



newvision
REAL ESTATE



The Consumers Guide To
**BUILDERS
JARGON**

Easily De-Code Complicated Builders
Jargon Into Plain & Simple English

Builders can be intimidating with the amount of industry jargon and acronyms they use on a daily basis. We all do it. In all of our different industries, there are certain terms you just know and use.

But how are you going to know exactly what's going on with your new home? If you don't know what certain words or phrases mean in your building contract, then you're not alone!

Using this guide, you'll learn exactly what each of the most common terms used in building actually mean.



PROVISIONAL SUM (PS)

A Provisional Sum, more commonly known as a PS, is an allowance that the builder has made to complete a task. It covers labour only or labour and materials. They are useful when the final selections have not been completed or it is simply not possible to include a quote due to factors that are unknown at the time of the contract signing.

The thing about PS's is that they are estimates which mean they often change when the final cost of the tasks are calculated. Be wary if your builder has filled your building contract with PS's as you could find your contract price increasing dramatically throughout the build.

If your builder is experienced and has reviewed your drawings, there should be minimal need for provisional sums. Your builder will generally know exactly what's required.

Builders who rely on using provisional sums in their quotes are typically disorganised and are not prepared to put in the time to quote your job properly. It's a big red flag and the chances are you'll be taken advantage of.

Typically they include unrealistically low provisional sum allowances in their quote so that their price appears much lower than their competitors - in the hope you'll make a decision purely based on the price.

These builders know that if there was any error in the final costs, they will be passed directly onto you, the client, which means they have no risk or responsibility.





PRIME COST ITEM (PC)



Much like a Provisional Sum, a prime cost item is a dollar figure allowance used in building quotes and contracts. It's an allowance for materials such as appliances, sinks, taps etc. Essentially a dollar budget where the final selection of those items is still to be confirmed.

Note that the allowance for a Prime Cost item only covers the supply of that item. Any labour associated with the installation of that item should either be included in the contract or listed separately as a provisional sum.

Just like provisional sums, prime cost items do change depending on your final selection and therefore can incur additional costs, so in order to minimise your exposure to budget overruns, make your selection choices prior to signing a contract where possible.



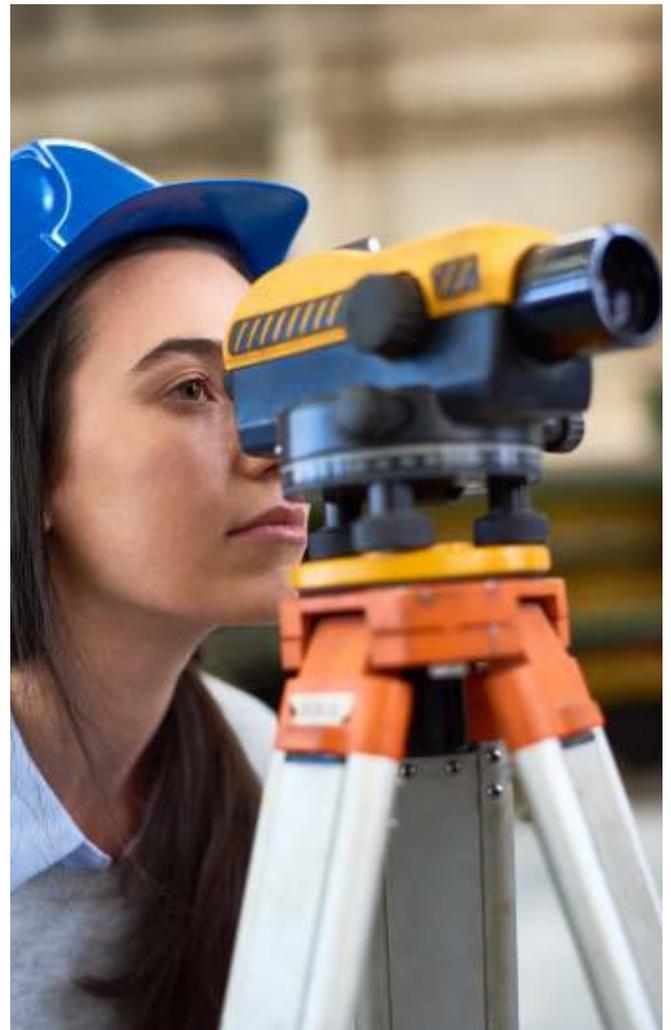


PRELIMINARY BUILDING AGREEMENT/ CONTRACT (PBA)

A Preliminary Building Agreement or Preliminary Building Contract are also referred to as 'pre-lims' by builders. They are a pre-contract document that includes all of the tasks that need to be organised prior to signing a building contract.

Engineering, soil tests and working drawings all need to be completed in order to produce a fixed price contract. A Professional builder will always start with a Preliminary Building Agreement before committing to a full building contract.

For a detailed preliminary building agreement, you can expect to pay a custom home builder between \$5k-25k depending on the size of your project.





EXTENSION OF TIME (EOT)

An Extension of Time is simply the amount of days that are added to your building contract.

These usually appear once you add a variation to your contract that will delay the completion or it can be due to inclement weather or any other reason outside of the builder's control.

EOT's simply extend the contract completion date of your new home that was recorded in your building contract.

VARIATIONS

Variations can get introduced for many different reasons. The most popular reason for a variation being raised is when you change your mind on something after the contract has been signed.

Variations document what has been changed along with any additional costs that relate to labour, materials and administration fees.

You could also incur variations when any unforeseen work arises. This is typical of projects doing renovations and/or extensions. If there was no way of knowing about the issues at the time of quoting your project, it's simply an unforeseen variation that needs to be raised so the builder can do the necessary work.

Each time a variation is raised, these typically come with an extension of time attached to them. Make sure you are happy with everything in your contract before signing it to avoid changing your mind and causing serious delays on your project.



BUILDERS MARGIN

Simply put, builder's margin is the amount of profit added by the builder to cover their expenses.

Typically, you'll see a 'builders margin' on any variations raised so that the builder can complete the work.



ROCK CLAUSE

A rock clause is something you'll find in most building contracts.

It is there to protect the builder from unfortunate unforeseen circumstances like hitting rock during the excavation.

The rock clause applies to **fixed price** contracts so be aware. You can't avoid it, but you can certainly prepare for it.



ESTIMATE

The first thing to understand is the difference between a quote and an estimate. Even among builders themselves, this term gets used pretty loosely.

Step one is always to start with the estimate. You have probably been thinking and planning out your dream home for some time.

You know you want 4 bedrooms, 3 bathrooms, a 2 car garage and a swimming pool for the kids would be nice too. Maybe you even have a budget in mind which is extremely helpful for a builder to know, so they can help you plan the home you want.

Armed with all of that, getting a 2 - 4 page estimate is really just confirming that what you want is roughly within your budget. It may be seen as the starting point in your building process but cannot possibly contain all of the information that is required to build your dream home.

These less detailed Estimates are ballpark figures based on your criteria. They don't require the builder to go away and calculate every material and fitting. These brief and vague estimates don't usually cost you anything and are generally worthless as no detailed work or planning has begun.

It's these type of FREE estimates that you need to be wary of. They often entice clients to proceed further with a builder, hoping that they can maintain a low base price that has been provided. In most cases, free almost always ends up costing you more.

One way you can tell if you are getting a detailed estimate instead of a 'rough' quote, is by how long the actual document you receive is. A 2 - 4 page estimate is fairly common amongst time poor builders and is going to lack a lot of critical information.



QUOTE

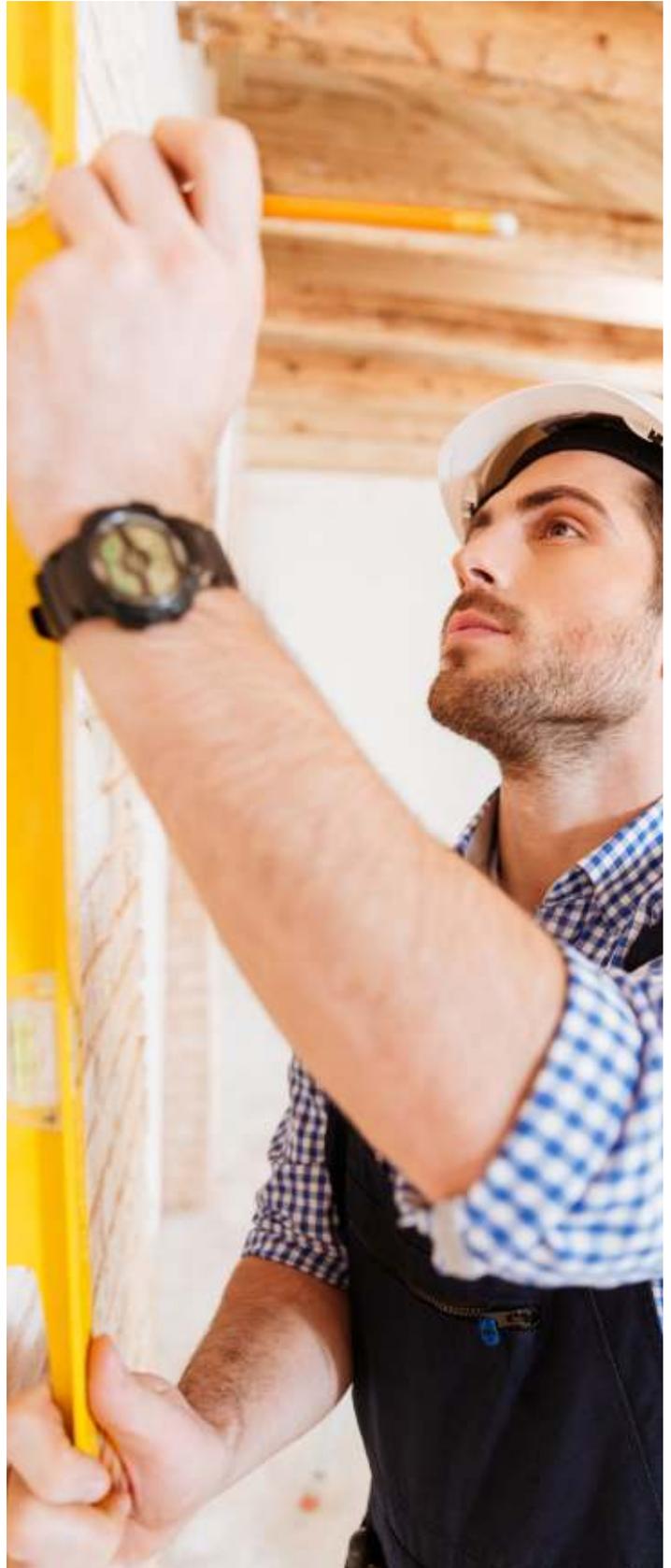
A detailed quote should be between 30 - 50 pages and specify every inclusion and can even reference working drawings of your project. A quote details for you and the builder, the amount of materials and labour for the duration of your project.

Creating a detailed (and correct!) quote is a time-consuming process for a builder, often taking more than 50 hours to put together. A quote for your new home involves professional estimators, contacting subcontractors for quotes and creating a lengthy and detailed job schedule. This easily runs up a cost to the builder of several thousand dollars.

It's for this reason that a full quote from a professional builder should NEVER be free. A nominal fee is charged for their time to provide you with a detailed quote for your project. Builders offering free quotes often rush their process and miss out incredibly important details for your home. Remember that step 1 is to work with a builder and ask for an initial estimate to see if your project can be built within your budget.

Some builders will cut corners and leave out specifics and instead include Provisional Sums (PS's) and Prime Cost Items (PC's). If you see either of these on your document it should raise a flag. These are just estimated allowances and so down the road, they can end up costing you significantly more once the real values are known. This is a dead giveaway the builder saved time and gave you an estimate rather than a detailed quote.

If you are working with a preferred builder on a quote for your new home, make sure you ask for a copy of the job schedule. This will show you if the builder has quoted the job or *guesstimated* it.





READY TO SPEAK TO A PROFESSIONAL BUILDER

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1300 597 308
as we only work
with tried and
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newvision
REAL ESTATE

✉ info@newvisionre.com.au

☎ 1300 597 308

📍 PO Box 6665, Baulkham Hills
NSW 2153

🌐 www.newvisionre.com.au

