

9

ESSENTIAL THINGS TO KNOW BEFORE UNDERTAKING A MULTI-UNIT DEVELOPMENT



RODA
NEW GENERATION BUILDERS





A BUILDER'S EYE VIEW OF THE PROPERTY MARKET

Our many years of industry experience gives us the insight and understanding needed to guide you through developing and selling unit developments and townhouses in Melbourne.

Once you've chosen the perfect location for your development, we can help you find a design that allows you to achieve the best return on your investment.

We are proud to approach each development opportunity with a comprehensiveness that puts our clients at ease. After all, we know that your primary concern is for a quick, professional sale that leads to a profitable property investment. When you build with RODA, you can have peace of mind knowing that you're getting that at every step along the way. Keep reading to learn more:

1. Choosing your land

Choosing your land is one of the most important steps to consider when you're about to embark on a Multi-Unit project.

Desirability

How desirable does the general population perceive this area to live in?

Population Growth

Is the general population in the area increasing or decreasing?

Infrastructure

What infrastructure is in place at the moment? Are there any improvements on the way?

Land & Housing Development

How many building and developments are happening in this area. This can be a good guide to highlighting areas that may be in transition.

Amenities

What is available in the area with regards to public transport, parks, hospitals, medical centres, childcare, cafes etc.?

Schools

Being in the 'right' school zone can have a big impact on your return on investment. Do some research on what zones are sought after and what schools they feed into.

Planning

Is the location suitable for your project? Is the land size appropriate? Is the block wide enough? Will the vegetation have an impact on what can be developed? Is the land affected by any planning overlays?

2. Finance

Most lending bodies will lend up to 80% on residential developments. 4 units or more can be classified as a commercial project, which is an important factor to consider when working out if you can finance your project. Be aware almost all lending bodies will only finance 60% of your construction costs if you plan to take on the project as an owner builder.

Other things lending bodies may consider:

- Is there an ongoing income that will service the debt? Lending bodies may ask for presales/preleases that will confirm the debt is retired to an acceptable level.
- Lending bodies may ask for financials of the builders behind the project to confirm that they have the capacity to undertake the project.





3. Town Planning & Design

Don't skimp here. You want an expert architect that specialises in what you want to build. Design and planning are a critical part of any development. It's a great idea to run your initial or sketch plan past a specialist builder before finalising your working drawings. The builder may suggest small changes to your design that may improve the building process and save you money in the long run.

Price should not be the only factor when choosing an architect. You will get twenty times back on what you might save by having a poorly designed development in end value.

Legal Point of Discharge (LPD) – This can really make or break your profit margins and is something a lot of first time developers can get caught out on if the closest LPD is a few blocks away. Councils may require all storm water from the development to be discharged at the LPD. You can obtain this information by simply applying to the relevant council about the information regarding the LPD that applies to the address of the land in question.

4. Engineering

This is not often thought of, but nearly every development that is built needs engineering plans. You most likely want to build a unique and inspiring home. Using an expert engineer to design the engineering is not only imperative to longevity and quality; it can also save you lots of money. The architect will supply plans on the look and dimensions but the engineer supplies plans on how to build it, bringing to life the often-overlooked difficulties to create some very interesting designs.



Did you know that your design will have the highest impact on your build costs and your sales end value?

5. Check the reputation of your builder

There are many builders out there, but not all are created equal. Do a little research to find out which builders have the best reputation. The best referrals are those from previous clients, so you should ask to see testimonials and organise to walkthrough some houses they have completed. Don't be afraid to ask questions.

The biggest mistake made by home owners/developers is that they have no knowledge of the building process. Many builders will use this to their advantage with variations and exorbitant rates for things that were thought to be included and often the owner can feel misled and trapped which is a major contributor to breakdowns between the builder and the client.



Here are some questions you can ask your builder.



A. What is your license number?

Ask the builder for their registration and check it against the company name on the [VBA website](#).

B. What insurances do you have in place?

Make sure the builder has public liability for at least \$5,000,000. Construction Insurance can be a job-by-job cover or an annual policy; construction insurance covers the cost of the building up until handover to the owner.

Home Warranty Insurance is required before any work commences. The insurance covers structural defects on the building for 6 years, however, the insurance company does not pay unless the builder is insolvent, missing or passed away.

C. How much deposit do I need?

Maximum deposit allowable by law is 5% and this will be in any home building contract. This question will check the integrity and knowledge of your builder.

D. Do you have a quality control policy?

Most quality driven builders will have a structured plan for ensuring quality. This is always a priority.

E. Are you compliant with all occupational and health requirements?

This is relevant to you because if a work cover inspector closes down a construction site, you may be waiting a few more months for your home to be completed. A conscientious builder will have a full system in place.

F. May I get a list of references from previous Multi-Unit Developments you have completed?

Take the time to read through references and check them. Look for a builder who has established good relationships and an underlying trust with their clients.

G. How do you handle variations?

Some builders look to take advantage of this process so make sure everything you've asked for has been noted down in the specifications and ask your builder what their variation process is.

Open communication
is the key to success
in building any
project!

6. Contracts

It is important that yourself and the builder are very clear on what is covered in your contract and specifications. If your contract and specifications are being developed off a 1 or 5 page quote, how accurate and specific do you think the documentation will be? This is one of the most, if not, the most important document that will be created. It needs to be clear and accurate. Once you have finalised all working drawings, happy with your budget and have decided on a builder, the landowner will need to sign a residential building contract. Beware if a builder uses their own 'custom made' contract.

Housing industry bodies such as the MBA and HIA all have standard plain English contracts for their members to use that protect both the builder and homeowner. Their documents have been drafted by lawyers and updated over many years as legislation changes.

The two most common contract types are a Fixed Price Contract and a Cost Plus Contract.

A **Fixed Price Contract** is where you have a quote from a builder and this amount will be the total amount of the contract.

A **Cost Plus Contract** has a set margin on all expenses. Here you will receive an invoice from the builder once a fortnight for all expenses plus the builder's margin (which could be around 10-20% depending on the size of the build). Be aware that most finance companies will not finance this type of contract.



7. Know What Your Builder Isn't Including

You must check to know what you are responsible for and know exactly what the impacts will be as this can be quite costly to the owner and quickly eat away any contingency funds.

Some things you should look out for:

- Make sure the price you've been quoted on includes GST.
- Removal of leftover soil from excavations may be excluded from the contract, which can be very costly to remove.
- Inclusions like floor coverings, light fittings, bathroom accessories, paths, driveways etc. that you might think are mandatory can be excluded.
- Site cleaning is a must for most diligent builders but can catch out the unwary, which can leave you with a sizable wastage and truck hire bill.
- Landscape is sometimes assumed, and you need to either make sure it is included or have a contingency sum for this.



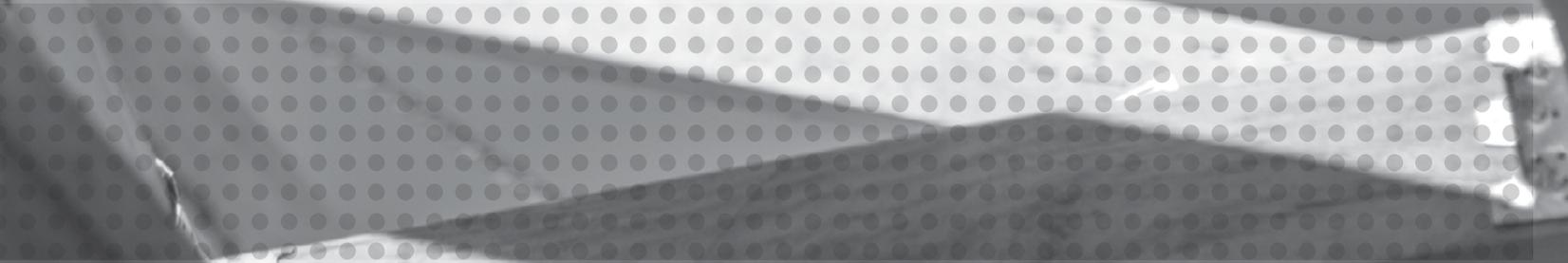
RODA

SA4 RB-001

45

45

AND JOHNSONS
MGR LTD
ESTD 1911
1000



8. Communication

Communication plays a key role in any project. It is very important that you and your builder have effective communication skills so that you can fulfil your needs and wants for the project. The more detailed information you give your builder the better they can understand what it is you want to achieve and translate this to the entire team of designers and contractors working on your home.

Remember that positive relationships will lead to positive outcomes.

9. Guarantees + Warranties

Home Warranty Insurance is designed to protect homeowners against losses caused by death, disappearance or insolvency of their builders during the construction period. It also covers the homeowner for 2 years on non-structural issues and 6 years for structural issues against losses to the builder mentioned above.

Home Warranty Insurance is compulsory to be taken out on all projects over \$3,300. A certificate of currency will form part of the application of a building permit.

CONTACT US

If you're planning a multi-unit development project, contact us on **9460 7632** to discuss how we can assist in making it a successful one.

10
YEAR
GUARANTEE



REGISTERED
Building Practitioner