

21 March 2012

### To Buy or to Build, That is the Question

With new figures showing a significant drop in the number of new homes under construction Suncorp Bank is encouraging home buyers to weigh up their options carefully when deciding whether to build or buy an existing property.

The Australian Bureau of Statistics data shows the total number of new homes under construction fell 6.9 per cent in the December quarter of 2011\*.

Suncorp Bank Executive Manager Tony Meredith said while the figures weren't great, home buyers shouldn't take them as an indication that it wasn't possible to build and make a profit in the current climate, but would be wise to maintain a long term perspective in making their decision.

"While there are some benefits to creating your own castle, purchasing a pre-existing home may in some cases be the better option. As with any important financial decision, however, thorough research is the key," Mr Meredith said.

"It's important to carefully examine the pros and cons of both options and consider the local property landscape."

To help consumers avoid the pitfalls of property, Suncorp Bank has developed five points to consider if you're weighing up whether to buy or to build.

#### 1. Study to save your sanity

Consider all the hidden charges and fees when you're assessing how much each option will cost. If you're planning to build, allow about \$50,000 for additional extras such as floor coverings, curtains and landscaping that may not be included. Remember new homes are also likely to require less maintenance. Take into account any government support or grants that may be available to you. Also consider whether the property will be used as an investment; new properties attract tax benefits.

#### 2. Look at your local landscape

Whether you live in Melbourne or Mildura every local property market is different. Research and compare the price of vacant land and building in your area to buying an established home. Building your own home can sometimes be cheaper than buying an existing property but it's important to know and understand the property cycle. Buying an existing property at the bottom of the market can save tens of thousands of dollars, but that's not always the case with building. The price of land may fall, but the cost of construction won't so do your sums carefully.



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### 3. Organisation is the key

If you decide to build, your lender will require a copy of your fixed price building contract, specifications and house plans. Any changes you make that increase your fixed price contract amount after your loan has been approved will need to be paid from your own funds. This is because in order to make any changes to the loan after approval the lender would need to fully assess the deal again and this could cause significant delays. Being organised and well prepared can help prevent financial headaches.

### 4. Use your head as well as your heart

One of the benefits of building is the ability to design your house exactly as you want it. It's nice to follow your heart but when it comes to money your head should rule. As with renovating an existing property, it's important to consider the resale value of the house you want to build. Be careful not to overcapitalize by installing too many expensive features and remember a hot pink bathroom will not be to everyone's taste.

### 5. Consult an expert

The building process can be daunting and complicated, even if you've done it before, but by consulting experts including your lender and building strategically it's likely you'll end up with a better product.

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\* <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8750.0>

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