

New Home Construction

Dreams or Nightmares?

Judie Squires © 2008

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With the construction season fast approaching, many people are considering building a new home; there is a lot to consider. A new home is what dreams are made of, but your dreams can quickly turn into a nightmare if you do not take the time to set a plan and a budget.

I constructed my first home by hiring a contractor and the second by contracting out the home myself. There are benefits and drawbacks with both, but if I build again in the future I will definitely do my own contracting.

Whether you decide to hire a contractor or contract the construction of your home yourself, the first thing is to set a budget. Check out mortgage rates and get pre-approved.

Secondly, get a plan. Be sure that you understand the blue prints and that you know exactly what you are getting. If you are to make any changes to your plan during construction, this will cost you extra money; it is better to insure that everything you

require is in your blueprint. Your blueprint is your contract so be sure to have all the details right down to the bathtub style.

Next make your own materials list. This is another very important step to keep you on budget. One kitchen sink is not the same as another, everything from faucets, doorknobs, shingles, siding, sinks, toilets, light fixtures and flooring; know what you want before you build, there are literally hundreds of styles and prices to choose from. If you want a crystal chandelier, this of course may take up your entire lighting budget; hardwood flooring and ceramic will cost more both for the material and the installation labor. Preparing a materials list will save you time in the long run, you will be required to choose these items at some point during the construction of your home; it is better to have the details worked out before you start.

Get estimates. Bring your blueprints to several building supply stores to get an estimate on the cost of materials. Do this even if your are deciding to hire a contractor as this will provide you with budget material and let you know just how much the materials cost.

Never bring yourself to your budget limits. Most home construction can have cost overruns of 15% or more. If your home building budget is for \$150,000 you can almost be assured that your home will end up costing you close to \$175,000. This can be a big shock when all is said and done, so don't let it happen. Downscale your home to a very manageable budget, if you have \$150,000 to spend then budget for \$125,000. This will save you a ton of grief when it comes time to pay your bills.

A contract will not protect you from cost over-runs. Many times this is due to delays, change of building materials, unexpected site problems and misunderstandings between you and the contractor.

Now that you have your budget, your plan and all of the fine details worked out, you are ready to construct your home. The next step is to decide whether you will hire a contractor or contract the home yourself.

If you opt for hiring a contractor be sure to inspect their work first, speak to people who have had homes built by them. Be sure to get lots of opinions. Check out one of their homes that are under construction as well as speak with people who have been living in their homes for more than one year, see if the contractor was cooperative when fixing deficiencies after they have moved in.

Interview the contractor, give them the blueprint and your materials list, and make sure that they understand what it is that you are looking for. Be sure to check out several contractors before settling on one.

Do not always go for the cheapest quote. This was my biggest mistake when I hired a contractor; I had quotes ranging from \$299,000 down to \$129,000 for the same house. I went for the cheapest quote and soon realized - if it sounds too good to be true, it is.

When reviewing estimates, be sure to check the “allowances”, many contractors give “allowances” for materials such as light fixtures, kitchen cabinets, plumbing fixtures, flooring, excavating and the like. This can get you into a lot of trouble budget wise. If you have already made your materials list and you know what you want, make sure that the contractor quotes you the actual cost rather than an “allowance”. For example, many contractors give a lighting allowance of \$500 to \$700; this rarely covers the actual cost of lighting. This lighting “allowance” often has to include light bulbs and your range hood as well as the light fixtures. If you sign a contract with a \$500 lighting allowance and your lighting comes to a more realistic figure such as \$2000, then you owe the contractor an additional \$1500. The same applies to all “allowances” in the contract.

Hiring a contractor will save you a lot of organizing and planning, but does not mean that you can sit back and not be involved, there are still many decisions to be made and if you are not involved you may not get what you are expecting.

If you choose to do your own contracting and you stick to your budget you can expect to save a good bit of money. In my case about \$30,000. You will save up to 15% on building materials when doing your own contracting as well as the contractors fees. The other benefit I found with doing my own contracting is the one-one one with subcontractors. Often, when hiring a contractor, you do not get to discuss your ideas with the subcontractors; there are often miscommunications when information is relayed.

When you have individual contracts, you have the opportunity to discuss all the details to each worker involved in the construction of your home. There are fewer opportunities for mix-ups and I found that the quality of workmanship was better when I had control over which subcontractors I wanted to work on my home. A contractor is only as good as their subcontractors. If they have a shoddy flooring installer, for example, then you often can't decide to choose somebody else to do the work. If you do your own contracting however, you individually choose each sub contractor for the job that you want done.

There are disadvantages to being your own contractor. There is a lot of time involved. You may need to take holidays or have a partner help you. You will need to be extremely organized both with materials and subcontracts as well as with financing and bookkeeping. You can expect an early rise and a late night for at least four to five months. You will need to research the steps to take when building a home, and be prepared to order many materials well ahead of time or expect long delays.

Regardless, in my opinion the benefits of contracting my own home strongly outweighed the disadvantages. In the end I was lucky enough to have come in under budget due to a lot of preparation and the help of my husband and friends doing some of the labor. This is another way to save when contracting your own home, a weekend with friends and a few pizzas can get a lot of small projects done for a much lower price. I found that by doing my own contracting, not only did I save a lot of money (\$30,000 is not bad for 5 months work), but my home turned out much more closely to my expectations, and in the

end after a very busy and hectic five months there is something left to be said about a good job done – when you've done it yourself.

And finally, whether you decide to hire a contractor or contract out your home yourself, you must hire an independent building inspector. Also, be prepared for time delays.

Rarely does the project get completed on time; this can cause some major headaches as well as extra costs. Prepare yourself to spend some extra time in an apartment, or if you are selling a current home you may need to arrange storage for your furniture and alternative living arrangements, be sure to allow for at least one month, or even two.

Preparing for time delays in advance can save you a lot of hassle in the end.

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