

Real estate

Fence posts

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THE building industry is fraught with dangers for the uninitiated. The wrong choice of builder and the wrong contract can culminate in calamity.

Some people have lost everything in projects that have gone "belly up".

Make sure you use a reputable builder. The law requires the builder to be a registered building practitioner and a good starting point is to contact the MBA or the HIA.

Always get references from the builder and photos of the types of homes the builder has built in the past.

Don't try to screw down the builder too much on price. If the builder is good, he or she will expect to be well paid.

Don't always go for the lowest quote because it may represent the poorest quality.

The saying, "you get what you pay for" has a good deal of currency. If the work is for a sum more than \$12,000 the builder has to carry compliant residential warranty cover. If the contract value exceeds \$5000 the builder has to enter into a major domestic building works contract. These fixed-price contracts can be obtained from the MBA or the HIA.

Great care has to be exercised when filling out the contract. The contract sum needs to be clear, and the start and completion dates need to be clear. If a contract runs over time, delay damages can be levied. The amount of the delay costs needs to be agreed upon before the contract is signed. The formula is to work out what the real costs will be, along with those that will flow from the delay.

An area to watch for is prime costs or provisional sums in a contract. These are amounts or allowances for construction components that can't readily be worked out before the contract is executed. The greater the number of prime costs in the specifications, the greater the risk of price blow-outs.

Always ensure you pay on time and if problems are encountered see a construction lawyer. You should also get a lawyer to check the contract before you execute it.

A final word of caution: make sure the builder gets the building permit. If work starts without a permit, a prosecutable offence will have been committed.

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