always worked closely with builders and had a hand in the management of a project; at least in the design and preliminary building stage. They therefore had a good understanding of build costs. With the advent of project home marketing, with its focus on reproducing standard homes, this effort was no longer necessary. Even the project homes concept is under pressure because of customer demand for solution-based home design.

Custom home design and build is trending, and so is the demand for proper design cost-planning. Digital tools makes it easy to quickly prepare sketch plans and input material quantities into estimating packages. It is back to the future, so to speak. We can now cheaply and easily do today, what was difficult and expensive in the past. What has previously been the solution, project home marketing, has now become the moribund obstacle to finding your dream home because of its tendency to curtail choice.

We want to show you how to take advantage of these changing circumstances. Project home marketing has diluted the ability of most designers to accurately anticipate build-costs. But this is quickly changing. At Building Buddy, we have been directly involved in the pricing and cost-planning of more than 120 homes over the past five years. We have an extensive database of material and labour costs and can estimate anticipated building costs from properly prepared sketch plans.

It is probable, at this stage, that you are vaguely aware how much you want to invest in your project. But, because you don't have enough design information, it is hard for you to put a specific figure on it.

What do you need to know to prepare a realistic and suitable budget?

There are several ways the market tries to address this issue.

- 1.** Find a project style home with a sticker price and list of inclusions. While this seems to be the intuitive solution, it takes effort and time to get a realistic price from project home builders. Their preliminary marketing process is geared towards having you to sign a preliminary agreement, pay a prelim deposit and then wait several weeks to 'confirm' the price based on the premise that pricing is site-specific. They need soil tests and surveys before they can provide an accurate price to build is the argument. The object is to get you to commit in small steps. The primary commitment you are making is your time.

- 2.** Preparing plans and getting a builder/s to provide a quote in a tender process. This is what usually happens in the custom design and build segment of the industry now. There are a few problems with it

- a.** Plans are expensive and the minimum investment is several thousand dollars.

- b.** The cost to build often turns out to be wildly off-target. Making the entire investment a waste of time and money.

- c.** Most Architects & Designers lack the data they need to provide accurate build-cost estimates.

- 3.** Work with a designer that can provide low-cost design/build services to cost plan your project. This will allow you to fine-tune your design and planning, set realistic budgets, and determine the feasibility of your project. Not many designers provide this service ... yet. We do.

There is no set way to determine what your budget nor should there be. It does however pay to devise a course of action to avoid the dreaded budget blowout trap. We can start by minimising the risk. Spending a little upfront, can save you a lot down the track.



Shortcut #3 – How to Leverage Free Professional Consultations

FREE, BUT WORTH THEIR WEIGHT IN GOLD

We don't like to waste our time and we must assume that other professionals don't either. We do however accept the need to provide value to prospective customers and help them make the choices they need to move forward on their home design journey. We don't consider this to be a waste of time. Investing time to help customers get value is fundamental to any business.

Many home design attempts by owners are shots in the dark, because information about the outcome is a mystery until it reveals itself. However, people clearly need to know that what they elect to pay for will work, otherwise the likelihood that the money spent will be wasted.

Most professionals recognise that you probably find it difficult to understand the scope of their services. So, they provide a sampling of their expertise in the form of a free consultation, to help customers understand the process, and special circumstance that may apply.

This consultation can be conducted over the phone, on-site, in their office or in your home. Regardless, what is important is the information the consultation provides.

At Building Buddy, we give information freely. The more information you gather and absorb the better. Our goal is the successful outcome of the project. If all is revealed, then it probably will help you move forward confidently.

Design professionals also have an extensive network of other building industry professionals; planners, engineers, surveyors and builders.

At Building Buddy, we focus on providing preliminary building services. We are therefore routinely interacting with building service professionals: builders, contractors, surveyors, engineers, and material suppliers of all kinds. This provides indirect access to any information you might need. We can help you plug into a wide variety of preliminary advice. Don't rely on sales consultants who have an agenda to provide a solution that just happens to be one of their standard plans.

This process can really help you understand the options available to you without having to take a stab in the dark.

Row	Select	ItemName	Description	Includes	Quantity	Unit	Price	Total	Group	Hide Result	Quantity
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2	<input type="checkbox"/>	Ceiling	Ceiling 2nd Flr (Gypsum)	NO	0.00	UM	15,997.95	0.00		<input type="checkbox"/>	
3	<input type="checkbox"/>	HardFloors	HardFloors 4.5mm 2400mm x 4500mm	YES	0.00	UM	7.43	0.00		<input type="checkbox"/>	
4	<input type="checkbox"/>	Asen	Scope Asen 800 Smooth 2000 x 1200 x 8m	NO	0.00	M2	130.50	0.00		<input type="checkbox"/>	
5	<input type="checkbox"/>	Wooks	Scope Wooks	YES	18.79	M2	0.00	0.00		<input type="checkbox"/>	
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Sub-Group		Total Costs			33,423.39						
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Total		Total Costs*			443,506.79						



Shortcut #4 – How to Quickly Evaluate if Your Project is Viable.

IF IT DOESN'T WORK YOU NEED TO KNOW EARLY

If you get the right preliminary advice from suitably qualified professionals, you should ballpark estimates to help evaluate the feasibility of your project.

As mentioned earlier, this assessment will depend on several factors; some of which are specific to your circumstances:

- Your motivation
 - Location
 - property values etc.

Let's assume a couple of scenarios to help us look at the process logically.

Let's say you are trying to decide whether you should renovate or demolish your existing home and rebuild. After assessing that a renovation would involve too many compromises and costs, you decide that although more costly, rebuilding would deliver the result you preferred.

Rebuilding a new home is estimated at \$510K, including a swimming pool and landscaping. The assessment is also that your current home is worth \$620K.

The basic calculation would look like the figure on the right.

Current Property value	\$620K
Land Cost <small>(property value less commission)</small>	\$604K
Build Cost	\$510K
Total Costs	\$1,114K
Projected value After Completion	<u>\$1,090K</u>
Sunk input Cost	\$24K
Demolition Costs	\$20K
Total Sunk Costs	\$44K

This means you are spending \$44K more than the home would be worth. To see if this is feasible, we need to make a few adjustments.

- 1. Factor in the motivation for the move. If you like the location (children's school, proximity to work, simply like the suburb) It has a value.**
- 2. Factor in the costs if you were to sell and buy again (Sales Commission, stamp Duty, finance etc.)**

These adjustments will have more of an impact if it is to be your residence and you intend staying for some time. It becomes a value judgement only you can make.

If you are assessing the project for investment purposes or to live in for the short term, the assessment will be different. If an investor intends holding the property for the long term, it will be different again.

Another factor is that a Suburb can be in a state of transition. Many suburbs near to city centres have become desirable locations for the upwardly mobile. The style of home that predominates is rarely suitable. Redevelopment of these suburbs is an inevitable consequence of their proximity to the city centres. So current values may well change dramatically over time.

Nobody wants to buy a home that is \$100-\$200K over its market value. As demonstrated above, there are many factors to consider.

A good designer should have a good nose and ferret out the hopeless cases. At the very least they should be discussing this assessment with a prospective customer because it will become an issue sooner or later.

Our experience has taught us that these assessments are critical for anybody undertaking a building project. If you have already made this a judgement as to the viability of your project, it still pays to test this hypothesis in your discussions with your design professional.

Shortcut #5 – Cost Plan for Success.

UNDERSTAND THE DIFFERENCE BETWEEN SCOPE OF WORKS< INCLUSIONS AND SPECIFICATIONS

Scope of works – basic Ingredients

The cake analogy:

To understand the cost impact of scope of work, we use the analogy of the cake.

We have here a Cake that is approximately **500g** and measures **500mm x 500mm**

Strawberries
Sponge Cake
Cream cheese



500grams

And this one also weighs 500g

Decoration
Ice Cream Base
Raspberry Jam

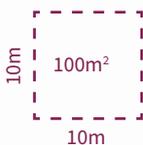


500grams

I think you get the idea – It is not the size of the house – it is the recipe – which consists of the scope of works.

The scope of works are the ingredients being used:

- **Method of Constructions** – Brick & tile, Timber, concrete slab, Framed Timber Flooring, etc. etc.
- **Style of home** – •Framing, blockwork, double brick etc.
- Another example:



Say we have a shape = **10M x 10M**
= 100 Square Metres
= 40 LM of Perimeter length



And another shape = **25M x 4M**
= 100 Square Metres
= 58 LM of Perimeter Length

It should be obvious that the second shape would cost more to build; its perimeter length is almost 50% longer than first shape.

The factor that makes the difference this time is that the quantity of an intrinsic material and labour cost is almost 50% more in the second shape. The inclusions for both shapes could be identical, yet the cost to build would be very different.

Our recommended process to determining a budget you use for planning your project is:

- 1.) Talk to a design professional that have experience pricing homes and can help you understand construction costs. You can do this by leveraging valuable free initial consultations, as we show in *Shortcut #3*
- 2.) Design professionals have a duty of care when they provide advice to customers. They want to make sure the project is feasible. The question is whether they have the information they need to properly estimate construction costs. Ask if they do.
- 3.) This is what you need to know and consider:
 - a.) Identify planning and site issues that can impact the project It is very upsetting when you are all set to go and there is a holdup because your plans do not comply with planning regulations
 - b.) What is the intended purpose of your building project? Is it an investment project or are you planning your family's future? The two situations don't necessarily align. They have different design outcomes, and each requires specific long- and short-term planning.
 - c.) What type of home are you going to build? Every build planning solution relies on a matrix of factors to determine the best method of construction.
 - i. **Budget**
 - ii. **Site Conditions**
 - iii. **Scope of Works**
 - iv. **Inclusions**
 - v. **Specification**
 - vi. **Timing**
 - vii. **Views and Aspect**
 - viii. **Finish Quality**

-In short-

The scope of works revolves around how the home is to be constructed

Inclusions defines the selection of fixtures and fittings as well as accessory structures like Pools, Patios, Fences, Retaining Walls, Driveways and Landscaping

The specification is a formal document that details the work that forms part of the building agreement. It will detail the scope of work, as well as the inclusions that form part of the building agreement.

Shortcut #6 – Focus on a Minimum Acceptable Design Solution.

WORK TOWARDS REFINING YOUR DESIGN SOLUTION

Now that you have a basic idea of what to look for, you can work with a designer to bring it to fruition. A basic design brief should only have the bare minimum requirement listed. Keep it simple.

- 1. How many bedrooms do you need? Do you use an Office at home?*
- 2. Car accommodation requirements?*
- 3. How many living spaces – family? Rumpus? Formal Living? Media? Recreation?*
- 4. Would like Alfresco, Family, Kitchen, meals integration?*
- 5. Do you need separate living Spaces for your Children?*
- 6. How do you see yourself living in the home in 10 years' time?*
- 7. What is the likely future accommodation requirement for your immediate family?*
- 8. Do you need guest accommodation facilities?*
- 9. What style of façade appeals to you?*
- 10. Is there anything that stands out that is important for you or your family?*

Some people feel the need to sketch out a rough plan and prepare a folder with a lot of images. It is not necessary because you are only outlining a plan of action at this point. You want a plan with a base standard of fixtures and fittings and a scope of works. You want to know what your solution will look like and what the basic cost to build is.

Your designer is probably better suited to devising the initial sketch. Anything you draw, however detailed and accurate is not likely to really reflect what you want, but everybody will assume it is. It can derail the entire exercise rather than help it.

The process we have developed so far should roughly follow this trajectory.

- 1. Identify a probable design solution by leveraging the free consultations you get with design and planning professionals.*
- 2. Obtain a low-cost prelim sketch design with elevations to provide a template to work from.*
- 3. Price check the probable solution.*
- 4. Refine the design sketch to broadly align with the desired plan outcome.*
- 5. Prepare a preliminary build-cost estimate. Design meeting to discuss and refine sketch plan so it better aligns with the brief and budget. Adjust budget or scope of works if necessary.*
- 6. Prepare preliminary construction plans so that trade quotes can be obtained.*
- 7. Obtain soil tests and engineering as required.*
- 8. Refine scope of Works, engage with a builder, and fix build-costs.*



Shortcut #7 – Understand Your Preferred Design Solution

DON'T RELY ON OTHERS TO EXPLAIN YOUR DESIGN SOLUTION

That is why a reliance of inclusions lists can cause misunderstanding. What is required is a specification that complements the plans and building agreement and clarifies what is or is not included

Being intimately involved in the cost-planning process helps you understand the scope of the work. How then can you be certain everybody understands what is expected of them?

-THE MYTH OF THE TENDER PROCESS-

We have been involved in numerous tender exercises on behalf of builders and owners and have yet to come across one that is not bogus on some level. Don't misunderstand what I am saying, tenders are great at filtering out the phony quotes, they just fail to identify best builder for the job.

Choosing the lowest quote could expose you to the services of the most incompetent builder. Something you should be at pains to avoid.

It is best to understand the elements of the build cost yourself and be able to check the price a builder submits to build your home. Following the process outlined here should provide a crash course in the fundamentals and allows you to correctly evaluate prices and scope of works presented to you. If you can't assess the scope of works, you should be wary about signing a building agreement until you are clear about it.

A builder will prefer to talk to a customer that understands the requirements of their projects and can intelligently discuss options and changes to the plans. Meeting a prospective builder, preferably in the presence of your designer is extremely useful to cut unnecessary fat, and improve the overall outcome of the project.

Don't assume you can walk in with blinkers and everything will turn out right. A good builder will be uncomfortable working with a clueless owner. It is very risky.



Conclusion

Following these steps are not a guarantee everything will go smoothly, but they reduce the risk that you will pay too much for a less than optimal outcome at the very least. They will at the very least prevent you wasting money on plans that simply won't work.

To summarise;

Shortcut #1 – Fail Early & Fast. Save time and money by eliminating what won't work.

Shortcut #2 – Your Budget – Money is one the most critical elements of any home building project. Too many people spend \$1,00's of dollars on plans that never get built because it just not financially viable

Shortcut #3 – How to Leverage Free Professional Consultations. Professional provide free consultations to help people avoid wasting money as described in Shortcut #3.

Shortcut #4 – How to Quickly Evaluate if Your Project is Viable. If it's not viable, you shouldn't do it. It is a personal value judgement, but we can help look at viable alternatives if they exist.

Shortcut #5 – Cost Plan for Success. Understanding how differ ent elements of the design affect cost helps you make value judgements about their inclusion in the project. There are always alternatives. Get help from a professional.

Shortcut #6 – Focus on a Minimum Acceptable Design Solution. Cut to the chase, and find out what you can get, and how much it will cost. You need to know, the sooner the better.

Shortcut #7 – Understand the Assumptions that Underpin Your Preferred Design Solution. Don't be dumb about your project. You may be a layman, but this will probably be the most you will spend on something in a while. Get across the details. Your Builder and designer should be eager to help you do that.

BOOK YOUR FREE CONSULATION TODAY