

setting a new home building budget

tips for first time builders



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white paper

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For those who have not been through the new home building experience, it can be tricky trying to work out what a realistic budget should be and how to go about setting one from the beginning and more importantly, sticking to it.

By using a “budget planner” you can compare the cost of building your new home (plus land) with comparable homes for sale or recently sold homes in your area. This will give you an approximate idea of what your new home could be worth when finished; providing peace of mind that your investment is sound in the short term but confident your building decision in the long term will pay off handsomely. With an end result of you enjoying all the benefits of building your home just the way you want it.

Overspending - One common trap can be overspending on the wrong items that don't necessarily add value to the project and are not considered or valued by others when it comes time for resale or over/under capitalising by building the wrong type of home for that area.

Underestimating - Another oversight can be underestimating the finishing costs associated with completing the home ready to move into or not setting aside enough in the budget to build the home you truly want.

Here are the five main components to consider when setting an overall budget for building a new home:

The land - If you do not already own your land and are looking at purchasing a block to build on, you should allow for stamp duty and settlement costs on top of the purchase price of the land. As land prices have continued to increase in value, the cost of the land can comprise 50% or more of the overall budget. The ratio of land to house price should always be considered, as traditionally the house price component depreciates in value over time as the land value continues to increase.

When buying a block with an existing old home that you are demolishing to build a new home, the key is to ensure you pay as close to land value as possible, especially if you intend building in the short term. Some value for the old home could apply if it is in a rentable condition providing you with an income while you are working through the process of choosing your new home design and builder.

Site costs - This is the cost to prepare the building site ready to commence construction. Several factors will influence the site costs and you need to be fully aware of what they are and how much this may erode your overall budget.

Possible costs to consider include retaining walls and levelling blocks, clearing of trees and other structures, demolishing an old home to make way for a new one or providing services such as water, power, gas, telephone and sewer connections to sites that require further subdivision.

Selecting the appropriate building site will contribute to keeping these costs to a minimum. You can download our white paper on [“selecting the right building block”](#) or speak with your builder to provide a site cost estimate for your site.

The house - The build price of any home comes with a list of inclusions. You should read through this list carefully including design features and specifications, to understand exactly what you are paying for. Do not assume that items you see in display homes or in a photograph will be automatically included in the builder's price.

Not all builders have the same design features and inclusions, although there will always be a minimum price quoted. Anytime a builder quotes a “from” price, it usually means a base specification, base design features or a reduced version of another home design.

It is important you know what is not included in any home to determine what to allow for in your “finishing budget”. Generally, the cost for a building licence will be included in the price of the home, however, if a design requires a “planning application” before the building licence can be issued, the council will charge a fee of approximately .03% of the build price.

Another potential cost that may need to be factored in is the cost of an assessment by a structural engineer for further engineering requirements to the home. This usually only applies when an individual design has been created or major design modifications have been made on a standard builders model.

Internal and external finishes - Here is where it gets a little tricky and is entirely up to you on how extravagant you want to go with materials, upgrades and finishes. Below are some ballpark percentages that can be applied as a guide to finishing your home.

For a medium level finish allow approximately 15% of your overall building budget. For a higher level of finish allow approximately 25%.

You may also have specific (one off) item/s you wish to include in the home. Items like rain water tanks or photovoltaic cells for generating your own solar power, grey water recycling or solar hot water systems can add considerable cost and should be factored in over and above the main finishing budget.

Although some energy saving systems have a high up front cost, the long term benefits can balance out the investment. For further information on solar passive design you can download our white paper on [“solar passive design and sustainable living”](#).

“although budgets are flexible the key is trying to stick to them”

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Items not commonly included in a builders “standard” price will form part of the “finishing costs” and are set out below:

Internal

- Window treatments
- Internal wall painting
- Air conditioning
- Heaters
- Additional lighting including extra power or data points
- Upgrade on items including kitchen appliances, taps and door handles
- Floor coverings throughout (timber, tiling and carpets) excluding bathrooms and laundry

External

- Landscaping, pools and water features
- BBQ's and outdoor kitchens
- Decking or paving
- Fences and gates
- Letterbox
- Clothesline
- Other out buildings including sheds, workshops or storerooms

Finance - Financing costs and ongoing repayments during construction can sometimes stretch your personal finances if not properly allowed for. You may find yourself in a position where you are paying rent, mortgage repayments and building at the same time.

If finance is required there will be associated costs to set up a loan. There are numerous finance options available and it is well worth speaking with a licensed finance consultant to find the best option available for your needs.

We recommend Resolve Finance who specialise in “construction finance” for building projects. You can view their website at <http://www.resolvefinance.com.au>.

Working through a simple “budget planner” with a qualified new homes consultant can help take away some of the uncertainties and assist you when speaking with your lender about financing options.

On the right hand side is a very simple “budget planner” to assist you in setting a realistic budget for building your new home.

Working with your “budget planner”, you now have the ability to easily adjust and track your budget. Each component of your budget provides a guide to costs and can be adjusted to suit your individual needs.

Budget Planner

Home building budget (This is the amount you would like to invest in your home - excluding land)	\$
Medium level finishing costs (This should be calculated at 15% of your home building budget) or High level finishing costs (This should be calculated at 25% of your home building budget)	\$
Site cost allowance (Check with your builder for a more accurate budget allowance)	\$10,000
Build price (This is the amount now left for the actual build price of your home) (Allow for planning fees if required) (Ask about further engineering costs)	\$
Total	\$

If you haven't already purchased your block, you can use the table below to calculate your overall house and land package investment.

Land price (purchase price of the block)	\$
Stamp duty (insert amount shown in the resolve finance calculator)	\$
Settlement costs (This amount can vary for each settlement agent- amount inserted should be used as a guide only)	\$ 800.00
Total	\$
Total house and land investment	\$

You can also access this online as a calculator to help you estimate the cost of building your new home at apghomes.com

Other Methods - Another useful method of calculating a “finishing budget” (provided you know the size of the home you are looking to build) would be to calculate the square metres of the home and multiply that by a square metre rate based on the level of finish you wish to achieve.

Base level finish – allow \$200 per square metre

Medium level finish – allow \$300-\$350 per square metre

High level finish – allow \$400-\$450 per square metre

For example - a home of 250 square metres of living area with a medium level finishing budget would be calculated at 250 x \$300 = \$75,000. You can enter this figure into your “budget planner” instead of using a percentage amount of 15% of the overall budget.

*If you would like further information about setting your new home building budget
please contact apg homes on 1800 884 041*



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