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Guide to Preparing a Building Budget

INTRODUCTION

This guide has been prepared to assist the home owner in understanding and establishing a suitable & realistic budget for their renovation project or new home.

It is suggested that you discuss this guide with your architect before beginning the design process.

Once you have a design and sketch plans to a sufficient level of detail we suggest you have a specific costing prepared by either a builder, quantity surveyor (QS) or building cost estimator.

This should be prepared prior to any council submission on projects that are cost sensitive.

Why is an accurate budget important?

Along with the fabric of your existing home, your site and councils' building controls, your building budget is a major constraint within which we design.

It is important to consider your budget options carefully as different development approaches and budget amounts can result in very different design results.

For example, if a workable budget is not clear at the starting point (i.e. too low) then many good design opportunities may be discarded because they are feared as too expensive. When this occurs it may be difficult to achieve the desired brief even when the budget is adjusted later.

What guides your budget?

The budgets for most renovations or new home projects are determined by the chosen design approach.

Below are some typical examples;

Investment budget This approach is concerned with maximizing the rental return or profitability of an investment property. It may also be concerned with achieving long term capital growth, whilst minimizing ongoing running and maintenance costs.

Development budget

This approach is primarily concerned with resale profit immediately following or up to 2 years after completion. In this budget the brief is formulated and costed to achieve this profit.

Capitalization conscious budget

This budget is capped to avoid the risk of overcapitalization on the property, which may arise if the money spent improving the property added to its current value, exceeds the likely resale value. The risk of overcapitalization depends very much on the location of the

property, the quality of the work done, the amenity added and the health of the market during the time it takes to complete.

Affordability budget

This budget is concerned with making the best use of the limited funds available and requires a design that achieves excellent value for money.

On these kinds of projects the scope of the brief is restricted by the budget.

Staging budget

A staged budget approach comes about because the entire budget for the desired design is not available in one lump sum, but may be available in two or more installments. The brief for this kind of project is then concerned with creating a master plan design that can be completed in stages. Note: Because council approvals don't last indefinitely, all stages should be started within the 2-5 years of the approval.

No budget

For many projects the final budget is born out of the brief and the architects design - not driven by the budget. This is not to say the budget is limitless - simply that amenity, style, features and finish take precedence over cost.

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