

Understanding the **Real Cost** of Building your **DREAM HOME**

By: Sean Newton, National Sales Manager Stedone Homes

So, you want to know how much it's going to cost you to build that dream home on the piece of land that you have just taken transfer of? The reality is that, because of the way the system has always worked, it is extremely difficult for the lay person to make an upfront and proper informed assessment of the total cost of a proposed home development.

What follows below is an example of some of the challenges faced by potential home owners wanting to build their dream home and why building this dream home often turns into a nightmare and Stedone Homes' answers to either avoiding or overcoming these challenges...

It all starts at a dinner party, where my wife and I announce that we have put an offer in on the perfect site we, (after many frustrating months of looking and working with several estate agents) found on that gorgeous lifestyle estate up north that everyone has been talking about.

The Stedone Group of companies has an Estate Agency division that will assist in finding the perfect site to build a dream home on.

Our friends are delighted and we leave after quite a few bottles of wine and an invite to a braai the following weekend. At the following weekend's braai, I am introduced to a builder named Joe, who is actually now married to a girl I dated in high school. Joe has built countless houses around town and tells numerous stories of building homes for the rich and famous and how they go "overboard" with decadent, lavish finishes. By the end of the evening I am convinced that Joe the builder is a true master of his profession and I am left with no doubt in my mind that he is the one who will be building our dream home.

It must have been before my 3rd beer because I remember very clearly Joe handing me his card together with the statement: 'If I build your home, you won't pay more than R 6 000.00 per square metre boett!'



This statement is not a lie if looked at from a builder's perspective. The building process is just one component of developing a home. Stedone Homes' budget assessment show comprehensive costing involved in developing a home.

I now had it all worked out! My offer on the land was in at R 780 000.00 (No transfer duties because we bought directly from the developer).

Stedone Homes is a registered VAT vendor, which means that no transfer duties are payable when purchasing a Turnkey home development package from us.

I found a nifty little bond calculator on a banking website that told me I qualify for a bond of R3.3 Million. So now I know that at R 6 000.00 per square metre, our dream home is going to be quite big at around 450 square metres. I know that my wife likes slightly higher priced finishes, but I reckon I could squeeze Joe down a little on his price. That day, I'm off to the bank to meet with a Home Loan Consultant at the branch.

Stedone Homes works closely with a number of banks that understand our process, product and ethic. We also have a close alliance with a leading bond origination company who share our approach to customer service.

The Home Loan Consultant gives me a list of required documents and, after punching some of the numbers into his computer, he leans over and tells me that I will qualify for a bond of about R3,3 Million.... Like I didn't already know that! But then he tells me, that depending upon the outcome of the appraised value I might have to put down as much as a 40% deposit on the land because that is the maximum loan to value (LTV) ratio on vacant land that the bank will entertain at this point in time.

An appraised value or mortgage valuation pertains to the assessed value of property in the opinion of a qualified appraiser or valuer. It is usually used as a pre-qualification & risk-based pricing factor related to the issuance of mortgage loans by a financial institution.

Banks are reluctant to give more than a 60% loan on an undeveloped plot. This is partly due to the fact that a buyer ignorant to the real cost of developing his home will often not follow through with building once he realises the development is beyond his financial means. That is, of course if he doesn't find out too late and only once he has commenced building. This does not happen with a Stedone home, as you will be aware of the costs upfront and can henceforth make an informed decision to proceed before you are in deep and have already bought the plot.

At this stage, I am beginning to realise why I've been told that buying a completed home is much easier.

Banks view a Stedone Development Package purchase as a completed home and it is therefore treated as only one transaction or loan where a single bond is registered over a completed home. A Stedone Homes packaged product is similar to an 'off plan' purchase, only it is not limited to design, finishes etc. A bank that understands the Stedone Homes Packaged product will view it as a turnkey development and will often offer the client a 100% loan without the need for a deposit.

I decide to get one thing done at a time, so that night my wife and I fill in all the forms for the land finance application. What a pleasure, when everything sails through and we take transfer within 6 weeks of signing the offer.

Without a design, the bank cannot process the bond application. They did however give me an Approval In Principle (AIP) letter saying that upon certain conditions being met, they

will grant me a bond of R 2 950 000.00.

The Approval in Principle (AIP) is not a loan approval but merely a letter stating that should the client should meet certain criteria and conditions, the bank would consider granting the loan.

They will need a plan / design with specification detail together with a building quote. So the next step was to get our architectural design done.

Stedone Homes offers 'in house' architecture, but, while it certainly offers many financial and operations (such as meeting deadlines) benefits, clients are not restricted to the Stedone Homes' 'in house' architect. The company offers a Turnkey product where the entire development process is handled from A-Z, including council approval.

This process seemed to drag on forever while all the while, we were paying levies and rates on the vacant land, not to mention the bond.

Holding costs can escalate a developments total budget. If you are trying to save money by compromising on something that could possibly extend your anticipated occupancy date, don't do it! Stedone Homes provides a fixed package price which means that if the project runs longer for reasons within their control, they bear the cost. The quote: "Time is money" cannot ring truer when it comes to a home development and Stedone Homes put's their money where their mouth is with their fixed package price.

Our objective was to get everything done and move in as quickly as possible because we knew that while we build, we still needed to pay rent where we were living, as well as service the bond on the land and the interest on the building loan during the build.

If you are financing your home development you will need to factor in the interest payable on the loan during the build process. In the budget assessment consultation, we will show you upfront what this cost is likely to amount to. If you choose a full package where Stedone finances the land and the build, then this will form part of the total package cost. In this instance, you only start to service your loan repayments once Stedone hands over the home and you take occupation of the finished product.

Eventually after four and a half months we were very excited to have the finalised the sketch plan. It came out slightly bigger than 450 square metres, but it was really what we wanted. Fortunately as it so happens, I was offered a promotion at work which now meant we would qualify for a higher building loan and if that wasn't enough I was sure I could squeeze Joe down a few more Rands.

This will not happen with Stedone Homes, unless you want it to. The budget assessment we do, is very clear on the size specification and becomes the guideline for the development. The Architect is made very aware of your budget and cannot exceed it without very good reason and a full understanding by the client.

The next process really took a long time, which shattered any hopes of us moving in before Christmas. I will never be certain whose fault it really was, but our Architect claims that the Estates Design Review Committee kept rejecting our plans and that because they only convene once a month to scrutinise and / or pass plans, our approvals took just over 3 months to go through. This was before they even went in for council approval, which took a further 9 weeks before we finally got the site handover so that Joe could start to work his magic.

If you are building on an Estate, you will have to adhere to the specified Architectural language and guidelines. Each estate will have a Design Review Committee that is usually made up of several members, including but not limited to Architects, Homeowner committee members, and estate management. This group will meet periodically to approve, comment, reject and / or criticise all proposed buildings on the estate. Stedone Homes has a department dedicated to the pre implementation planning and design phases. This department works closely with the Estate management, Architecture, Council Planning, etc to ensure the smooth and efficient processing of documents

and queries through the relevant systems.

Site Handover can only occur once the plans have been approved by the relevant Councils Planning Department. Each Estate will have their own criteria for Site Handover to occur. Stedone Homes manages this through our Pre Implementation Planning Department, which also makes use of independent services that will walk the plan submissions process through at council which facilitates in speeding up the approval process by ensuring that plans are not lost, ignored or rejected for arbitrary reason.

By this stage (10 months on), we just wanted to get going and were so relieved when Joe introduced us to his site foreman named Jabulani who had been working for him for over 20 years. Joe explained to us that we were welcome to visit the site anytime, but should always just give him a few hours notice in case he was not there.

Well, the building process was a complete nightmare. We had so many bad experiences, which included injury on site, Joe not sticking to the approved building plans, frustrating meetings in the hot sun with Joe on site using his bakkie's bonnet as a desk, bad on site supervision and, believe it or not, Joe going on holiday during our building process etc. Etc.

When building with Stedone Homes, the process will definitely not be a nightmare. Stedone Homes invests significantly in on site safety protocols through the company's dedicated in house safety officers. With permanently appointed site managers, the progress of the building is continually monitored and assessed in relations to the working drawings. The company has an excellent track record, that also reflects 30 years of extensive experience in the industry.

Stedone Homes invites you to a consultation with one of our package specialists who will fully assess your requirements and provide you with, as part of our Turnkey services, a comprehensive and realistic budget assessment on the full package development costs specific to the estate or suburb you are wanting to build in.





HOMES
Leaders in quality. Leaders in choice.

CUSTOMER BUDGET ASSESSMENT

SUMMARY OF BUILDING COSTS

	SQ METRES	RATE	TOTALS
DWELLING AREAS	222.00	R 6,500.00	R 1,443,000.00
GARAGE AREAS	46.50	R 4,600.00	R 213,900.00
CARPOT AREAS	0.00	R 2,800.00	R 0.00
COVERED PATIO AREAS	52.00	R 2,800.00	R 145,600.00
OPEN PATIO AREAS	26.00	R 1,200.00	R 31,200.00
SERVICE YARD AREAS	25.00	R 1,200.00	R 30,000.00
INTERIOR FINISHES	320.50	R 750.00	R 240,375.00
EXTRA COSTS - (RET STRUC, DESIGN ELEMENTS, ETC)			R 105,203.75

STEDONE BUILD PRICE

R 2,209,278.75

EXTRA'S AND ADDITIONAL OPTIONS

R 0.00

TOTAL BUILD PRICE

R 2,209,278.75

TYPICAL BUILDERS PRICE / BUDGET METHODOLOGY

BUILDERS PRICE (EXCL FINISHES, EXTRA COSTS & FEE'S)

R 1,863,700.00

TOTAL SIZE OF BUILD

371.50

AVG SQ/M BUILD PRICE - SHELL (EXCL FINISHES & EXTRA'S)

R 5,016.69

**"I CAN BUILD YOUR HOME ON ABC ESTATE
FOR R 4,400.60 PER SQUARE!"**

BE SURE TO MAKE A PROPER COMPARISON AS THIS STATEMENT SELDOM
INCLUDES A REASONABLE LEVEL OF FIXTURES, FITTINGS, FINISHES
VAT, LANDSCAPING, DRIVEWAYS, PAVING, ARCHITECTURAL FEE'S AND
OTHER PROFESSIONAL FEE'S AS LAID OUT IN THE FOLLOWING SCHEDULE