



Study Report

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# Recommendations for first-time new-build housing clients

Matthew Curtis





1222 Moonshine Rd  
RD1, Porirua 5381  
Private Bag 50 908  
Porirua 5240  
New Zealand  
[branz.nz](http://branz.nz)



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## Preface

This report presents the findings of the BRANZ project QR0046 'What builders need to tell their first home buyers'. The project was in response to results from the New House Owners' Satisfaction Survey, which found that first-time new-build housing clients were scoring their builder significantly lower than those who had built previously. It aimed to find out from recent clients what information we should be passing on to first-time new-build clients to ensure a smoother building process.

## Acknowledgements

This work was funded by the Building Research Levy.

## Note

This report is intended for the new-build housing industry. In particular, builders and their sub-trades need to take note. Potential future new-build clients will also find the findings and commentary interesting.

# Recommendations for first-time new-build housing clients

## BRANZ Study Report SR356

### Author

Matthew Curtis

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### Abstract

This report presents the findings from our work looking into what the industry needs to be recommending to new-building housing clients, particularly those building for the first time.

The BRANZ New House Owners' Satisfaction Survey has shown that there is a significant difference as to how builders have been scored based on whether or not a client has built previously. This indicated that clients with building experience were taking learnings from their previous build and applying it to their current build. The aim of the project is to bridge the knowledge gap through developing and making available a list of recommendations from clients that had built previously for use by those who are building for the first time.

Results show that the areas where the industry most needs to improve are around additional and/or unforeseen costs, timeframes and contracts. Another common theme was around show homes – clients need to be aware that what is shown in the show home is not necessarily what will be delivered at handover.

### Keywords

New houses, builder performance, defects, designers, builder, contract, dispute costs, call backs, recommendations

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# 1. Executive summary

BRANZ investigated what common issues new-build housing clients had during their building process. Common issues were around:

- Additional unforeseen costs
- Not knowing timeframes/timeframes not being met
- Perceptions that contracts were unfair
- Quality of show home being greater than what the client was delivered.

We have used this information to produce a list of recommendations for new-build clients to go over with their builder before they sign a contract. These recommendations came from recent new-build clients and are based on their experience of the process. These recommendations are aimed to add to the MBIE prescribed checklist

Tracking our key metrics using the New House Owners' Satisfaction Survey is going to be important to ensure that the recommendations are making a difference. We recommend that this work is repeated in five years' time to update the list as new issues arise or if a pressing need becomes apparent.

## 2. Introduction

The BRANZ New House Owners' Satisfaction Survey (NHOSS) has been running since 2011. It has identified that first-time clients are rating their builder much lower than clients that had built a house previously. There were also differences between first-time clients who used the same builder. We are interested in better understanding why these differences exist, so builders can help their clients make better decisions.

Our research hypothesis was that first-time new-build housing clients do not have sufficient knowledge of the building industry to achieve optimal outcomes during the new-build process. This has a significant effect on builders as these clients are unlikely to speak favourably about their builder.

The NHOSS is run annually by BRANZ and asks new-build clients about the performance of their builder. The 2013 and 2014 reports showed that there was a statistically significant difference in the reported performance between two client categories that form the basis of this study. The two client categories are:

- First-time new-build housing clients (FTBs) – respondents who reported that this was the first new house that they have had built.
- Clients that have built a house previously (HBPs) – respondents who reported that they have had a new house built before.

This is not solely an issue for smaller independent builders. Our survey shows that it is just as much of an issue for large franchise builders (if not more so). There appears to be an issue of communication, particularly where neither side has complete information or the builder assumes that the client has a greater understanding of building than they actually do.

This study was initially going to focus on the following two questions:

- What do FTBs wish they had known before they entered the build process?
- What changes would FTBs and HBPs make to their new house now that they have lived in it for a while?

However, it became apparent when talking to recent new-build housing clients that they were generally happy about their house design and would be unlikely to make changes. They stated that, given they had spent a lot of time planning their house, they were happy with the finished product. Therefore, this project largely focussed on the first question – What do FTBs wish they had known before they entered the build process?

The first step was to organise two focus groups, one in Tauranga and the other in Wellington. This gave us a number of recommendations to take to a wider audience in an online survey. Finally, we used the results of the focus groups and online survey to form the basis of the final list of recommendations.

## 3. Summary of findings

### Additional cost

A common theme throughout the project was uncertainty around cost. In particular, there were concerns about the effect that variations (changes made after the contract had been signed) had on the final cost of the build. Attendees at our Wellington focus group thought that builders could charge whatever they wanted for variations because the client cannot go anywhere else once a commitment has been made.

Unforeseen costs were also a regular occurrence. Some focus group attendees had problems with the earthworks and water retention costs that they did not know about. Others were unaware that their section was not connected to services, or of the need to pay a development contribution. (A development contribution is collected by councils to pay for public infrastructure – stormwater systems, open space reserves and so on – that growth requires.)

### Timeframe

Another common theme centred on the building timeframe. Attendees at both focus groups complained about the builders' inability to commit to a completion date, particularly before the house had been closed in. Where timeframes had been given, they often were not met, and the attendees felt that they had no comeback. It was suggested that the builder and sub-trades should be more realistic on timeframes when they do offer them.

### Contract

Our full survey indicated that respondents were not happy with the current building contracts that they signed. They signalled that they were not happy with the current allocation of risk, and they felt that the contract was unfairly weighted towards the builder. In our Wellington focus group, it was suggested that the Ministry of Business, Innovation and Employment (MBIE) should have a standard contract to more fairly balance the rights of the client and builder.

The Wellington focus group attendees also felt that their builder did not try to upsell them. Instead, they wanted to get clients to sign the contract as soon as possible, and then charge for variations later.

### Show home

Attendees at both focus groups mentioned that clients need to be careful when looking at show homes. In Wellington they stated that the show home was not what they are buying. In Tauranga, they suggested that clients should not make a decision on which builder to use based on the show home alone. It was also suggested that clients need to be aware of any cases where their finished house may not match the show home, particularly in relation to fixtures, fittings and finishes.

## 4. Methodology

This section outlines the methodology of the research project. It describes the two focus groups, the online survey and the analysis. We then developed the list of recommendations based on this analysis.

### Focus group one: Wellington

Respondents to the NHOSS were asked to provide an email address if they were interested in being involved in further research. Those respondents who were located in the Wellington region were sent an email inviting them to attend a focus group with us. We provided potential attendees with an option of dates and times to allow for the maximum number of attendees (eight) to be present.

We then arranged for an independent facilitator to help with the discussion and keep everyone engaged and staying within the confines of this research project. The facilitator and attendees joined us at the James Cook Hotel in Wellington on 28 April 2015 at 6:30pm for a buffet dinner and discussion. We recorded the session so that we could be involved in the discussion rather than constantly taking notes and so we were able to have an accurate account of what had happened at the focus group.

### Focus group two: Tauranga

After the Wellington focus group, we started looking at a potential location for a second focus group based on the number of responses we had received from other major cities. It was determined that Christchurch would not be ideal as they had a large number of respondents who were forced to build rather than wanted to build. Therefore, we decided on Auckland.

We sent out invitations to attend a focus group in Auckland to every NHOSS respondent with a couple of possible venues and times. However, we were unable to organise enough people in Auckland in a short enough timeframe for it to work. Therefore, Tauranga was chosen as the best alternative due to the number of NHOSS respondents we had from the area.

We arranged for six attendees to meet with us at the Trinity Wharf Hotel on 11 May 2015 for dinner and discussion. This session was also recorded to provide us with the opportunity to facilitate the session and provide an accurate account of the focus group.

### Test survey

We were able to identify some key recommendations based on the summaries of the focus groups. These informed the recommendations for a survey to the wider new-build group. A short survey was designed using Survey Monkey to determine whether or not our proposed survey format would work.

The survey was tested internally within BRANZ to ensure that the questions made sense and the survey logic worked correctly. After the testers were happy with the survey, we sent the survey out to a small sample of 30 recipients. This was to check that the instructions that we provided were sufficient and that we had not missed any important recommendations.

### Full survey

Once we had analysed the results of the test survey, we needed to make minor adjustments to small number of questions. Overall, there were no major issues with the survey and we were able to quickly send it out to a wider sample group. We invited 443 NHOSS respondents to take the full survey. 246 responded, a 55.5% response rate.



### Survey analysis

Following the completion of the full survey, we needed to analyse the results to determine the most important recommendations. It was at this stage that we compared our recommendations to the MBIE prescribed checklist. The MBIE checklist must be given to clients under the Building Act 2004 before the client signs a contract if the work will cost \$30,000 or more (including GST) or the client requests it. Where our recommendations were deemed to be similar/the same as items on the MBIE checklist, they were not considered for our final list.

The highest-rated recommendations that were not covered elsewhere were then included in our list. The list of recommendations was ordered in a way that roughly follows the typical build process.

## 5. Focus groups

Two focus groups were held. The first was in Wellington and a second in Tauranga. They were designed to enable us to determine common themes for a wider survey. A detailed summary of the focus groups is provided. The attendees remain anonymous, but their concerns are detailed. The views expressed are those of the attendees only (and are not necessarily held by BRANZ). In some cases, attendee views are known to be technically inaccurate. However, these focus groups were intended to highlight how attendees view the building experience.

Under each topic, we have recommendations that the attendees suggested (these can be seen in the appendix). The majority of these are for the client. However, there are several that relate to the builder, local council or MBIE.

After the recommendations, the detail of what was discussed under each heading is summarised.

### 5.1 Wellington

The Wellington focus group was held at the James Cook Hotel on 28 April 2015. Eight attendees were present at the focus group as well as an independent facilitator.

All of our attendees were FTBs. There were a mix of clients who used group and independent builders. They were from different councils. Satisfaction levels varied across the group.

Even the most satisfied attendees (according to the NHOSS) had a number of negative comments.

#### 5.1.1 Wellington focus group summary

Attendees felt that often new house build clients relied too much on their builder. Membership of an industry association such as Registered Master Builders Association (RMBA) or Certified Builders Association New Zealand (CBANZ) was seen as providing the client with protection. The attendees felt that this offered a false sense of security to FTBs who thought that this indicated that their builder was adequately qualified to build their home.

One attendee said that they thought they had found out that “anyone can join the RMBA”<sup>1</sup>. There was no need to be a builder or to prove any quality/skills to join this association. The attendee suggested that they were just very lucky to have found an excellent builder who did a great job for them.

This attendee felt that the council offered them cover in the event that something went wrong with their house/builder. They commented that, should their builder have gone bust, “at least” they could go after the council. Having read the Master Builder Warranty, they felt that it was written so that RMBA would never have to actually pay should something go wrong.

It was suggested that a client does not know a builder until they use them. Until then, the client is going on hearsay and/or the initial encounter with the salesperson who was brilliant

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<sup>1</sup> This is a quote, but it is inaccurate.

at selling the building company. Once the client gets beyond the salesperson, however, the experience changes for the worse.

One attendee opted to use a large building company because they felt that the size of the firm indicated they would have had a reasonable track record. This would mean that the company would not go bankrupt and that the quality would be of a sufficient standard. Further to this, the point was made that if they dealt with a big company and something were to go wrong, they would be able to sue the company. They thought this may not have been possible if they had used a sole-trader or a small builder.

It was stated that given our attendees were building their dream home, they were willing to put up with a bit more than they would from other sectors of the service industry. An attendee working in another sector stated that they would not be able to get away with treating their customers the way that they were treated by their builder.

### What FTBs wish they had known

#### Banking and finance

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The attendees recommended:

- New-build clients should be aware of additional costs they could or would incur. Development contributions, for example, may need to be paid.
  - Clients should research what additional costs may need to be paid.
  - Clients should only pay for work once it has been completed.
- 

The need to pay a development contribution (DC) came as a complete surprise to two attendees. It was not mentioned by their builders, the city council, or anyone else before them being told it must be paid before the council would issue a building consent. This was concerning for the attendees as they needed to know about this cost in budgeting for their new house and they were committed by the time that they found out. They did not know to look for it as they were unaware that development contributions existed. Another attendee received a letter informing them that given they had applied for their building consent, they were liable to pay a DC. The letter did not state when the DC would need to be paid.

Attendees also found that when they managed to get the price reduced on one thing, the price of something else went up. The whole way through the process they felt that it was a compromise between what they wanted, what the builder was prepared to give, and what the council was prepared to allow. In the end, they were just grateful that they got a liveable house.

Another attendee noted that they had to do a lot of research before they signed the contract with their builder. If they had not done this research, they would have been really "stung" afterwards. Clarity around "these are the costs that you can expect to pay" was felt to be missing. The attendee did not feel that the salesperson had the knowledge to indicate where additional costs were likely to come up.

The attendees largely understood the payment process and the progress payment system. However, one attendee noted that they were being invoiced for work that had not been completed yet. This was early in the construction process and the attendee told their builder that they would not be paying for work that had not yet been carried out. The builder did not invoice before work was completed after the conversation.

On a similar note, another attendee was assured by their builder that their contract was a standard contract<sup>2</sup>. The attendee now feels that this was a big mistake as they trusted their builder. However, they later learned that they were paying their builder in advance of the work being completed (or even being started).

Given that it is desirable to know all of the costs upfront before starting, attendees were asked "Whose responsibility is it to tell you what the totality of the costs are?". One view was that it depends on the source of the cost. For example, when you lodge your building consent, there should be a schedule of costs that you can expect to pay for the building consent, DCs etc. The builder should be able to detail all of the costs of the build. Attendees did not think that the builder was the best person to compile the complete set of costs that you were likely to incur. This was because some of the additional costs were out of the builder's control.

However, another attendee felt that it was the responsibility of the builder to identify all expected cost categories. The builder is likely to have built houses before whereas FTBs in particular have never built a house before. Therefore, it was felt that the builder must know what the hidden costs are and should be upfront with FTBs.

Another view was that the builders are just after as much money for your home as possible. Therefore, they were not going to be upfront about items such as engineering costs and foundation works. Attendees did not think that clients should be relying on the builders and instead suggested that there is a role for the council in informing the clients of costs.

## Variations

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The attendees recommended:

- Clients spend as much time as possible upfront planning the house to minimise the number of variations after the contract is signed.
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Variations came from both the builder's side and the client's side. One attendee felt that some variations were genuine, such as items that they had not thought about during the planning stage and later wanted. Others were items that the builder had forgotten to include and had later charged the client for without asking the client first.

Another attendee felt that the business model for builders in New Zealand was to tie the client into a contract, selling the client into the most basic house they possibly could. Once the contract was signed, they could then charge for variations based on what many clients may reasonably expect to have been included in the original contract. This attendee spent a lot of time upfront tying everything down before signing the contract to minimise the number of variations after the contract was signed. They stated that to tie everything down was painful and they were fortunate that they knew a little bit about the building industry.

A final point was made by another attendee that they were offered three different "grades" of specifications for their house. They opted for the highest spec that was available from their builder. However, they found out that they were getting some fixtures that were of lower quality than they were expecting. Upon approaching their builder, they were told that someone (on the builder's end) must have made an error. They still received a bill for the variation for upgrading the fixtures from their builder despite the builder acknowledging the mistake.

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<sup>2</sup> It was later found to not be the standard contract

## Completion date

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The attendees recommended:

- Clients should not rely on their builder's relationship with the council.
  - Councils need a more standardised approach to consenting/inspections.
  - Clients should visit their site regularly to ensure everything is on track.
- 

When the topic of completion dates was brought up by the facilitator, the instant response from one attendee was that it was "impossible" for the builder to give a completion date. Another stated that they were given a completion date of "before Christmas" as long as they signed the contract quickly. This promised completion date did not eventuate.

A third attendee stated that they were not given an exact completion date but were told how long the build would take. The build did take that long, but the city council took two-to-three times as long as anticipated to issue a consent for the build. They thought that having gone with a bigger company, the builder would have smoothed the way through the city council for the client as the builder dealt with the council all the time.

However, they felt that their builder "stuffed up" constantly and the council contacted the attendee with threats of legal action because of something the builder had missed. In hindsight, they had put far too much trust in their builder's relationship with the city council and believing the builder would know their way through the system.

One of the other attendees queried whether their builder had followed up with the council. The attendee had found out from the council that delays were being caused by their builder who had not submitted something that they had needed to. Another attendee commented that the builders appeared to be unwilling to risk upsetting the council as they were worried about the building inspector. They were also not familiar with all of the councils that they worked with. It was felt that councils needed a more standardised approach.

Attendees commented that builders would tell the client how long they thought things were going to take. However, this often blew out massively, and the clients had no comeback.

One attendee felt that they had had to go to site regularly to make sure everything was on track. If they had not, they felt mistakes by subcontractors would have gone unnoticed or would have been covered up. In addition, given that their builder had been actively building another couple of houses at the same time, they saw the timings slip, and things would be late by two-to-three weeks.

Another attendee was renting while their new house was being built. They asked their builder for a completion date so that they could give notice to their landlord. Fortunately, they had anticipated that the build would take a bit longer than the completion date.

However, even though they had given their landlord a date two weeks later than the date they were told by their builder, the house still was not complete. Despite multiple attempts to get in touch with their builder, they were unable to ascertain a completion date.

They were advised to get in touch with the council to see when the code compliance inspection was booked in for. The council told them that there was no code compliance inspection booked for their build and there was a 20-day wait.

## Pricing and Inclusions

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The attendees recommended:

- Clients should ensure that what has been included meets their needs.
  - Clients should only sign their contract once everything has been decided and agreed.
  - Clients should be aware that extras and variations can reach about 10–20% of the contract price.
- 

It was stated that what was typically included in a price for a new-build was the absolute bare minimum. For example, it was common for there to be a single light in the living room, which would not be acceptable for most people. It was felt that what builders were selling did not meet actual requirements. If they had have gone with what builders were offering, they felt it would not have passed council inspections.

Another attendee stated that their plan had an electrical layout in the consented documents. However, the electrician then met with the attendee to discuss what they wanted. They were then charged for a variation. A similar complaint was that in the master bedroom there was a single hot-point in the middle of the wall rather than a minimum of two hot-points either side of the bed.

It was stated that, after signing the contract, attendees felt they had limited options. If they wanted to make changes, they could either be charged for the variation, or they could pay someone else to do the work after the house was completed. However, in the case of electrical work, for example, the cost for additional wiring and drilling into plasterboard and so on was relatively costly. Attendees felt that the building company could charge what they thought was an excessive amount as the alternative was even more expensive.

One attendee stated that after they signed the contract, their builder would not give them the building plans. They also did not sign off on an electrical plan and were charged a \$5,000 variation on electrical work. They felt that at the time of signing the contract, they should have been signing off on the full plan (including an electrical plan). This would then have been given to the council, and the council would have had it on record.

Another attendee stated that they were not allowed to agree on their kitchen specifications, plumbing or have a colour consultation until after signing the contract. It was felt that this was entirely to get them to the point where builders had them committed at a much lower price than they would eventually end up paying.

One attendee said that the contract gave them a good idea of what IS included. However, it gave them no idea about the list of what IS NOT included. Unless a client had detailed knowledge about what was needed, it was likely that they could be caught out requiring something that was not catered for in the contract. For example, one attendee learned that their driveway was not included in their contract and had to quickly organise someone to pour their driveway in order to get sign-off from council.

A final point on this topic was that it was not always apparent from the plans what issues would arise. It became obvious once the house was complete that there were further needs such as provisions for access or other site-specific work required.

The additional cost over and above the contract price paid for extras and variations was about 10–20% according to the majority of attendees.

## Services connections

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The attendees recommended:

- Clients should be aware that many utility providers hold a monopoly position and therefore may charge excessive prices.
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One attendee stated that they thought that their gas supply was included. However, they were told by their builder that they needed to arrange a gas supplier themselves. Another attendee was building on a new subdivision so had to arrange their energy supplier. Their builder let them know when it needed to be arranged and the attendee felt that it was not a hassle.

Some attendees felt that many utility providers were able to take advantage of their monopoly position. Therefore, they were able to charge excessive prices for relatively simple work.

## Defects

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The attendees recommended:

- Clients should email their builder as defects are found as this provides a documented trail.
  - Builders need to ensure they have proper document control processes in place.
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One attendee mentioned that they had identified several defects and that they would email their builder as the defects were found. They felt that email was the best way to deal with their builder so that they had a documented trail. If nothing happened, they would resend the email, and then resend it again. However, they also felt that there were a number of defects that they were just going to have to live with. This attendee was nervous about the lack of care that was taken in finishing in places that could be seen. They had assumed that the builder would surely be careful with what the client would be looking at regularly. If this was the care that was taken in the easily viewed areas, the implication for what was behind the plasterboard was concerning, in their view.

Another attendee provided a list of defects to their builder before they moved into their house. However, nothing happened for approximately 89 days. They then received a letter from their builder stating that they were nearing the end of their 90-days. They were asked to send through a list of issues that needed to be resolved despite having already done so.

A comment was made that big problems come about through the subcontractor model. Some attendees thought that the person they were talking to during the signing process was going to be building their house. However, they found out that the building company, after getting the best price possible out of the client, went and used the "cheapest labourer" to do the work. This led to there being unsatisfactory workmanship and little care taken.

Another issue that an attendee had with their finished house was that plans were not updated as they moved from first draft to final plans. Changes had to be made to the plan due to the section. However, the changed plan was not given to the builder, and therefore workarounds had to be developed. Another attendee stated that they had a similar issue. They both questioned whether or not builders had processes in place to monitor version control. If they did, it appears that they are either not updating them often enough, or are not giving updated plans to those who need them.

## Legal advice

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The attendees recommended:

- Clients should obtain legal advice before signing a contract with their builder.
  - MBIE should have a standard contract which balances the rights of the client and builder.
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Attendees felt that it was very difficult to hold the builder, subcontractors or council accountable. Standard contracts were weighted heavily in favour of the builder. One attendee had been to see construction lawyers, all of whom said that construction law is extremely flawed for the client.

Several attendees refused the standard contract and used their own contract. They explained to their builder that they would only use them if they could use their own contract. This was because the standard contract did not require a Code Compliance Certificate (CCC). The contract that was eventually used contained a substantial payment that was withheld until the CCC was issued. However, most other attendees stated that the standard contract offered by their builder did include this payment upon the CCC being issued.

Several attendees felt that involvement of lawyers was necessary. However, they recognised that lawyers, in themselves, were not sufficient to protect them. This was because they felt not many lawyers appeared to have a firm grasp on contract law and the Building Act, and they could not provide complete information to new-build clients.

A solution offered was that MBIE should have a standard contract which fairly balances the rights of the client and builder.

## What FTBs regret

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The attendees recommended:

- Clients should check the details of their plans carefully and do not assume that something has been included.
  - Clients should consider thermally-broken windows if their budget allows.
  - Clients should not assume that what they see in the show home is what they are going to get.
  - Builders should ensure they have information on the products that they will be using.
  - Builders should ensure that the thermal envelope in the house does not have any breaks. A hollow-core door should not separate the insulated house from an uninsulated garage.
- 

The second section of the focus group related to what changes FTBs would like to make to their house now that they have lived in it for a while.

Attendees suggested that given the amount of time that they spent planning their new home, they were likely to be happy with room sizes and flow. These were the particular areas that people were likely to spend most of their time on when designing their house. Therefore, as long as the builder built to the plan, they were likely to be happy with the result.

One attendee stated that they expected there to be doors between the main entrance hallway and the main living area. However, there were no doors on the plan and they had not noticed. Therefore, there was no barrier to keep sound and heat from getting out of this area.

One attendee stated that despite building a low spec house, they would have liked to have paid a bit more to get thermally-broken aluminium windows. Another attendee stated that they did get thermally-broken aluminium windows and they feel that it was worth the money.

The general feeling of the focus groups was that the builders did not try to upsell their clients. They tended to get clients signed up with a relatively low-spec house and then when the client felt that something could be improved, they would charge for variations. It was felt that builders could charge whatever they wanted for variations because clients could not go anywhere else.

One attendee felt that they had assumed that they were going to get a higher quality home than was offered in reality. They had gone to quite a few show homes from the building company. However, the plumbing fixtures, for example, were of much lower quality than had been installed in the show homes. The builder stated that the plumbing merchants put their high quality fixtures in the show homes at no extra cost to the builders. Having bought the top spec offered by their builder, they had assumed that the quality of fixtures would have been at least the same as the show home. They had learned the hard way that the show home was not what they were buying.

It was also felt that the builders did not have enough information about some of the products that they were using. It was suggested that perhaps this was a problem of suppliers not providing sufficient guidance on suitability of certain products for certain areas. Alternatively, builders may have been using the cheapest option that would get the job done despite it perhaps not being the most suitable.

One attendee installed recessed LED downlights. Upon entering the roof space after moving in, they found that their downlight installer had moved all of the insulation and not placed it back into the correct position.

Another issue was around how well insulated the house was. One attendee had a hollow-core door separating the house and the attached garage. The garage was uninsulated, so the heat was escaping out the door and through the uninsulated garage.

Another attendee wished that they had insulated the garage so that the space was more usable.

### What FTBs would say about choosing a builder

The final question related to what attendees would tell others about how to choose a builder. One attendee commented was that you have to go in with your eyes open. In particular, they suggested that you need to ask to be shown everything that is going to be used in your build so you knew exactly what was being installed. This includes fixtures, fittings, windows and so on.

It was also suggested that clients ask to be shown houses that the actual builder had built recently. Therefore, clients could look at their standard of workmanship and perhaps have a better idea of what was going to be presented at handover.

One attendee stated that they would choose a highly recommended builder. They would also ask to see the last ten or so houses that the builder had built.

Another attendee stated that if they were a good builder, they would have no problem handing over twenty references. The attendee recommended spending time going through

the references. It was also possible to access files on your build at the council, and the attendee felt that you should keep up to date with the work through the council.

Another attendee stated that they thought the industry is fundamentally flawed. They felt that you have to go in with your eyes open if you are looking to build a house.

A final comment was that the industry could not deliver a good, high-spec home. Therefore, this attendee felt that there was no way that they could build their dream house in New Zealand.

## 5.2 Tauranga

The Tauranga focus group was held at the Trinity Wharf Hotel on 11 May 2015. Six attendees were present at the focus group, which was facilitated by BRANZ staff.

All of the attendees were HBPs. As with the Wellington focus group, there was a mix of types of clients who attended, with some using independent builders and some using group builders. Satisfaction levels varied across the group.

### 5.2.1 Tauranga focus group summary

*What do you wish you had known*

#### **Banking and finance**

All of the attendees were able to finance their build through their personal cash reserves. Therefore, for their most recent build, there was no need to speak to banks to work out how they were going to finance their build.

The attendees stated that on previous builds, they had each approached just one bank for their mortgage. The bank would pay the necessary amount to the clients' bank account and the client would pay their builder.

#### **Timing and completion date**

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The attendees recommended:

- Builders and subcontractors should be honest and realistic with the timing and completion dates.
- 

One attendee stated that it was things inside the house that held up their completion date. As an example, the wrong floor covering was used. The supplier had packaged the material incorrectly and therefore the wrong material was delivered to site. This had delayed completion by about a week.

Another attendee stated that their builder was unwilling to offer or commit to a completion date until after the house had been completely closed in. They were offered an approximate completion date in the interim. This date proved to be inaccurate.

Another attendee stated that their builder had given them a two week window for their completion date. The house was completed within the timeframe they were given and they moved in towards the end of the period. They were told that until the subbies had been in and they had all been available in the right order a date could not be confirmed. However, there were no issues with subbies and therefore the house was completed when expected.

One of the attendees project-managed the build themselves. Therefore, they had only one issue with the timing. They did not know any kitchen installers in the region and feel that they chose badly. The installation was late by about five weeks. In the end, the installer was replaced. The attendee was given a price by another installer for the kitchen to be fixed to their standard, which they accepted.

This attendee had typically project-managed their previous builds. They stated that on a previous build, they paid their builder an additional 1% to manage the day-to-day running of the build. This was so that the attendee did not have to be going off his job to pick up items that the builder required. This attendee felt that this worked perfectly for their needs. Another attendee stated that they had a similar arrangement on their previous build, where they paid their builder an additional \$1,000 for the day-to-day running of the build.

Another attendee was not in New Zealand for their first build. They stated that they went well over budget on their previous build. There were problems with the earthworks and water retention that they did not know about. They wish that they had known a confirmed completion date at the beginning of their build. They had planned and purchased plane tickets to fly to New Zealand for the date they had been told the house would be finished. The builder went well over this completion date and the attendee had to find alternative accommodation until the house was completed.

One attendee stated that they felt there would always be difficulties with completion dates. They felt that to coordinate the sub-trades was a big job and the sub-trades let the builder down often. The attendee wanted the sub-trades and builder to simply tell them the truth and be more realistic with the timing and completion dates.

Another issue raised by an attendee was that one of their sub-trades had to be changed midway through the build. The cladding installer that the builder had typically used was now operating without a team and would therefore take longer to install the cladding. The builder opted to choose a different installer who could get the job done in a shorter amount of time. There was then an issue with the cladding materials being damaged during delivery and needing to be replaced. Both caused delays in the build, but both were difficult to foresee. The builder kept the attendee informed of these issues and the attendee felt that the builder probably worked during the weekends to catch up.

There was also an issue around getting a building consent. One attendee wished that they had known that it would take ten weeks (in Tauranga) to get a building consent. They felt that this was ridiculous and caused the planning around subcontractors to be blown out.

## **Contract and legal requirements**

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The attendees recommended:

- Clients should have several conversations with their builder and designer before signing the contract to ensure the quoted amount is realistic.
  - Clients should get legal advice before signing the contract.
  - Clients should get an engineering report before starting to build, particularly if the site is close to a bank or stream.
  - Builders should minimise the number of prime cost (PC) sums that they include in contracts to those that are absolutely necessary.
- 

One attendee project-managed their own build and had a labour-only contract with their builder. Each sub-contractor quoted for the work individually.

Another attendee felt that their contract was quite good. The builder dealt with all of the sub-contractors. The contract had PC sums, which the attendee was unhappy about given the experience of the first build. (A prime cost (PC) sum reflects a material allowance that is made where the material is not specified. Typical examples are finishes, tiles, taps and light fittings. In the price expressed as a PC sum, the builder allows a reasonably-accepted average cost for an item based on experience. If the actual cost comes in above what has been allowed for, the client pays the increased cost.)

They felt that it meant that their builder was unwilling to put in the work to better understand the client's needs before writing up the contract. The attendee stated that given they were new to the experience and made a number of changes during the process, they were unprepared for the additional cost. Every time they wanted to make even minor changes, it was a variation and they were charged for it. They felt that it was a mistake to be making decisions via email rather than in person. However, on the most recent build, the builder was quite realistic and most of the PC sums ended up being on target. They also made changes during the building process but were not charged for variations. The attendee felt that the contract was complete and easy to read so there were no surprises.

Another attendee said that they had about five or six PC sums. They were aware that they would go over on some and they would stick to others. They knew what they wanted from the builder's show home and had some good interviews with the builder and designer beforehand. Therefore, the quoted amount was for what they wanted and a realistic amount.

One of the attendees sought legal advice on their contract. The lawyer highlighted several sections of the contract and made sure that the attendee understood the implications. There were a couple of points that the lawyer recommended the builder needed to have a look at (which were not discussed during the focus group). However, the attendee talked it through with the builder and it was agreed that it was suitable.

Another attendee suggested that they felt it was a good idea to get an engineering report before you start to build, particularly if the site is close to a bank. The attendee was close to a stream on a previous build and needed additional engineering that they had not accounted for. The architect and builder ended up paying the additional cost as the architect should have worked it out when everything was drawn up.

### **Pricing and inclusions**

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The attendees recommended:

- Clients should talk to friends and/or family before choosing their builder.
  - Clients should visit previous houses that their builder has built recently.
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One attendee stated that what they had seen in the show home was what was delivered upon handover. One attendee stated that they were told that everything that was quoted for was what they had seen in the show home.

Another attendee on their previous build visited a couple of the builder's earlier builds to have a look at them without their builder present. The builder that they used on their most recent build had done some other building work for them previously. The attendee also knew people who their builder had built new houses for previously so they had a fair idea of what they would be getting. The attendee had also visited the builder's show home which was representative of what they received.

The attendee had several meetings with their builder before signing the contract. This helped to ensure that there were no surprises.

All of the attendees received quite detailed recommendations or referrals from friends and/or family before choosing their builder. They had gone and seen previous houses that the builder had built and this was deemed essential by the attendees. One attendee stated that you cannot make a decision based on a show home alone.

The attendees stated that they stayed relatively close to their contract price. One attendee said that they were within about 2%. Another had some material misquoted. The material that was delivered was only about half of what was required. If they had known the actual cost, they may have opted for a different material.

### **Services and connections**

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The attendees recommended:

- Clients should check that all services are at the section boundary before buying the section. If not, try to find out the cost of bringing services to the boundary before buying the section.
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One of the attendees stated that they were under the assumption that when purchasing any section, all services were to the section boundary. Once the electrician got onsite, they realised that there was no power, phone or television cable to the site – services were three or four sections down the road. The attendee had to pay to bring these services to their section to even start the job. The attendee felt that this was poor from the development company. The attendee stated that it is important to be aware of whether or not the services are available at your section.

Another attendee had issues with power/lines companies. They were putting in solar panels which required a different meter to be installed. However, the lines company would only install their standard meter box and then their power company had to swap the meter at a later time. The attendee felt that there was a communication breakdown between the two businesses, and they were charged for the changeover of the two meters.

Another attendee gave their phone provider plenty of notice about the location of their new section and was told that there was no problem. However, two or three days before they were due to move in they were informed that the phone provider could not service their section.

### **Your builder**

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The attendees recommended:

- Clients should be in the area during the build process. Do not be an absentee client.
  - Clients and builders should have fortnightly meetings onsite.
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One attendee was very happy with their most recent builder. However, on their previous build, they felt that there were too many people dealing with the same issues and the issues were never resolved. Before they signed the contract, there was almost daily contact and the building company could not do enough to get things going. Then as building progressed, updates became less and less regular. In the end, the attendee had to do all of the chasing and asking of questions. The attendee suggested it was important to be in the area to oversee the build. They felt it was important to be on site to ensure progress was being made and being able to amend errors along the way. The attendee had weekly meetings

onsite. However, they felt that this was probably too regular. They suggested that fortnightly would have been the right amount. The regular meetings allowed the attendee to confirm things that the attendee was not sure about and ask questions. They felt that it kept everything on target.

Another attendee felt that they would have benefited from having a few more onsite meetings once the build was up and running. They felt that once a fortnight was about right. The attendee would ask their builder what decisions needed to be made each month. Their builder would tell them that there was nothing that needed to be decided. Then, two days later, the builder would be asking them to make decisions.

Another attendee wished that they had known that their builder was a poor finisher. The house that they viewed before signing the contract with the builder was fine. However, the quality of the finish of his new house was poor. The attendee suggested that perhaps they needed to look at more than one house to get a better idea of the builder's finishing. The attendee also noted that some of the poor finishing should have been picked up by the council during inspections.

### **Defects**

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The attendees recommended:

- Clients should expect some defects.
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One attendee felt that there was a breakdown in communication between the builder and subcontractors. This meant that an incorrect material was used during landscaping. It was an expensive mistake by the building company and they offered inducements such as the rest of the landscaping being done for free. However, the attendee wanted the mistake rectified which was done at the expense of the building company.

Another attendee stated that they had no dramas with getting their builder back to repair defects. They had recently called the builder back to repair an issue that had recently come up and had no problem getting the builder back, even nine months after the house was completed. The attendee suggested that all new-build clients should expect some defects.

### **After move-in service**

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The attendees recommended:

- Representatives of the equipment manufacturers/installers visit the clients after move-in.
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One attendee expressed concern about the lack of documentation about certain equipment that had been installed in their house. The builder had suggested they look online for user manuals. This attendee would have liked representatives of the equipment manufacturers/installers to have visited them after they moved in to explain how to use the equipment.

### **The handover process**

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The attendees recommended:

- Clients hold back a retention payment until defects have been fixed and the CCC has been issued.
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One attendee stated that they moved in before gaining their CCC. The attendee thought that they were living in their house for about six months before the CCC was issued. The attendee had to contact the council to follow up on when their CCC would be issued, and felt that if they had not inquired, they may not have received their CCC. Another attendee stated that they had a similar experience, although their CCC arrived three months after moving in.

One attendee said that their contract stated that final payment was due five days before handover. Therefore, they had paid everything before stepping foot inside their home. Another attendee stated that they were told by their builder to hold back a sum of money "just in case". Two or three weeks later, the attendee paid the builder the remainder of the money owed. The attendee suggested that it is wise to hold something back given that defects are likely as it puts the client in a good position to get their builder back if/when needed.

### What HBPs regret

#### Design and use of space

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The attendees recommended:

- Clients should consider the advice given by the designer. The designer knows what works and what is common in houses built recently.
  - Clients should consider having at least a double garage.
  - Clients should measure up all of their major pieces of furniture to ensure everything fits into the new space.
  - Builders should offer the option of a higher stud.
- 

One attendee stated that they had decided to build a separate laundry room. Now that they have lived in their house, they feel like it is a waste of space. Their designer advised them not to have a separate laundry room, stating that it is now common to have the laundry hidden away in the garage. However, the attendee went against the advice of the designer.

This attendee was also one of the first to build in their subdivision. They designed and built their house on the assumption that no-one would build a double-storey house. However, their neighbour built a double-storey house and therefore some of the attendee's views were taken away. If the attendee had known this, then they would have changed their design a bit.

Another attendee opted for a single garage. They now feel that a single garage is far too small as it is very hard to walk around a car in a single garage. It has meant that they had to pull their car out every morning and leave it outside. Then, in the evening, they move the car back inside the garage. The attendee would recommend having at least a double garage.

The attendee also felt that the builder should provide the option of a higher stud. The attendee felt that it made a huge difference to how occupants feel in the house and was worth the additional cost.

It was suggested by another attendee that you also need to make sure that the doors and windows are higher as well.

Another idea brought up by an attendee was that during a previous build, their designer had come and measured up all of their big pieces of furniture. The attendee felt that it was very important as it helped ensure that everything would fit into their new house.

## Financing, budgeting and ongoing costs

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The attendees recommended:

- Clients should ensure they have enough money left over for landscaping.
  - Clients should have 1–2% of the contract price in reserve.
  - Clients should have an idea of what items they will forgo should money get tight.
- 

One attendee suggested that, particularly for FTBs, it was important to make sure that you have enough money left over for landscaping and other work later in the build. If you don't, you are not going to be able to get it finished. They also suggested that those building houses need money spare for anything unexpected. The attendee suggested that you should have 1–2% of the contract price in reserve (over and above a contingency budget) just in case you go over budget.

An additional point was made by another attendee that it is good to have an idea of what you could forgo if the budget gets tight. This attendee suggested that this would likely be items that were easily retrofitted (such as wallpaper). Things that cannot be done later should take precedence.

## Choice of materials/finishing

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The attendees recommended:

- Clients should request plasterboard with rounded corners as this prevents corners from being accidentally dented or scraped.
  - Clients should ask around about any material that they are unsure of.
  - Clients should consider wider doorways as this will ensure the house will meet their requirements even if their circumstances change.
  - Clients should consider cavity sliders rather than standard doors, particularly if space is at a premium.
  - Clients should visit as many show homes as possible.
  - Clients should not be afraid to ask their builder whether or not they offer items seen in the show home.
- 

One attendee wished that they had used clay brick and cedar weatherboards to clad their house. They had a personal preference towards the visual appeal of these cladding types rather than what had been used. Another attendee wished that they had a couple more gables for added street appeal.

The attendee also wished that they had used plasterboard with rounded corners rather than square corners. The attendee felt that rounded corners are far superior. This would have prevented the corners from being accidentally dented or scraped as people walked through carrying things.

Another attendee suggested that if you have not heard about a material that is being used, ask around about it. They suggested you should ask someone who had it installed a couple of years ago so that you can see how it has handled the local conditions.

One attendee had wider doorways and doors in their new house. This was to allow for wheelchairs or any other requirements if their circumstances change. The attendee suggested that it was important to think long-term when making decisions about your house.

Another attendee suggested using cavity sliders rather than standard doors. This provided more space to move around in doorways and made the house feel slightly larger. They stated that it cost more, but felt it was well worth it.

One attendee suggested that new-build clients should visit as many show homes as possible because it helped to understand what the new materials are. Another attendee stated that a lot of the things in show homes were not paid for by the builder. Clients should not be afraid to ask the builder if what you are seeing in the show home is what you will be getting. Another attendee used a builder that had two show homes. One was high-spec and the other was low-spec. The attendee found this very useful to compare. They felt that most show homes were the pride and joy of the builder, which gives the expectation that what a client sees in the show home is what they are going to get.

### **Sustainability features**

One attendee suggested that local builders did not have sufficient knowledge about the latest sustainability features. The attendee also commented that you need to get the council on-board with this.

Another attendee stated that if they could have afforded to put solar hot water heating in, they would have liked to. However, their builder told them that the system would take 15–20 years to pay for itself.

## 6. Regulatory changes

A number of regulatory changes have come into force since some of our attendees started the build process. In November 2013, the Building Amendment Act 2013 was passed by Parliament. The changes came into force on different dates, with key consumer protection measures applying from 1 January 2015<sup>3</sup>. These changes help to avoid some of the issues encountered by new clients who have taken part in this project.

In our analysis, the areas where the regulatory changes appear to have made the biggest impact seem to be in the area of helping choose a competent builder, contracts and defects. However, our work suggests that these changes have not gone far enough, and clients would like to receive further protection, particularly regarding contracts and hidden costs.

Other areas, such as suggestions around PC sums and variations, are not adequately covered, given how highly our survey respondents rated these issues. The MBIE document Building or Renovating? Do Your Home Work<sup>4</sup> defines PC sums. However, it does not provide many suggestions other than "Ask the contractor to confirm that the amount quoted will be adequate for the quality of goods you are expecting". Our focus groups and survey respondents seemed to feel it was better to avoid PC sums if possible. If not, it was best to assess the likely cost independently.

Where the MBIE document mentions variations, it is largely referring to the contract implications of the variations. It does not mention the potential impact that variations can have on the timeline and cost. Our focus groups and survey respondents suggested that it was best to avoid variations wherever possible through careful planning upfront.

The following sub-sections go into more detail on the regulatory changes and how they deal with our recommendations.

### 6.1 Contracts

Two of the most strongly recommended items that relate to contracts have been dealt with by the recent regulatory changes. Schedule 3 of Building (Residential Consumer Rights and Remedies) Regulations 2014<sup>5</sup> states:

The building contractor must provide the code compliance certificates to the client before the building contractor submits its final payment claim under the contract.

This largely deals with the recommendation 'Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed'. The defects part of this recommendation has been dealt with through the implementation of the 12-month defect repair period.

The MBIE prescribed checklist suggests that:

You should obtain legal advice to ensure that you understand your rights and obligations and that the contract complies with all legal requirements<sup>6</sup>

<sup>3</sup> <http://www.building.govt.nz/building-amendment-act-2013> Accessed on 12/14/2015.

<sup>4</sup> <http://www.building.govt.nz/UserFiles/File/Publications/Building/Building-Act/building-amendment-act-2013-consumers-booklet.pdf>

<sup>5</sup> See page 3 of the legislation

<sup>6</sup> <http://www.building.govt.nz/UserFiles/File/Publications/Building/Building-Act/building-act-checklist.pdf>

This is in line with one of our recommendations that clients 'Seek legal advice before signing the building contract'.

However, two other contract-related recommendations scored highly when ranked by survey respondents. The first was to 'Only pay for stages of work after they have been completed'. The other was 'Insist on getting a guaranteed completion date in the contract with damages paid if construction is not completed on time'. These two recommendations suggest that clients are not happy with the current allocation of risk. There are likely to be liquidity issues for the majority of new residential construction firms in offering the above. However, there seems to be a market for firms that are able to take on more of the risk.

## 6.2 Budget and hidden costs

Many of the recommendations around the budget and hidden costs have not been dealt with through the regulatory changes. The two most important recommendations in this area, as ranked by survey respondents, were 'Eliminate or minimise variations by planning carefully upfront' and 'Budget for additional unforeseen or hidden costs'.

It seems that a large proportion of our respondents had been surprised by the cost of variations and additional unforeseen or hidden costs. If some firms are willing to spend more time with potential new clients at the design stage (before the contract is signed), clients could have much more certainty over the final cost. BRANZ understands that there are cost implications for builders for doing so, and that it may mean that a builder's quote will be higher than their competitors. However, if that is communicated clearly with the client and the reasoning behind the higher quote explained, the client will be better informed and able to make a decision based on being better informed. This can lead to a better experience for both the firm and client.

## 6.3 Choosing a builder

One area where the regulatory changes have largely dealt with attendees' recommendations is around choosing a builder. The recommendations in this area were:

- 'Visit houses built by the actual builder before you sign a contract.'
- 'Ask friends and family who have built recently to recommend which builder to use/not use.'
- 'Ask for your designer's recommendation on which builder you should use (if your designer is independent).'

The MBIE document Building or Renovating? Do Your Home Work states:

When looking for a contractor, ask for recommendations from your friends or family. Ask for references and look at examples of previous work. It can also be a good idea to take recommendations from your architect, as it helps to have a contractor who is used to the architect's style of work.

This covers the above recommendations well.

## 6.4 Prescribed checklist

The MBIE prescribed checklist provides a tool to deal with a few of the issues that were raised during our focus groups. However, a number of common recommendations that came up regularly during our full survey have not been dealt with. The proposed BRANZ list of recommendations we feel would work well alongside the prescribed checklist to assist builders and clients achieve a result that both are happy with.

## 7. Survey

Email addresses were obtained from respondents to the New House Owners' Satisfaction Survey 2014 and 2015. Both the pilot survey and full survey were undertaken using the online survey tool Survey Monkey.

### 7.1 Pilot survey

A list of recommendations was compiled using the information that we obtained from the focus groups. We then took this list to a preliminary sample of 20 randomly selected recent new-build clients to test the survey. This was to ensure that the survey format worked and we had not missed any recommendations.

The recommendations were grouped randomly and then respondents were asked to select the three most important recommendations from each group. Then respondents were asked to rank the most important recommendations from most important to least important.

Early results indicated that there was a need for some minor tweaks in the wording of some recommendations. Respondents commented that additional power points in a house or a reliable guarantee scheme were items that they were often recommending. Therefore, these items were made more explicit in their recommendations.

The final list of recommendations was as follows:

#### **Preliminary:**

1. Determine your final budget before entering the process.
2. Take the time to look into the council's policies on building and resource consents.

#### **Choosing a builder:**

3. Visit houses built by the actual builder before you sign a contract.
4. Ask friends and family who have built recently to recommend which builder to use/not use.
5. Ask for your designer's recommendation on which builder you should use (if your designer is independent).

#### **Design:**

6. Visit several show homes to identify exact fixtures, fittings and materials you would like.
7. Consider the impact of views, wind, sun etc. for your site.
8. Gather information (books, magazines etc.) on styles you prefer before entering the design stage.
9. Consider the ideas and concerns of your designer about your design ideas.
10. Measure key pieces of furniture when designing the house to ensure they will fit in the proposed space.
11. Opt for low maintenance materials where possible.

#### **Contract:**

12. Limit your deposit to 5% of the build cost.
13. Only pay for stages of work after they have been completed.
14. Seek legal advice before signing the building contract.
15. Insist on getting a guaranteed completion date in the contract with damages paid if construction is not completed on time.

16. Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed.
17. Agree fortnightly site visits with your builder.

**Budget and hidden costs:**

18. Get the builder to specify in writing what is excluded from your contract.
19. Understand what fixtures and finishes are included in your contract and if they differ from the show home.
20. Consider upgrades such as higher studs, thermally-broken windows, wider doorways/hallways, additional power points, extra insulation etc. earlier rather than later.
21. Budget for additional unforeseen or hidden costs.
22. Minimise PC sums in the contract and independently assess the cost of those that remain.
23. Eliminate or minimise variations by planning carefully upfront.
24. Consider insulating the garage or check that the door between the garage and house provides insulation.
25. Budget for landscaping.
26. Prioritise upgrades that are not easily retrofitted if money is tight.
27. Understand clearly the release of funds and your mortgage before you sign a contract.

**External costs:**

28. Investigate whether or not development contributions need to be paid.
29. Physically check that all service connections are available at your section boundary and price up those that are missing.
30. Get an engineering report on your section before building, especially if the section is not in a new subdivision.

**Defects:**

31. List all defects for your builder in writing.
32. Be realistic about the likely occurrence of minor defects.
33. Check if your builder is backed by a reliable guarantee scheme.

**Equipment use:**

34. Ask to receive training on any equipment that you have not used previously.

## 7.2 Full survey

Once we had reached a point where we were confident in the recommendations we had, we took the survey to a wider group. 443 recent new-build clients were invited to take the survey. Of this group, 246 (56%) filled in the survey.

The survey asked respondents to rank their top fifteen recommendations in terms of importance from those listed above. In some cases, this was not completed correctly. Where an attempt had been made to rank the recommendations, the responses were counted.

## 7.3 Results

The following table illustrates the results of the survey. They are displayed from the most important recommendation (rank 1) to the least important recommendation (rank 34).

**Table 1. Survey results**

Rank	Recommendation
1	Determine your final budget before entering the process.
2	Consider the impact of views, wind, sun etc. for your site.
3	Get an engineering report on your section before building, especially if the section is not in a new subdivision.
4	Eliminate or minimise variations by planning carefully upfront.
5	Only pay for stages of work after they have been completed.
6	Budget for additional unforeseen or hidden costs.
7	Visit houses built by the actual builder before signing a contract.
8	Seek legal advice before signing the building contract.
9	Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed.
10	Check if your builder is backed by a reliable guarantee scheme.
11	Visit several show homes to identify exact fixtures, fittings and materials you would like.
12	Get the builder to specify in writing what is excluded from your contract.
13	Insist on getting a guaranteed completion date in the contract with damages paid if construction is not completed on time.
14	Consider upgrades such as higher studs, thermally-broken windows, wider doorways/hallways, additional power points, extra insulation etc. earlier rather than later.
15	Understand clearly the release of funds and your mortgage before you sign a contract.
16	Prioritise upgrades that are not easily retrofitted if money is tight.
17	Take the time to look into the council's policies on building and resource consents.
18	Understand what fixtures and finishes are included in your contract and if they differ from the show home.
19	Physically check that all service connections are available at your section boundary and price up those that are missing.
20	Minimise PC sums in the contract and independently assess the cost of those that remain.
21	Agree fortnightly visits with your builder.
22	Ask friends and family who have built recently to recommend which builder to use/not use.
23	Budget for landscaping.
24	Gather information (books, magazines etc.) on styles you prefer before entering the design stage.
25	Opt for low maintenance materials where possible.
26	Measure key pieces of furniture when designing the house to ensure they will fit in the proposed space.
27	Consider the ideas and concerns of your designer about your design ideas.
28	List all defects for your builder in writing.
29	Limit your deposit to 5% of the build cost.
30	Ask for your designer's recommendation on which builder you should use (if your designer is independent).
31	Be realistic about the likely occurrence of minor defects.
32	Investigate whether or not development contributions need to be paid.
33	Consider insulating the garage or check that the door between the garage and house provides insulation.
34	Ask to receive training on any equipment that you have not used previously.

These recommendations can give some insight into the incidence of issues in the new-build process. The recommendation 'Determine your final budget before entering the process' was ranked as the most important recommendation. This suggests that a large proportion of clients had spent more than they had intended to as they did not have a firm maximum amount in mind before entering the process.

Another highly-ranked recommendation was 'Get an engineering report on your section before building, especially if the section is not in a new subdivision'. This suggests that there is a high incidence of sites that require additional engineering, and clients that are unaware that they may incur an additional cost for this.

The list of recommendations also suggests that there are opportunities for new residential building firms. Those firms that can afford to take on more of the risk could benefit with additional clients. In addition, those firms that are willing to spend more time with potential clients before signing the contract should have more satisfied clients in the long-term.

### 7.3.1 Clients that had disputes over final costs

An analysis of the results based on the New House Owners' Satisfaction Survey allowed us to compare rankings against key measures. One such measure was whether or not the client had a dispute with their builder over final costs. Those who had a dispute over final costs did not rank 'Determine your final budget before entering the process' as the most important recommendation (one of three key groups that did not).

Those who DID have a dispute with their builder over final costs ranked the following as the five most important recommendations (in order):

1. Get the builder to specify in writing what is excluded from your contract.
2. Eliminate or minimise variations by planning carefully upfront.
3. Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed.
4. Determine your final budget before entering the process.
5. Check if your builder is backed by a reliable guarantee scheme.

This suggests that those who had disputes with their builder were disappointed with items that they expected to be included in their build not being delivered as well as the additional cost caused by variations. If builders want to avoid disputes over final costs, it is important to plan carefully with the client upfront and ensure they understand what will be delivered at handover.

### 7.3.2 Clients that would speak critically about their builder

Those clients who would speak critically about their builder were another of our key groups that did not rate 'Determine your final budget before entering the process' as the most important recommendation. These clients rated 'Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed' as the most important recommendation. Their top five recommendations were as follows:

1. Hold back a retention payment until the Code Compliance Certificate has been issued and any major defects have been fixed.
2. Insist on getting a guaranteed completion date in the contract with damages paid if construction is not completed on time.
3. Only pay for stages of work after they have been completed.
4. Check if your builder is backed by a reliable guarantee scheme.
5. Eliminate or minimise variations by planning carefully upfront.

These results suggest that the major causes of clients speaking critically about their builder were incomplete houses with major defects, the builder not delivering the house in a timely manner, and being charged for work which had not been completed. This is backed up by comparing these respondents New House Owners' Satisfaction Survey responses to those who would recommend their builder.

### 7.3.3 House and land packages

Those clients who bought a house and land package also did not rank 'Determine your final budget before entering the process' as the most important recommendation. The most important recommendation for these clients was to 'Check if your builder is backed by a reliable guarantee scheme'. This was the tenth most highly-rated recommendation overall, and therefore seems to have been an issue for this particular group of clients.

The following lists the top five recommendations for this group:

1. Check if your builder is backed by a reliable guarantee scheme.
2. Visit houses built by the actual builder before you sign a contract.
3. Get an engineering report on your section before building, especially if the section is not in a new subdivision.
4. Seek legal advice before signing the building contract.
5. Determine your final budget before entering the process.

This list of recommendations suggests that some clients who bought a house and land package were unimpressed with the overall quality of their finished house. However, unlike in the previous cases where the recommendations seemed to be learnings from their build, these recommendations seemed to be keys to the clients' success. In general, the respondents seemed to be happier with the quality of their house and the standard of finish and were more likely to recommend their builder, compared to clients who bought their house and land separately.

## 8. List of recommendations

In finalising a list of recommendations from new residential clients for first-time clients it was important to take into account the focus groups, the survey and recent regulatory changes. We have also noted that one recommendation was unrealistic due to not being workable in practice. This is the recommendation 'Insist on getting a guaranteed completion date in the contract with damages paid if construction is not complete in time'. This recommendation has not been considered for inclusion in the list. Other recommendations have had a slight change in wording from what was used in the online survey to make them more appropriate for the list.

The list is ordered in a way that it roughly follows the building process. Therefore, even highly-rated recommendations may appear towards the end of the list.

The final list of recommendations is as follows:

### **Determine your final budget before entering the process.**

This was the most highly-rated recommendation from our list. Therefore, it was an important inclusion in our list. It is the first recommendation on this list as it is an important first step when starting the process of building a new house.

### **Understand clearly the release of funds and your mortgage before signing any contracts.**

It seems that first-time new house build clients do not always understand how the bank releases funds to pay for new-builds. It is important to understand how this works, particularly before signing your contract, so that the builder can be paid for their work. It came in as the sixteenth highest ranked recommendation, and sits second in our list as it is an important early step.

### **Take the time to look into the council's policies on building and resource consents.**

Considering background information before committing to the new-build process is important. Even if the client has built previously, different councils may have different interpretations of the Building Code, standards and alternative solutions. Therefore, it was seen to be a good idea by many of our survey respondents to look at the council policies.

### **Physically check that all service connections are available at your section boundary and identify the cost of those that are missing.**

It was not uncommon for new house build clients to find that there were no service connections available at their section boundary. This then may arise as an unforeseen and unanticipated additional cost that may affect how much the client feels the section is worth, and what funds are available for the actual build.

### **Visit several show homes to identify exact fixtures, fittings and materials you would like.**

This is the second of the design-related recommendations in our list. It was ranked the eleventh most important recommendation by our survey respondents and aids in the client's understanding of what they can expect on handover.

### **Consider upgrades such as higher studs, thermally-broken windows, wider doorways/hallways, additional power points and extra insulation.**

It was mentioned during the focus groups that the standard number of power points (for example) may not be sufficient for everyone. Therefore, it was suggested that upgrades

such as those listed in the recommendation should be considered. Thermally-broken windows are windows that have a thermal break in the window frame.

**Prioritise upgrades that are not easily retrofitted if money is tight.**

We feel that this recommendation is an important consideration, particularly where compromises have to be made due to money being limited.

**Understand what fixtures and finishes are included in your contract and if they differ from the show home.**

This is another recommendation that centres on ensuring the client understands what they can expect on handover. This was the eighteenth highest-rated recommendation in our survey.

**Talk through with your builder what is excluded from your contract.**

This recommendation was rated highest by those clients who had a dispute with their builder over final costs. Therefore it is an important inclusion in the list as it will reduce/remove confusion about what the client will receive at the end of the build process.

**Eliminate or minimise variations by planning carefully upfront.**

This was also rated highly by those clients whom had a dispute with their builder over final costs. This recommendation together with 'Talk through with your builder what is excluded from your contract' should reduce the number of disputes.

**Minimise the number of PC sums in the contract and independently assess the cost of those that remain.**

PC sums are something that comes up consistently in the New House Owners' Satisfaction Survey, as well as being mentioned in focus groups and our survey for this report. They are "prime cost" sums and reflect a material allowance that is made where the material is not specified. The recommendation was rated as the twentieth most important by our survey respondents. However, given the number of times we hear about clients being surprised about these costs, it is something worth investigating.

**Consider the impact of views, wind, sun etc. for your site.**

This recommendation was the second highest-rated overall and the final design-related recommendation on the list. There are benefits to having the correct positioning on the site beyond the purely aesthetic value.

**Budget for additional unforeseen costs.**

The final budget-related recommendation is about ensuring that there is some money available for any additional costs. These costs could relate to variations, PC sums or costs that could not be foreseen before building started. It was rated as the sixth-highest recommendation.

**Get an engineering report on your section before building, especially if the section is not in a new subdivision**

This was the third most highly-rated recommendation. That it ranked so highly suggests that this has become quite a common issue and therefore is an important inclusion in this list.

## 9. Conclusions

This report provides some challenging reading for those actively involved in the building industry. The section on the focus groups informs builders on how they are being spoken about by their former clients. Given a large proportion of builders rely on recommendations from their previous clients to gain new work, this should be of concern.

However, this report also presents opportunities for the industry. Small tweaks in the way that builders deal with their future clients could make a large difference. This is particularly the case with communication of timeframes and costs. Offering guaranteed completion dates and fixed price contracts would be appreciated by clients and is an option for those building companies that are able to take on a greater share of the risk.

The recommendations provided in this report aim to bridge the knowledge gap between first-time new-build clients and those clients who have built previously. Many of these recommendations focus on the need for new-build clients to do more research throughout the building process. This includes research into possible builders, determining a final budget and planning carefully to avoid variations.

The list of recommendations provides a way to bridge the knowledge gap and hopefully help new-build clients have a more enjoyable and satisfying build process.

## Appendix

### List of questions for focus groups:

#### **What do you wish you had known before entering the building process?**

- Bank requirements and finance – Inspections etc.
  - Any hidden costs
  - Deposit and progress payments
- Timing and completion date
  - Was a completion date offered prior to signing contract?
  - Were you told about the timing of different parts of the build?
- Price and inclusions/build quality and contracts
  - Show home (difference between show home and what was delivered)
  - What was included in the price you were given? What were you surprised to find out was not included?
  - How realistic was the price you were given? Was the final amount you paid reasonable given the price you were given before building started?
- Legal requirements (e.g. building and resource consents)
- Services connections
- The “Builder” (e.g. reputation, show home, etc.)
- Defects – Incidence, waiting period, calling back builder
  - Incidence of defects (what did your builder tell you about the likelihood of defects?)
  - Were you told about a waiting period to report defects? (i.e. 90 days)
- After-sales service
  - What did you expect from your builder after you had moved-in?
- Handover process
  - Did anything about the handover process surprise you?
  - If you could change anything about the handover process, what would you change?

#### **Do you have any regrets about...**

- Design and use of space
  - Did you consider how much storage space you would need? Are you happy with how much storage space you have?
  - Does the house flow as well as you thought it would? Is there anything that you think does not work quite as well as you hoped?
- Financing/funding/budget/on-going costs
  - Did you have any trade-offs due to your budget in designing your house?
  - Are you happy with the overall size of your house?
- Choice of section/location
- Choice of materials/colours/finishing
- Sustainability features – did you put any in? do you wish you had?

#### **What would you recommend to others about how to choose a builder?**