

The 'Insiders Guide' to re-building your home

Especially prepared for you by Paul Reed Homes

Over the past six to nine months we've heard from a huge number of people who are really concerned about the confusion and mis-information regarding the process of dealing with insurance companies and having their homes rebuilt.

So to help you through this process, we've prepared the following guide based on our experience, our industry contacts and their inside advice to us.

➤ **Question: Accepting a Cash Offer**

“Do we leave it to our insurance company to rebuild us, or do we accept their cash offer and then arrange for a re-build by ourselves?”

➤ **Answer:**

Our advice is to make you aware that any settlement figure you accept from your insurance company in today's market could quickly become quite unrealistic by the time you come to rebuild.

Some of the reasons for this are as follows:

- a. The building industry has been in the doldrums for some years, forcing prices down to unsustainable levels.

However the market will quickly become 'demand-driven' due to the massive amount of work needing to be done, causing costs to rise.
- b. The effects of general inflation, plus natural cost increases because of a predicted shortage of labour and materials – nationally and internationally.
- c. Dealing with unknown ground conditions and the extra cost of site preparation, design and likely additional foundation costs.
- d. Ever-changing building codes and seismic regulations in the future and the resulting increases in design and construction costs etc.

Summary:

The danger is that once you accept a cash settlement from your Insurance Co., all increases in compliance, material, or labour costs etc will have to be totally covered by yourself.

➤ **Question: Using my choice of Builder**

“My insurance company has told me that we have to use one of their 'preferred builders' when we rebuild our home.

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Do I have to use one of their builders, or can I choose my own builder that I have used before?"

➤ **Answer:**

Unless your insurance policy expressly states who you have to rebuild with, the decision of who you want to work with is ultimately yours.

And as long as your builder can provide a competitive quote for rebuilding compared to your insurer's builder, you are free to use whoever you want.

➤ **Question: Accepting a Fixed Dollar Cost**

"The insurance company wants to make me sign a dollar figure to work to, based on their builder's estimate"

Does this mean my home can only be rebuilt to this fixed cost and what if this doesn't cover all of the eventual work?"

➤ **Answer:**

Don't be fooled by 'Estimated Costs.' If you have 'full replacement' policy replacing your home costs what it costs, no matter what style or size it is.

For instance if you had a villa that needs to be demolished, why would you settle for a payout that only covers the cost to replace it with a bungalow.

After all, a villa will have greater resale value for you later on.

**** Some recent horror stories:**

I've seen an example recently where an insurance company put a price for rebuilding a beautiful quality villa at \$1565 per square meter.

However, a much more realistic cost would have been **\$2500 per sq. m.**

The un-suspecting home owner was then quickly dispatched to a volume home builder. I'm sure you can imagine what the results are going to be for that unfortunate client!

**** Our advice**

You need to ask for an explanation as to why you're being made to sign off on a dollar amount to rebuild your home. This may involve a few questions to them from your lawyer.

As an example, if we were your preferred Builder, then a full schedule of costs would be submitted to your insurance company based on a proper 'replacement' of your home.

In other words, we would supply a quote to replace a Villa with a Villa and not just a standard house of the same size.

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And remember, the cost is based on nationally recognised material & labour rates and it simply 'costs what it costs'.

With this in mind, you would have to seriously ask how a dollar figure is so relevant at the start of the process when plans, specifications and costings haven't even begun.

➤ **Question: Lack of Builders 'All Risk' Insurance?**

“My insurance company has said that when we come to rebuild, they will only provide Builders Insurance Cover to their preferred builders.

Does that mean that if I choose to use my own builder, he will be unable to get insurance to cover the rebuild?”

➤ **Answer:**

Most reputable builders have insurance cover available whilst your home is under construction. However, most insurance companies are extending insurance to other than their preferred builders.

If they are insuring you now, as well as when your home is rebuilt, why would they give away the business in the middle process?

However, we have a specially designed comprehensive Builders Insurance that will fully cover your property while it is under construction. In addition, the insurance automatically transfers to you on possession.

➤ **Question: Using the Insurers Builder?**

“Why would our insurance company keep pressing us to use one of their preferred builders?”

➤ **Answer:**

Convenience, and of course to try and save themselves money. But always remember that the simplest way to reduce costs is to use cheaper materials, labour, or construction costs - often leading to problems later on.

➤ **Question: Additions in our rebuild?**

Our policy covers us for full replacement on a 'like for like' basis, but when we rebuild we need an extra bathroom and bedroom.

Is it possible to get two quotes to do the work - ie one to replace our existing house and one for the larger size house and for us to pay the difference?

➤ **Answer:**

Your builder should be able to work with you and your insurance company to show the difference in costs that each party would be responsible for.

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In our case, our completely transparent quantity surveying procedure is sufficient enough to make sure your insurance company happy with any split of any additional costs.

➤ **Question: Different section shape?**

We've bought a new section ready to rebuild our home, but the shape of the new section means we can't build the same shape or size house.

Can we expect our insurance company to pay for an Architect to re-design our house to suit the new section?

➤ **Answer:**

This depends on your policy but our experience shows most of the time the answer is 'Yes'.

We have the expertise to show your insurance company that even though a building footprint is different; our re-designed shape is still 'dollar for dollar'.

➤ **Question: How do I choose a builder to work with?**

“We haven't built a new house before and don't know where to begin to choose a builder. How can we choose one builder from another or find one we can trust?”

➤ **Answer:**

Your main choice starts with deciding whether to go with a large volume 'group builder', or to choose a smaller independent professional who can offer you a more tailored approach to designing and building your new home.

Generally speaking an independent builder will offer a much more personal relationship, taking the trouble to provide a one-off design that fits your budget, rather than trying to match you to one of their pre-designed plans.

Earthquakes expose flaws in recent construction methods

During the past 12 months, Canterbury's earthquakes have exposed some major problems with the cost-cutting and 'bare minimum' approach of some local building companies over the past few years.

However, much of these problems could have been avoided, simply by taking the steps to ensure the integrity of the building process and the materials used.

The problem is that companies often quote unrealistically low prices to win a contract, then try to save money during construction to increase their profit.

Also remember that the "Code Compliance Certificates" written at building completion are often for the MINIMUM standard required.

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So how do you protect your investment when rebuilding?

Building a new home can often be an absolute nightmare, with Design and Structural traps that quickly turn into a financial disaster for some people.

However, it's well known in building circles that about 90% of the problems people have could have been avoided at the Planning stage - and not at the Building stage.

And it's usually the little details that get missed right from the very first meeting with your builder, that can have the biggest impact during the construction stage - and of course on your budget later

But building your new home needn't be a risky or stressful experience, as long as you know the right questions to ask.

With that in mind, we've prepared a short guide to help you with choosing and working with a builder you can trust, so that building your new home is an exciting and happy experience for you.

*** Free Guide Available ***

**'Insider-Tips for building
your Dream Home'**

Here are just some of the areas covered:

- Clients having little or no input in the design process
- Open space around the home not utilised properly
- Improper orientation of the house for optimum sun and heating etc.
- Rooms not designed correctly for furniture or lifestyle etc.
- The "ventilation-heating-insulation triangle" not considered.
- Unrealistic 'sq. m. rates' for the overall building costs.
- Un-realistic 'PC sums' or estimates for kitchens and bathrooms etc.

**This very useful report on choosing and working
with your builder can be download from our website at:
www.paulreedhomes.co.nz**

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Rebuilding your Home

A brief introduction to Paul Reed Homes Ltd



➤ **Executive-quality homes**

Paul Reed Homes have been designing and building modern stylish homes throughout Canterbury for the past 20 years, with extensive experience in building or renovating architect-designed homes.

They have an excellent reputation for the quality of their work and attention to detail, as well as their skill in using innovative building techniques to overcome any technical difficulties when required.

This means you can rely on Paul's team to match the original quality of detail in your home, and to meet your expectations at all times

➤ **Architectural Integrity Where Required**

In situations involving substantial Architect-designed homes, Paul Reed have a team of experienced and highly-skilled tradespeople to ensure that this work is carried out sensitively and in keeping with the original quality of work.

And having already completed a number of similar projects, they understand what is required and are confident they can successfully re-instate these homes to match the expectations of their owners.

➤ **Fair and Accurate Quotes**

All of our quotes will be prepared using our Registered Quantity Surveyors, so you can be absolutely sure that they'll be accurate, easy to understand - **and with no hidden surprises.**

You'll also find your quote easy to compare, as they will have been prepared using your assessor's directions and specifications to the letter.

➤ **Our Quoting Process**

All of our quotes are prepared using a Registered Quantity Surveyor, so you can be absolutely sure they'll be accurate - and very easy for you to understand.

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You'll also find them very easy to compare, as they will have been prepared using your Designer's plans and specifications to the letter.

➤ **Our Consultation Process**

Before the project starts, you are very welcome to use the services of our team of Kitchen Designers, Colour Coordinators and Landscape Architects etc.

They are a great team, all highly qualified, with exactly the right experience to achieve the individual look and feel that you want for your new home

➤ **Our Communication Process**

We do understand that the timing of your project is absolutely crucial to you, which is why we maintain constant communication with you at all times.

We'll make sure that you're always aware of our timelines, and be kept fully informed of the various stages of construction, so that you feel as though you are a **part** of the process - **and not a helpless bystander.**

You'll also be invited to the site from time to time, to discuss progress and to check that construction is on track - **and on budget.**

*** Stop Press *** **Another Award-Winning Home**

As further evidence of the quality of our workmanship, we've just been awarded a 2011 Canterbury House of the Year Gold Reserve Award for the \$600,000 to \$1 Million Category, for a beautiful new home built recently at Rolleston.

What to do next?

If you feel you'd like to work with an independent, Award-Winning team of highly skilled tradespeople to build your new home, come and talk to us first.

Then and once work begins, you can be absolutely sure your new home will be built to exactly the same quality and standard of workmanship as you had before.

Looking forward to being of further service to you,

Paul Reed

Director, Paul Reed Homes

To see more of the beautiful homes that Paul has completed recently, why not visit his website at www.paulreedhomes.co.nz.

Paul Reed **homes**

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