

Guide to Cost of Building a Home

The Ultimate
Guide to the
Cost of Building
a Home



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INTRODUCTION

BUILDING A NEW HOUSE CAN BE DAUNTING, ESPECIALLY IF YOU'VE NEVER DONE IT BEFORE. PUTTING ALL THE DESIGN FEATURES AND FITTINGS YOU WANT INTO A HOME, AND DOING IT ON REALISTIC BUDGET, IS A CHALLENGE.

Just like hunting for an established home, it helps if you have a general ideal of what you can afford before you start.

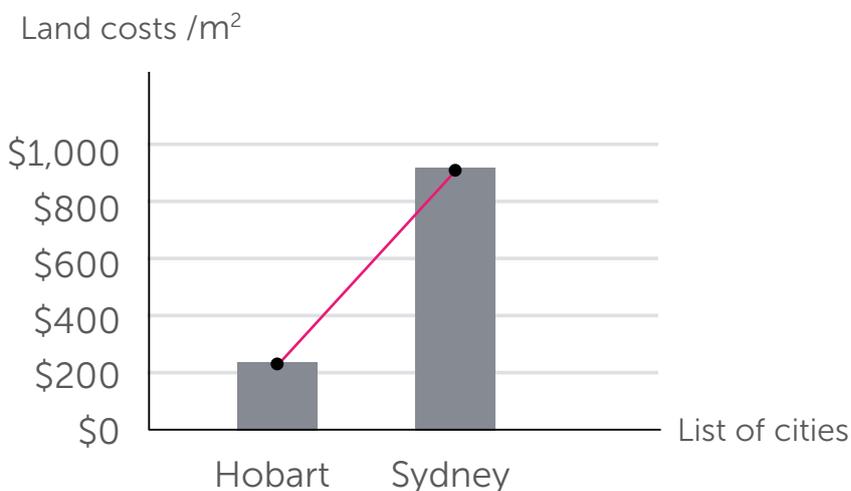
So how much does it cost to build a house in Australia and what are the main contributors?



LAND COSTS

The biggest single cost in building a home in Australia is the land. This is especially true if you are building in a capital city. According to Housing Institute of Australia (HIA) data, the average cost of land in late 2016 ranged from \$223/m² in Hobart to a whopping \$933/m² in Sydney. Obviously, this will vary considerably within cities too, depending upon the suburb you choose.

Around the country, the average lot size for a new build was 474m². This is a far cry from the quarter-acre block of two generations ago (1000m²), but it still means that nationwide, about half of the overall cost of a house and land package was the cost of the land itself.



Source: Housing Institute of Australia (HIA) data

CONSTRUCTION COST

The actual cost of building your home will be influenced by a variety of factors.

There is the cost of preparing the site, which varies from block to block, as well as the specifics of your particular home, its size and its quality. These unique features of each home mean prices will vary widely.

According to the HIA, the average construction cost of a home without any design work, planning permits, site works, or unexpected cost overruns is \$1183/m².

The average house in Australia has an internal size of 243m², so the HIA puts the cost for the build portion at just under \$300,000.

Of course, once you add the design work, permits, and site works, the costs really start to add up.

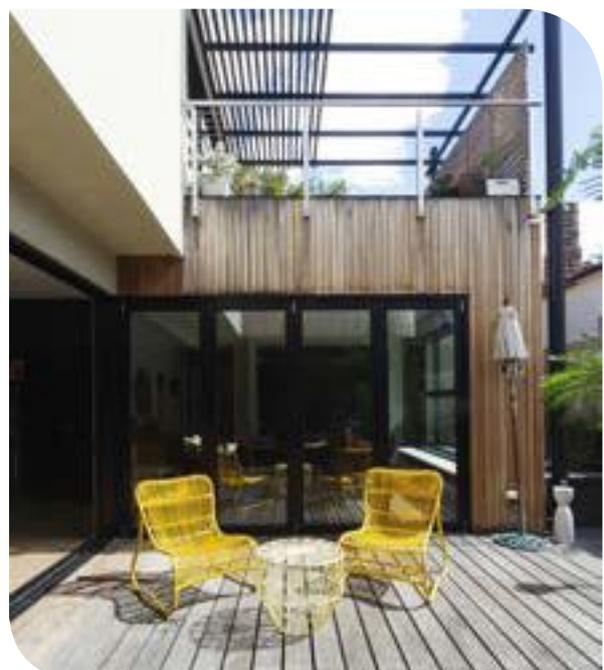
According to property advisory firm Rider Levett Bucknall, the average

building cost in Australia including all costs is shown below. Costs between cities vary widely with the hilly cities of Sydney and Brisbane having the highest prices at the top end due to the cost of building on steep slopes. Relatively flat Melbourne and Canberra have a much smaller price range.

City	Min \$/m ²	Max\$/ m ²
Adelaide	1,575	3,450
Brisbane	1,800	4,000
Canberra	1,568	2,570
Darwin	1,780	2,750
Melbourne	1,390	2,755
Perth	1,420	2,263
Sydney	1,620	4,560
Average	1,593	3,193

Source: Rider Levett Bucknall – Riders Digest 2017

Where your build will fall inside the price ranges above depends on a number of factors.





CUSTOM BUILDER VS VOLUME BUILDER

As you plan to construct a home, one early question you'll need to answer is whether you want to hire a custom home builder or a volume builder. Both types of builders are great choices and each can deliver a desirable new home for you.

Customer builders mass produce the same range of houses time and again to offer their customers the biggest house for the lowest possible price. Custom builders have no pre-existing plans and will custom-build a home to your exact requirements.

A volume builder can usually construct an equivalent-sized home for less money than a custom builder. This is because they get the savings from bulk buying building materials, labour and land at higher volumes



Volume Builders

Volume builders construct most of their homes in master-planned communities, usually located in outer suburbs, where land is less expensive and easier to get.

The often build hundreds or even thousands of homes per year.

Volume builders typically offer:

- House & land packages where they build a home of their design on land allocated by a developer
- House-only packages where they build their design on your land, which could be in any suburb
- To build only their own range of homes, and will not build from other plans

Custom Builders

Building with a custom builder follows a different process to building with a volume builder. The owner drives the process and there are no pre-defined options. You start with a blank slate and end up with a purpose-designed home that is built to your individual needs.

The final design has usually emerged from an idea of yours, often with advice from your builder and architect. From start to finish, the project is a partnership between the owner and the builder. You can expect to pay a bit more for a custom home than a mass produced home of the same size.

OTHER COST FACTORS



Location

Each state has its own rates for taxes, insurances, and certification processes and fees. Building in a rural area may also affect the cost if tradespeople have to travel long distances or stay overnight.



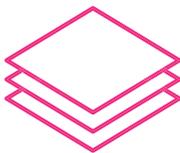
Covenants

Some master-planned communities have covenants which require specific building materials to be used or design requirements to be met in order to maintain consistency in the suburb. These costs will vary depending on the rules.



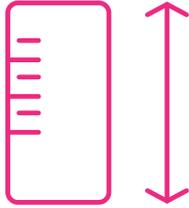
Storeys

It generally costs more to build a two-storey home than a one-storey home. This is because you need an additional floor system, stairs, scaffolding, fall protection equipment etc.



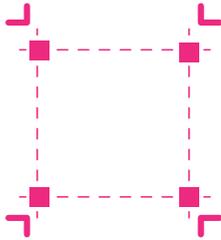
Materials

The materials used to build your home will have a big impact on the total cost. Some bricks and cladding materials cost triple the price of entry-level equivalents. If you use bricks, the bricklayer will typically have a different rates for upper or lower bricks. By contrast, lightweight-cladding trades generally have a single rate for each cladding type.



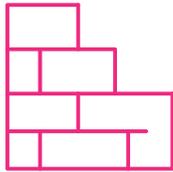
Size

A bigger home will cost more than a smaller home of equivalent quality. How many bedrooms and bathrooms will it have?



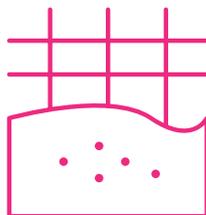
Design

To what quality level will it be fitted out and finished – budget, standard or premium?



Earthworks

The more earthworks that are required to prepare the block for building, the greater the cost. The amount of earthworks required will generally be greater on a sloping block, where large rocks need to be excavated, or where retaining walls are needed.



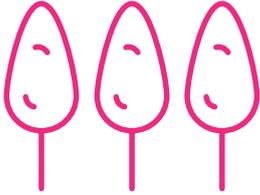
Slab

Before you build a house, you need to have a solid foundation for it. There is no more solid a foundation than a concrete slab, but it does add to the cost of the project. Concrete slab costs are calculated by the square metre. The square metre rate will depend upon the thickness of the slab, the size of the job (bigger jobs tend to have a lower rate per square metre), ease of access and location.



Pool

If you want a pool it will substantially add to the expense of the home. The cost will depend upon the size, shape, and where you site your pool. Your soil type, trees and how rocky your area is can all influence where your pool can go and how much it is going to cost.



Landscaping

This can easily add up to 5 to 10 percent of the total value of your home if you want it done well.

Other cost factors

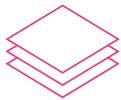
Location



Each state has its own rates.



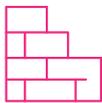
Materials



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Convenants



Some master-planned communities have covenants which require specific building materials



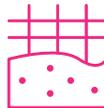
Sizes



A bigger home will cost more than a smaller home of equivalent quality



Slab



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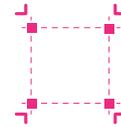
Storeys



It generally costs more to build a two-storey home



Design



To what quality level will it be fitted out and finished



Pool

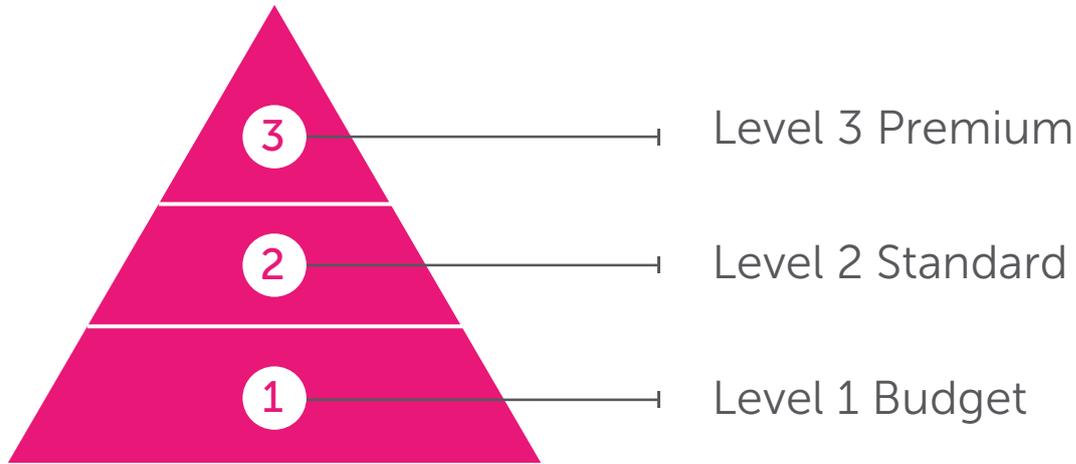


If you want a pool it will substantially add to the expense of the home.

Home building costs

It's a good idea to allocate extra budget for unexpected changes, delays and emergencies.

QUALITY LEVELS



Level 1. Budget

A budget build is the least expensive option. It typically doesn't include features such as stone benchtops, large or premium appliances, gardening, fencing, security, blinds, reverse cycle air-conditioning, flyscreens, driveway, or an alfresco area. Many of these can be added later.

Level 2. Standard

A standard build will include basic items such as fencing and a driveway, and possibly an alfresco area and air conditioning.

Level 3. Premium

Premium builds tend to have bigger floor plans and may include features such as 2.74m-high ceilings throughout, stone benchtops in kitchen and bathrooms, 900mm appliances, gardening, fencing, security, blinds, reverse-cycle air conditioning, flyscreens, a driveway, an alfresco area, triple sliding or split doors to the alfresco area, more pantry space, a media room, study, mirrored sliding wardrobe doors.

BUILDING COST CALCULATORS

There are many building cost calculators online to help you estimate the cost of building a home. These calculators can give you a very rough idea of what it could cost but don't rely on them. The only way to get a reliable price is by getting detailed designs drawn up and getting quotes from several builders.

Be careful to make sure you know exactly what is included in the quote from your builder. Site costs, carpets, driveways, landscaping and fencing are often not included in quotes but can tens of thousands to the cost of the home.



FINANCE FOR THE BUILD

Finance to build a home follows a different process as you don't yet have a house to use as security for a loan meaning you may not be able to get a regular loan. Thankfully, we have a solution called a construction loan.

Construction loans differ from regular home loans because they are drawn down in stages. At the completion of each stage of the build or renovation, we arrange an inspection and then pay the builder for that work.

This protects you because you are not paying the builder upfront for something you haven't yet received, and it protects us as lender at the same time. That means we are working together to make sure you get what you pay for.

Initially you apply for a construction loan, which is in place until your

home is completed. Upon building completion, the construction loan will revert by default to our Offset Variable Loan unless you have arranged for a fixed rate loan or for our streamlined Essentials Loan.

The amount available to borrow will be in part based on the value of the property upon completion of construction.

Construction loans can sound confusing but they really aren't that complicated, in fact, the way they work is common sense. Below, we have outlined the process of building a home using a construction loan from loans.com.au, all the way from applying for the loan, to collecting the keys to your finished home.

OUR CONSTRUCTION LOAN PROCESS TO SETTLEMENT



Step 1: Apply

Visit loans.com.au and fill out an online application. It only takes a few minutes to complete. You will then be prompted to book a quick phone appointment with one of our loan specialists to review your application and lodge it. You will also receive login credentials for **onTrack**, our easy-to-use online portal. You can use **onTrack** on any computer or mobile device including your mobile phone.

What you do	What we do
<ul style="list-style-type: none">• Fill out an application online• Book an appointment with a loan specialist	<ul style="list-style-type: none">• Contact you at the requested time to discuss the information you provided

Step 2: Speak to a specialist

Talk with one of our loan specialists. They will review your application and help you choose the most appropriate loan for your needs.

What you do	What we do
<ul style="list-style-type: none">• Be prepared with your financial information such as income and expenses• Tell us your key financial goals	<ul style="list-style-type: none">• Verify the information you provided• Tailor a loan product to achieve your goals• Provide access to our onTrack application portal

Step 3: Login and upload your documentation

Once you have applied, you will need to supply some supporting documents. You can do this using **onTrack**.

You will need:

- Two pay slips
- Three months of statements for your salary account
- Evidence that you have your deposit
- A contract of sale for the land (or proof that you own it)
- A fixed price building contract from a registered builder

What you do	What we do
<ul style="list-style-type: none"> • Log in to onTrack • Start uploading supporting documents to your application checklist • Verify the information you provide • Contact you to assist with the application process. 	<ul style="list-style-type: none"> • Verify the information you provide • Contact you to assist with the application process.

Step 4. Valuation

We will arrange for a property valuation to be done on the home you are building.

What you do	What we do
<p>If a valuer needs to visit the site:</p> <ul style="list-style-type: none"> • Nominate a time for the valuer to come • Attend the valuation or arrange for a contact to attend 	<ul style="list-style-type: none"> • Order the valuation • Review the valuation

Step 5: Final Approval

If the valuation falls within the expected range, and our credit assessment is positive, we will approve your loan.

What you do	What we do
<ul style="list-style-type: none"> • Check onTrack for application status 	<ul style="list-style-type: none"> • Notify you of your success

Step 6: Loan Documents sent and returned

At this stage you will receive through onTrack:

- Final Approval of your loan
- Your Mortgage documents and Loan Agreement pack

What you do	What we do
<ul style="list-style-type: none">• Complete your loan documents and return to us	<ul style="list-style-type: none">• Call you to make sure you have received the documents and everything is in order

Step 7. Settlement

We will contact your conveyancer or solicitor to arrange settlement of the land purchase.

What you do	What we do
<ul style="list-style-type: none">• Arrange necessary deposits to be transferred to your conveyancer• Notify your conveyancer that we will be your lender for settlement• Arrange conveyancer to contact us to book in settlement	<ul style="list-style-type: none">• If further legal documents are required for settlement we will contact your conveyancer

Step 8: Fund the Land

We will use a portion of the approved loan amount to complete your purchase of the land.

What you do	What we do
<ul style="list-style-type: none">• Arrange for you portion of the purchase price to be paid by your conveyancer• Pay our contribution towards the land from your loan funds	<ul style="list-style-type: none">• Pay our contribution towards the land from your loan funds

Step 9. Fund Construction

Now we start to pay for each stage as it is completed. As each stage is finished, we arrange a progressive inspection and then, if everything is in order, we pay the builder directly.

The stages of a construction loan are:

Stage	Typical Components
Deposit	Paid to the builder to commence work
Base	Concrete slab complete or footings and base brickwork complete
Frame	House frame complete and approved by inspector
Lockup	Windows/doors, roofing, brickwork, insulation
Fixing	Plaster, kitchen cupboards, appliances, bathroom, toilet, laundry fittings/tiling, heating, fixing/internal doors, etc., plumbing, electrical, painting
Practical completion	Fencing, site clean-up, final payment to builder

What you do	What we do
<ul style="list-style-type: none">• Sign the invoice from your builder• Send it to us• Order an inspection• Pay the invoice if the stage has been satisfactorily completed.	<ul style="list-style-type: none">• Order an inspection• Pay the invoice if the stage has been satisfactorily completed.

Step 10: Move in

Once the home has reached practical completion we will make the final payment to the builder. You can then collect your keys and move in.

What you do	What we do
<ul style="list-style-type: none">• Send us the final invoice• Insure the house• Provide us with a copy of the occupancy permit• Collect your key	<ul style="list-style-type: none">• Make the final payment



The different stages of a construction loan

1

Before you apply you'll need:



1. Finalised purchase



2. A licensed builder



3. Building plans



4. Building contract



5. Builder's insurance

2

Once your loan is approved the 6 construction stages are:



1. Deposit



2. Slab down



3. Frame up complete



4. Lock up



5. Fixing



6. Practical completion

3

Once construction is about to finish, and before final payment, you'll need:



1. A copy of your Occupancy Certificate



2. A copy of your home building insurance



3. Your signed authorisation, so the builder can fix anything that isn't up to scratch before the final payment is made.

Final payment

Once the final payment has been made we'll convert your dream home loan construction to a dream home loan offset variable.

REPAYING YOUR LOAN

After you have started to draw down your loan amount you will start to make repayments.

During Construction

A construction loan is always set up with 12 months of interest-only repayments. During this period you will pay interest only on the money that we have used to fund construction.

Upon Completion

Your Construction Loan will convert to our Offset loan product. This features an offset redraw facility. Your repayments will convert to Principal & Interest, unless you request to extend the interest-only period.

Online Services

You will now be able to manage your loan through our online service platform.

Redraw Offset Facility

You may request a Visa Debit card that is linked to your Offset redraw facility.

Activating your visa debit card

You can activate the card through the Online Services portal.

JARGON BUSTER

Terms	Description
Site works	Work to get your block ready to build on. It could include clearing foliage, levelling the land, removing boulders, and putting in drainage.
Architect	A licensed professional who plans, designs, and reviews the construction of buildings.
Covenant	A contractual constraint on how many buildings can be built within a lot as well as the materials allowable for the building. The benefit of a property covenant is to ensure the quality of all builds within a development/area. This often results in houses within a development adhering to a certain 'look'.
Construction loan	A type of home loan designed for people who are building a home as opposed to buying an existing home. It has a different loan structure to home loans designed for people buying an existing home.
Volume builder	They work from a variety of standard plans meaning they can often save you time and money. You don't have to pay a drafter to draw your plans, as they are already drawn up, and they buy their materials in volume saving money.
Customer builder	They can work off a standard plan, but more often than not, every home they build is different to the last. Sloping and irregular blocks are not a problem for them and if you want an unusual design, they can accommodate you. When you work with private builders, you usually work directly with your building contractor.

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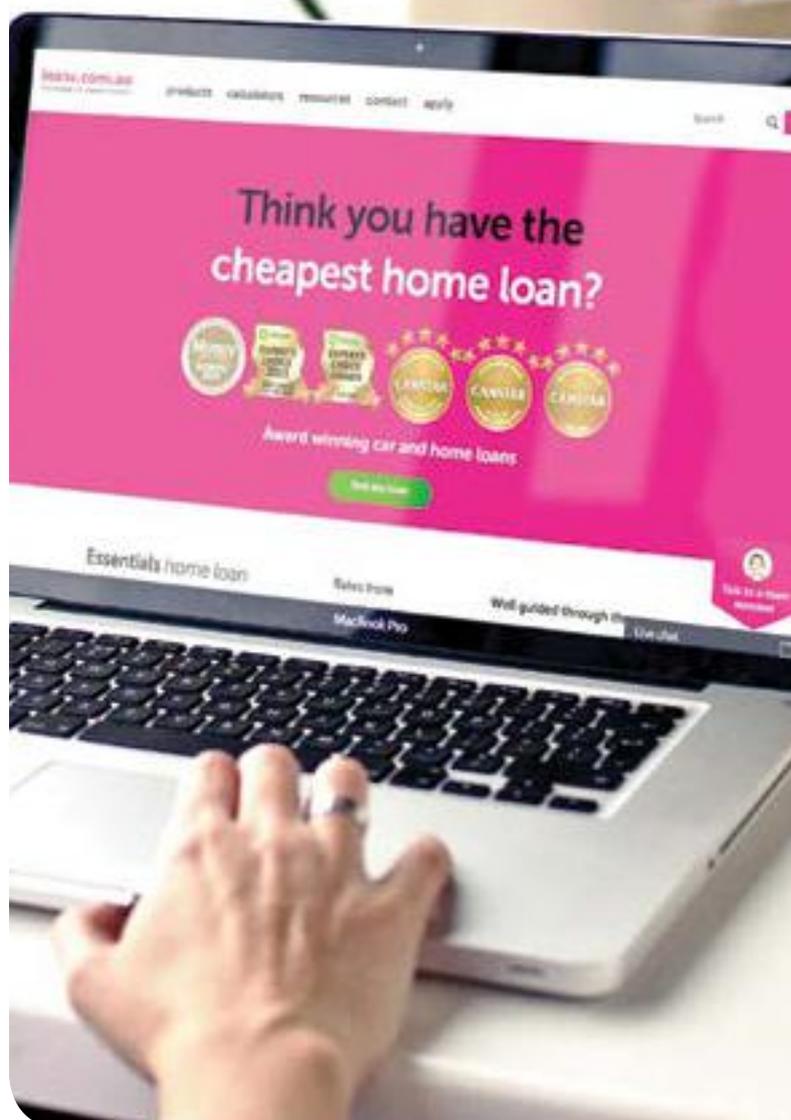
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AND
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