

Circular DESIGN 'COMPACT' TO AVOID DISAPPOINTMENT

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NSW has the highest number of housing approvals for the 12 months to July of any State or Territory, including more than 70,000 new homes and a 48% increase in approval of multi-unit developments in September. Strong demand can easily soak up the supply of trades and builders. The Board is seeing a sharp rise in enquiries about escalating costs. So how can you avoid wasting time, money and emotion on a Development Approval you can't afford?

In a busy market, many builders are committed in the long term to future work - reducing the pool of available builders. Lump sum tenders are almost impossible to get at competitive prices. It is common place for a project to go out to lump sum tender to four builders with no tenders returned, or made conditional on completing the work on a 'cost plus' basis. It is not uncommon for there to be a 50%+ swing in the tender prices, making tender evaluation difficult. It is probable there has been a 10-15% rise in construction costs in the past 12 months alone. What's more, the trend may continue that way.

Why is it so busy and expensive?

A combination of low interest rates and a hot property market has seen an increasing number of people opting to build or renovate. Coupled with this increased demand, is a lack of tradesman and builders to do the work. Training Services NSW reports a 12% drop in Traineeships and Apprenticeships in Building and Construction since 2011. Fewer tradespeople offering services in a more vigorous market means greater pressure on competitive rates.

Rising costs hurt builders too

A rising market can be a dangerous time for builder's too. If a builder has submitted a lump sum tender for a project, they are committed to building that project for the stated price. Let's consider a trade such as tiling. The builder submits a lump sum tender price until the tiler is actually needed on site.

This could mean a 4-6 month wait on a smaller project, or up to 12 months or more on a larger project. Builders can be regularly caught short by the market as prices for the tiler could have moved 20 or 30% in that time. In this case the builder has to take the extra cost of the tiler out of their own margin or profit.

If this happens over several trades this can turn into a significant loss for the builder and in severe cases can put their financial viability at risk. This is part of the reason builder's will increase their margins to cover such possibilities.

How big is my home or renovation?

To gain an initial understanding of a budget on a project we turn to working on square metre rates. But how many square metres are in my home? To measure the total square metres in a property you must include the following: The total area of the home measured to the outside of the external walls

- Include the garage
- Measure across stair voids
- Any decks on the first floor or above whether or not they have a roof
- Any decks on the ground floor which have a roof over them

A common mistake is to use the floor to space ratio (FSR) which is often calculated for Local Councils. This will result in an inaccurate estimate as it will not include all the areas of those items mentioned above. Square metre rates should only ever be used as a very approximate guide to costs only and should not be heavily relied upon.



But I've got a friend that's just built

Everyone has a friend who has just built or renovated to use as a comparison on cost for what they are about to build. Every project has a unique set of circumstances from the complexity of the structure to the standard of the finishes. It is common for homeowners to get prices back significantly more than "their friends" project even though in their eyes the projects are quite similar. Always work with your architect and consider engaging a quantity surveyor for a professional opinion on cost.

Size matters

In a market of rising costs, the best way to manage your risk is to design in a smart way for more compact living. Square metres equals more money! Today's building costs are changing what our homes will look like in the future. A second living space or dedicated spare bedroom will start to disappear as affordability declines. Consider reducing the size of the build in order to maintain the quality, rather than trying to build larger spaces as cheaply as possible.

Not all renovations are equal

You can design to manage cost. The most expensive rooms in your house are the kitchen and bathroom. The most common renovation is a modest addition 'out the back'. Often, the addition can include the most expensive areas of a house; a new kitchen, bathroom and a laundry. So expect the price to be much higher than just adding on a single living room. The cost per square metre of a bathroom or kitchen can be more than double the rate of a living space.

Also the size of the renovation will affect the cost. For example, there are often economies in scale so the smaller the renovation, the higher the cost per square metre may be.

The role of the Quantity Surveyor

A quantity surveyor is a costing expert who can develop an approximate cost of a project from very early on – this is called a cost plan. The best time to engage a quantity surveyor is straight after you and your architect have agreed your preferred sketch. A quantity surveyor can work out a cost of the project based on those drawings. As it is still early in the design process, changes can be made with a more detailed budget in mind.

During this process, budgets are assigned to all aspects of the project including your taps, tiles, kitchen appliances, light fittings etc. These prices can then be used as a shopping list to select items down the track. The same quantity surveyor can then develop the cost plan throughout the design process to give you and your architect advice on movements in the budget overall. This process can avoid wasting time, money and emotion in securing Development Approval on a design that you may never be able to afford.

Who can you work with?

Ask your architect for advice on the right quantity surveyor for your project. There is no point selecting a quantity surveyor who would normally estimate 40 story office towers to estimate what your modest home renovation may cost. Architects commonly work with Quantity Surveyors who are familiar with the standard and quality to be expected.

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