

FAQ: BEFORE SIGNING A BUILDING CONTRACT



What should I take into account when designing my house?

In the first instance, decide broadly what type (single level, brick and tile, or steel frame), size and number of bedrooms that best suit your family (existing, future and extended).

Visiting display homes can also assist when considering the layout and attributes of your future home. Real estate supplements featuring new homes in newspapers may also assist.

Alternatively, you might engage an architect or deal directly with a smaller builder to design a house to meet your specific needs. This approach allows a greater degree of flexibility but may result in a higher cost.

What should I consider before engaging a builder?

Once you have narrowed down the design, it's time to start your due diligence on the builder.

Important questions to ask – do they listen, are they helpful, how open are they to minor alterations to their floor plans, and are they pressuring you to sign up?

Investigate the company. Are they large or small? What sort of reputation do they have? How does their price compare with other builders? Online searches can be helpful – look at reviews and comments you can find about other's experiences. It's a good idea to ask for references before you commit to a builder. Call previous customers to see if they were happy, if they had any areas of concern, and whether they would use that builder again.

Other issues you may wish to consider include how long will it take to build your house and do they have representation in your area? You may wish to query their stance on sustainability; have they been nominated or won any awards? Have they participated in the HAI GreenSmart or the MBA's Green Living Program or other such accredited programs?

Check that they are registered before you engage a builder, and if there have been any adverse findings or if any action has been taken against them by enquiring at the appropriate state government licencing department*.

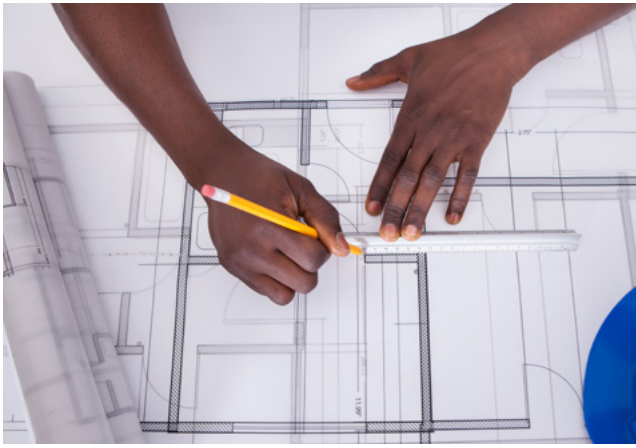
*For example, Department of Commerce in WA; Consumer and Business Services in SA; Victorian Building Authority in Vic; Consumer, Building and Occupational Services in Tas; Fair Trading in NSW; Building and Construction Commission in QLD; Fair Trading in the ACT; and Building Practitioner's Board in the NT). If you have a lawyer or architect assisting you with the process, they may be able to do this for you.



Interested to know more? Check out the 5-part video series, BRICK BY BRICK, on our YouTube channel for a breakdown of the construction process.

iba.gov.au





What is a soil test and how can the result impact my build?

What lies below the soil is critical. The composition of the soil will impact the type of footings required to support your house.

Clay soil for example will expand and retract depending on the amount of moisture. Organic material will decompose over time and may result in subsidence, and some land may contain toxic contaminants.

Your builder will usually complete three bore samples to determine the condition of the soil to inform the footing design. If any issues are identified, you should undertake a more detailed soil test to determine the extent of any additional work that may be required.

Discuss the results of the soil testing with your builder, as there may be additional costs incurred depending on the soil type.

What is a building contract and what do I need to know before signing one?

A building contract is a formal written agreement between the owner and builder to build a house and sets out the obligations of the parties.

Building contracts are complicated documents. We have set out some general information about types of building contracts below, but we recommend that you seek legal advice on any proposed building contract before you consider signing it.

There are three types of building contracts generally used in the construction of single residential dwellings:

Fixed Price contracts (sometimes referred to as “Lump Sum” contracts) are the most commonly used and give you a fixed end price including builder’s margin and GST.

If you plan on obtaining a construction loan through IBA, it is a condition of IBA’s lending that you get a fixed price contract.

But beware, a fixed price is not necessarily the amount you will have to pay. The contract will include provisions that make the price change.

For example:

- **if you need to make variations during the build** (e.g., if you change your mind about construction materials if something unavoidable happens during the build, like discovering an issue with the soil or land that wasn’t known before starting)
- **time delays outside the control of the builder** (e.g., due to extreme weather conditions)
- **provisional sums** (meaning amounts that were estimated but not finalised when the contract was entered into)
- **other costs** that were not known about at the time you signed the contract.

It is important that your builder keeps you informed and updates you on any variations, as this additional cost will not be included in the loan amount that IBA approves.

Guaranteed Maximum Price and **Cost Plus** are other contracts offered by builders however IBA is unable to provide finance for this type of contract arrangement.

How do I choose colours, fittings, floor tiles, etc?

All of these are very personal choices and can be a bit daunting. Builders will provide a standard range, and some will assist you with choosing what suits you. You are not limited to the standard range; however, upgrades will add to the cost.

You can also engage a designer to spend a couple of hours to provide you with advice. Home maker centres are also a useful tool.

More handy frequently asked questions are available on our website iba.gov.au:

- **Before deciding if you want to build a home**
- **Post contract**

Call 1800 107 107 or visit iba.gov.au



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