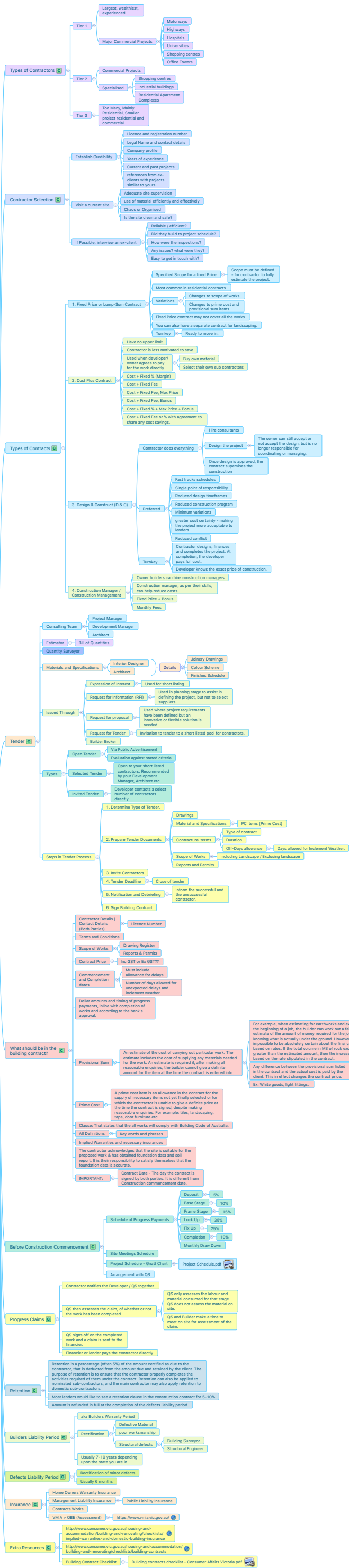
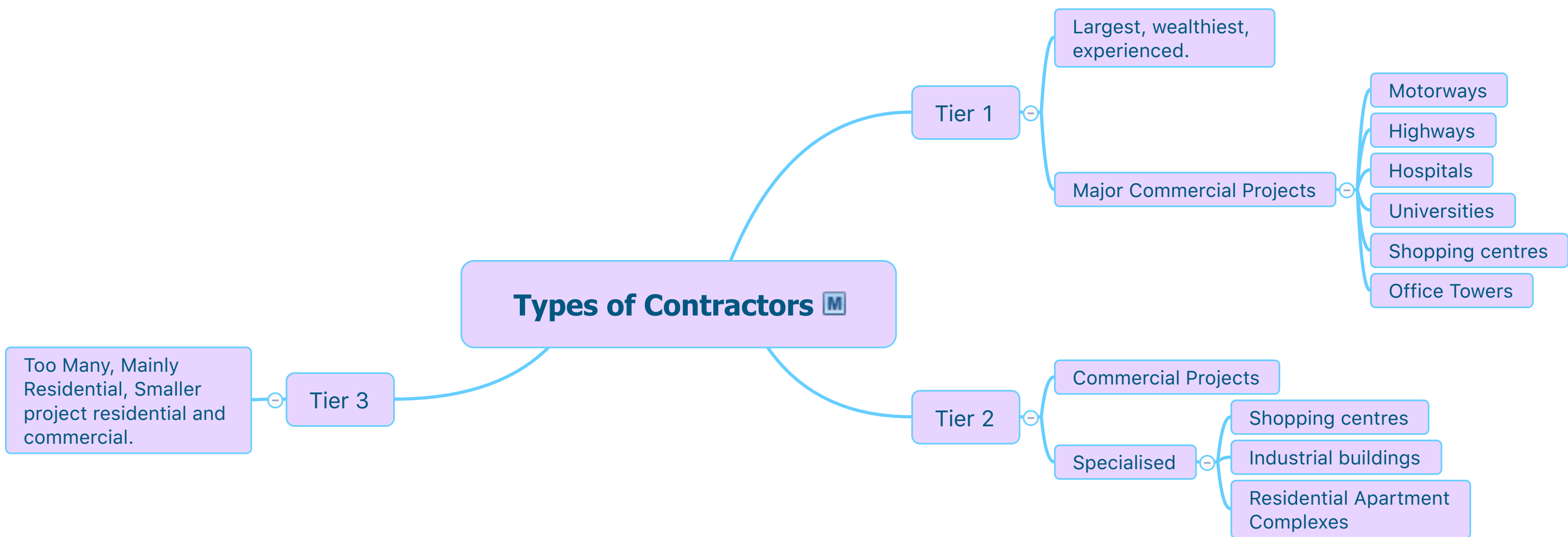
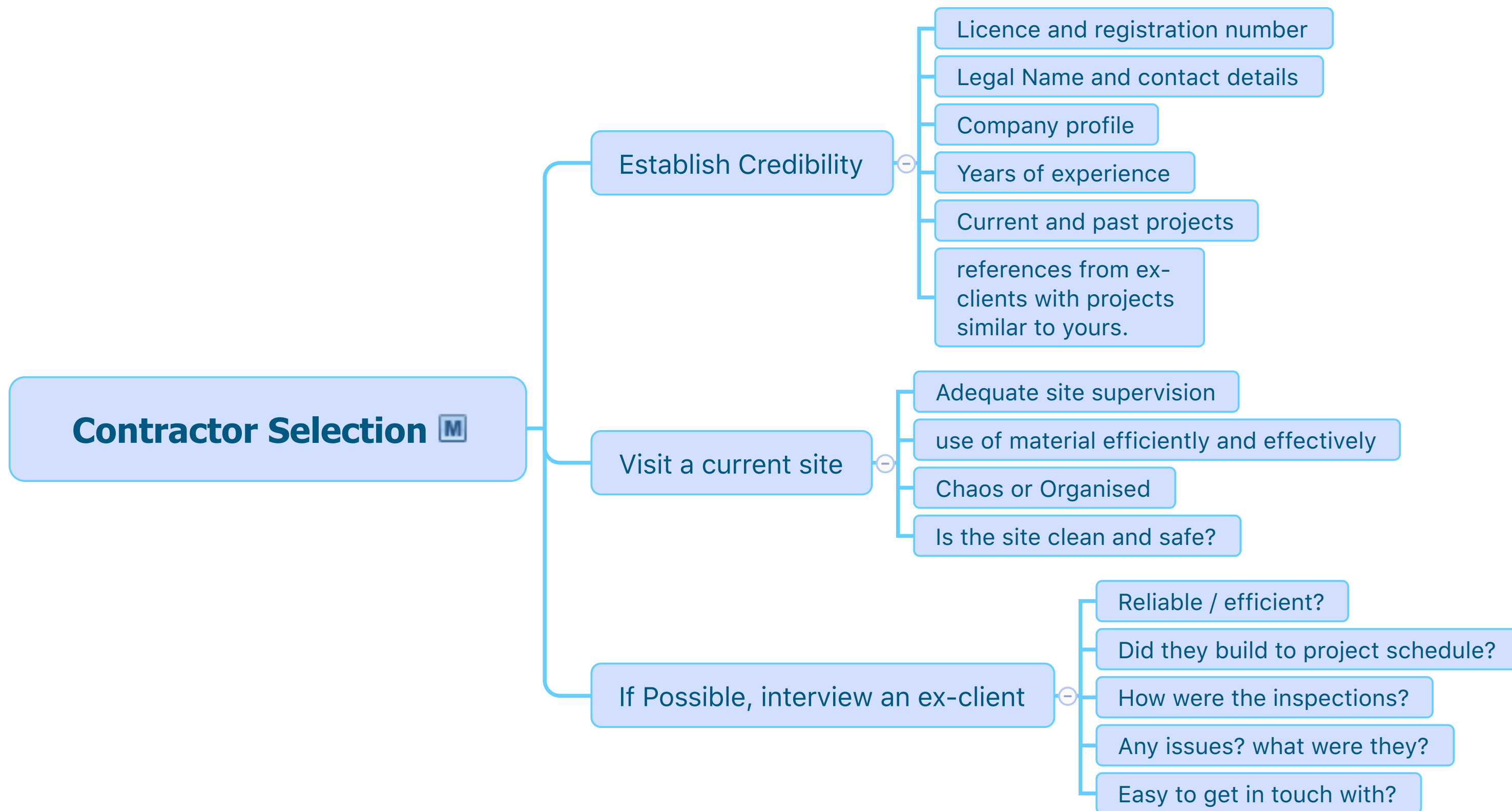


PROPERTY DEVELOPMENT SYSTEM Construction







Types of Contracts

1. Fixed Price or Lump-Sum Contract

- Specified Scope for a fixed Price
 - Scope must be defined - for contractor to fully estimate the project.
- Most common in residential contracts.
- Variations
 - Changes to scope of works.
 - Changes to prime cost and provisional sum items.
- Fixed Price contract may not cover all the works.
- You can also have a separate contract for landscaping.
- Turnkey
 - Ready to move in.

2. Cost Plus Contract

- Have no upper limit
- Contractor is less motivated to save
- Used when developer/owner agrees to pay for the work directly.
 - Buy own material
 - Select their own sub contractors
- Cost + Fixed % (Margin)
- Cost + Fixed Fee
- Cost + Fixed Fee, Max Price
- Cost + Fixed Fee, Bonus
- Cost + Fixed % + Max Price + Bonus
- Cost + Fixed Fee or % with agreement to share any cost savings.

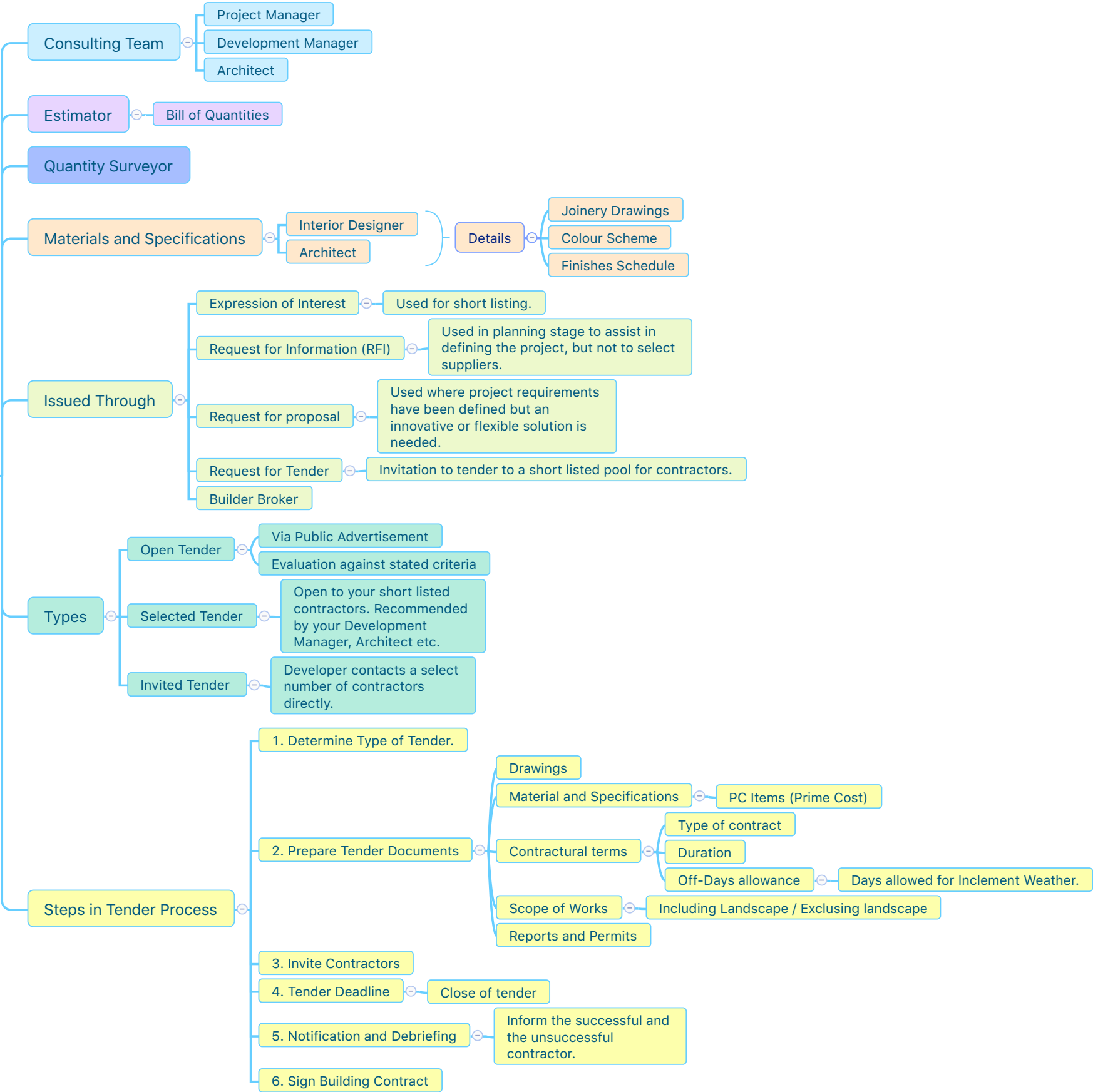
3. Design & Construct (D & C)

- Contractor does Everything
 - Hire consultants
 - Design the project
 - The owner can still accept or not accept the design, but is no longer responsible for coordinating or managing.
 - Once design is approved, the contract supervises the construction
- Preferred
 - Fast tracks schedules
 - Single point of responsibility
 - Reduced design timeframes
 - Reduced construction program
 - Minimum variations
 - greater cost certainty - making the project more acceptable to lenders
 - Reduced conflict
- Turnkey
 - Contractor designs, finances and completes the project. At completion, the developer pays full cost.
 - Developer knows the exact price of construction.

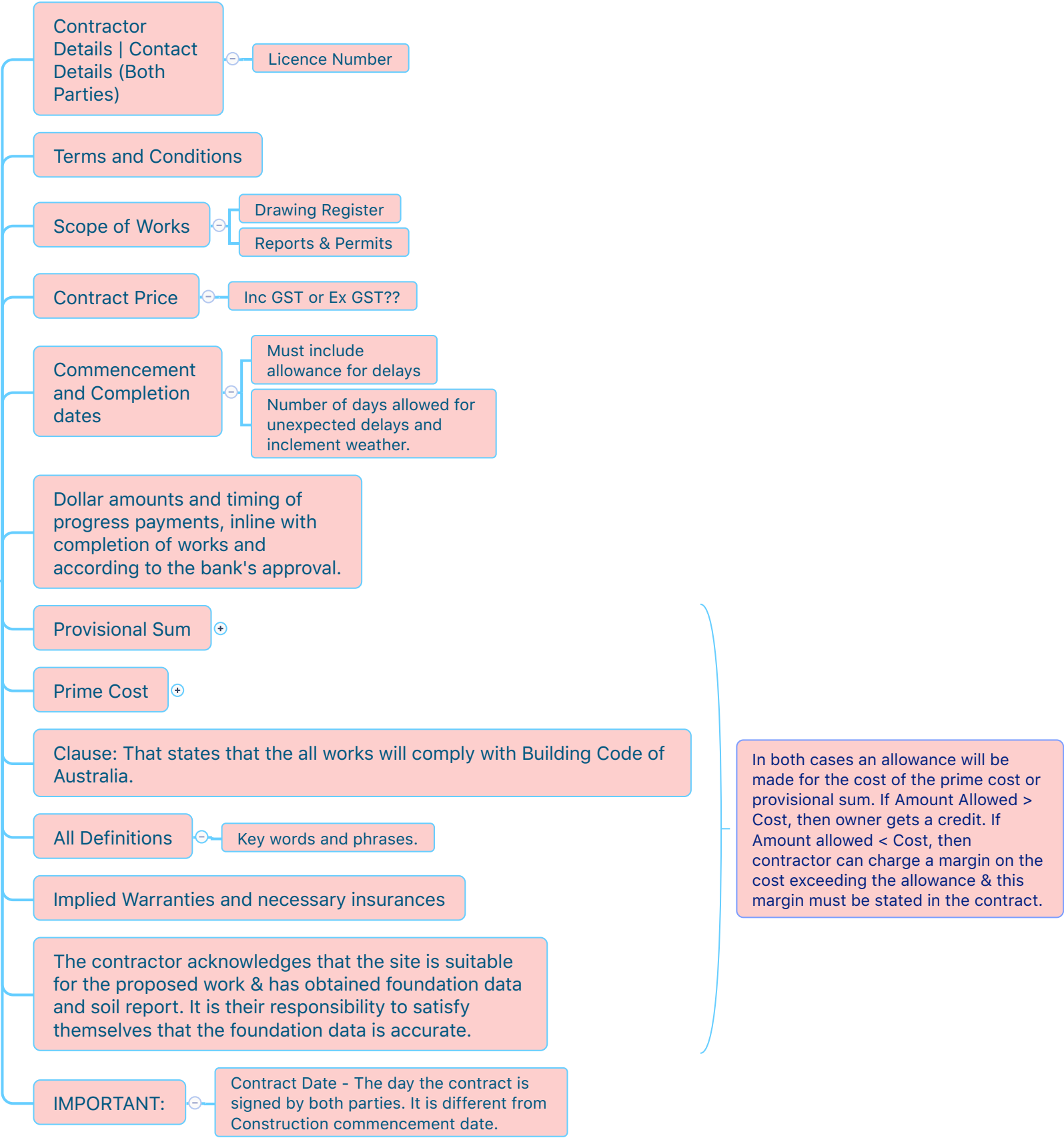
4. Construction Manager / Construction Management

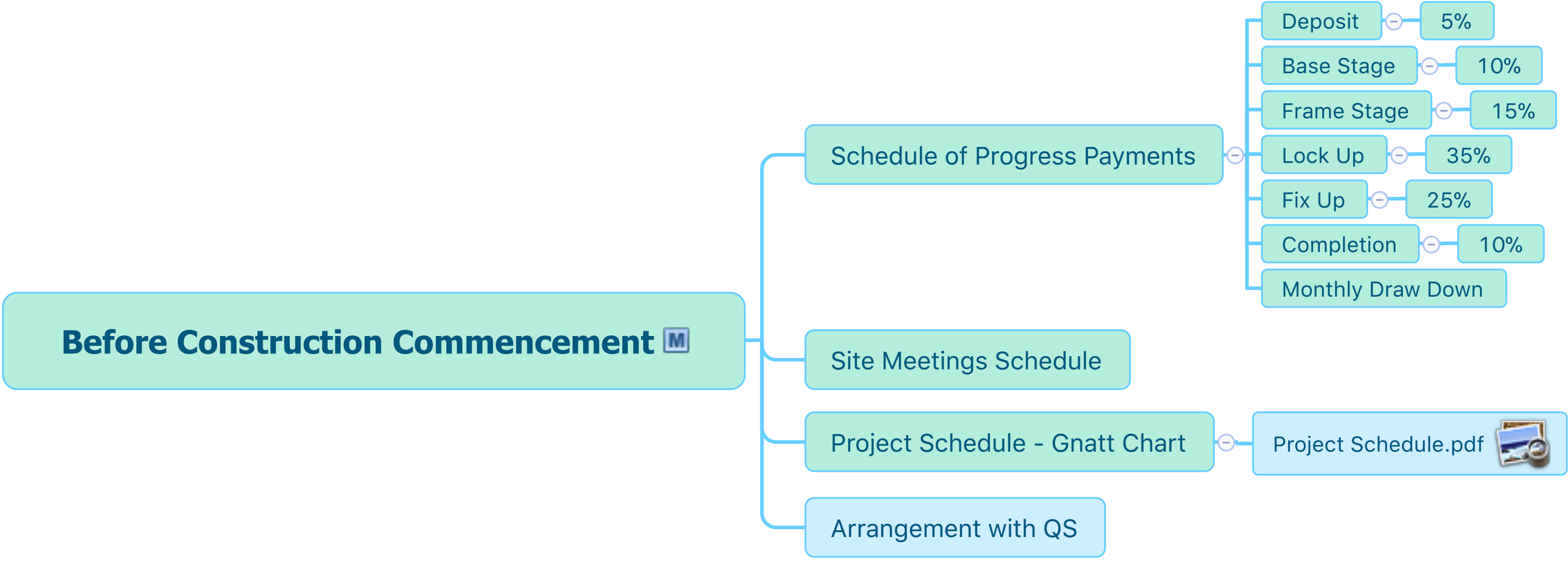
- Owner builders can hire construction managers
- Construction manager, as per their skills, can help reduce costs.
- Fixed Price + Bonus
- Monthly Fees

Tender



What should be in the building contract?





Progress Claims

Contractor notifies the Developer / QS together.

QS then assesses the claim, of whether or not the work has been completed.

QS only assesses the labour and material consumed for that stage. QS does not assess the material on site.

QS and Builder make a time to meet on site for assessment of the claim.

QS signs off on the completed work and a claim is sent to the financier.

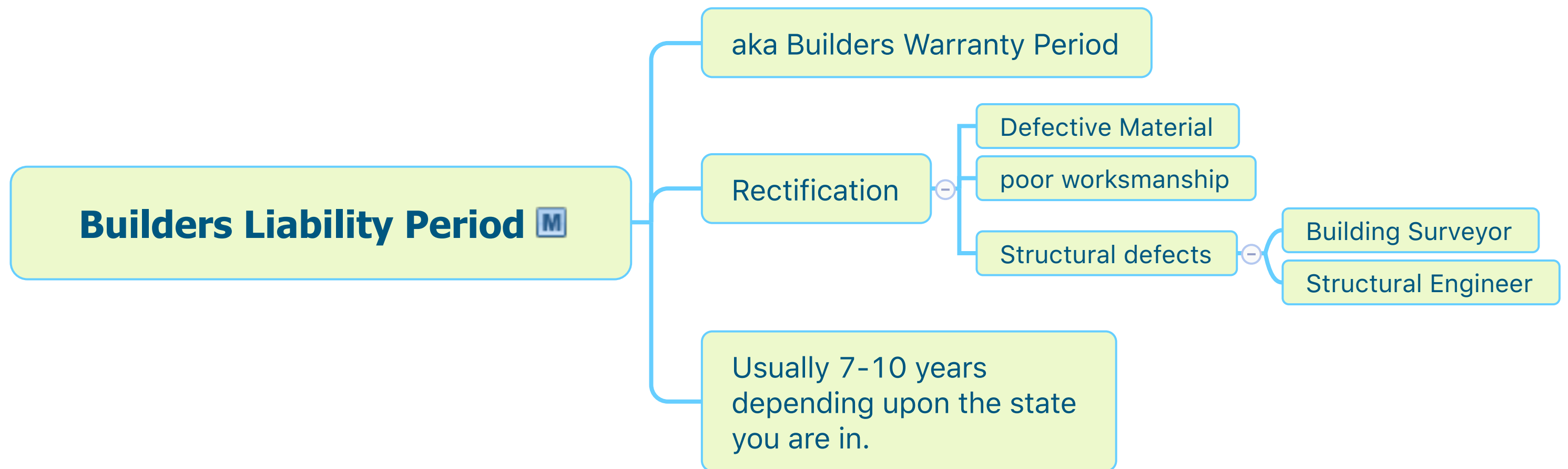
Financier or lender pays the contractor directly.

Retention

Retention is a percentage (often 5%) of the amount certified as due to the contractor, that is deducted from the amount due and retained by the client. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract. Retention can also be applied to nominated sub-contractors, and the main contractor may also apply retention to domestic sub-contractors.

Most lenders would like to see a retention clause in the construction contract for 5-10%

Amount is refunded in full at the completion of the defects liability period.



Defects Liability Period

Rectification of minor defects

Usually 6 months

Release Retention amount at the end of liability period.

Insurance

Home Owners Warranty Insurance

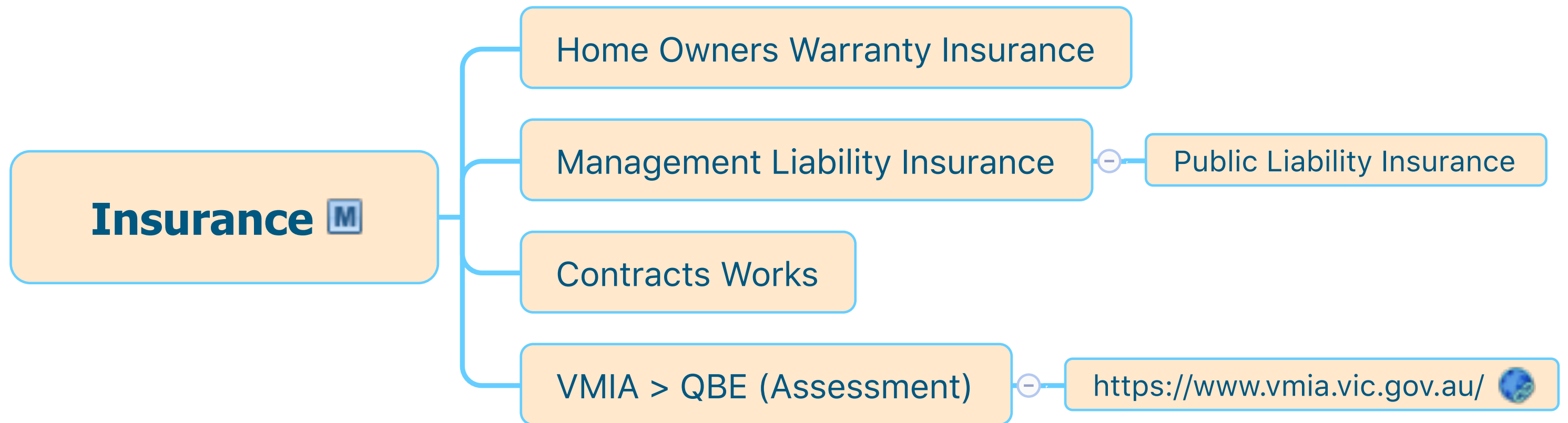
Management Liability Insurance

Public Liability Insurance


Contracts Works

VMIA > QBE (Assessment)

<https://www.vmia.vic.gov.au/> 



Extra Resources

<http://www.consumer.vic.gov.au/housing-and-accommodation/building-and-renovating/checklists/IMPLIED-WARRANTIES-AND-DOMESTIC-BUILDING-INSURANCE> 

<http://www.consumer.vic.gov.au/housing-and-accommodation/building-and-renovating/checklists/building-contracts> 

Building Contract Checklist

Building contracts checklist - Consumer Affairs Victoria.pdf 