Here's the 4 main categories for build lending:

	Fixed Price Contract – All Inclusive	**Fixed Price Contract – Cost to Complete**	**Materials & Labour**	**Kitset / Relocatable / Prefab**
PC Sums	Everything included in contract (except valuation/risk insurance/council fees)	Covers main build but excludes some PC sums e.g. earthworks, foundations, services	Footprint supplying materials and possibly labour only, client managing the rest	If construction is off-site
Minimum Deposit / Equity	10-15% Based on the cost to complete (section value+build cost)	10-20% Based on the cost to complete (section value+build cost)	30% + Based on the cost to complete (section value+build cost)	30% + Clients need enough equity to fund up to services connected
Bank Requirements	Build Contract Risk Insurance Valuation	Build Contract Risk Insurance Valuation Quotes for all PC sums	Build Contract(s) Risk Insurance Valuation Quotes for all PC sums / other suppliers Possible QS Report	Build Contract(s) Risk Insurance Valuation Quotes for all PC sums & other suppliers Possible QS Report
Contingency costs added	0-5%	5-10%	15-20%	15-20%

The main limitations are deposit / equity, and client experience. If they have 10% deposit they will struggle to be able to do anything other than a Fixed Price Contract. If they own the section or property already without a lot of lending on it they have more options.

A few examples:

- First home buyers with $80,000 deposit looking at a $350k section + $350k build = (80k deposit / 700k value) = 11% deposit => they'll need a fixed price contract with everything included (or very good quotes for anything not included in your contract).
- Clients own a section value $400k, with no lending, looking at a $400k build = (400k equity / 800k value) = 50% equity – they could look at any option (depending on how much they want to self-manage, or get another builder to manage etc).
- Clients have a property value $800k with $600k lending, looking at a $300k build = (200k equity / $1.1m value) = 18% equity – they would need to put in enough cash to keep equity above 20%, otherwise they would be hit with penalty interest rates on all their lending.

It's not always easy to calculate especially if they own multiple properties but some rules of thumb

- First home buyers can usually work out their deposit % easily
- Existing home owners don't always have enough equity for a non-fixed price build, e.g. if their current mortgage is 60-80% of the value of their property (unless they have other funds to put in).

Contingency cost % doesn't usually matter, only if they're trying to really push the limits of their affordability.

Gareth Jenkins | **Mortgage Advisor**
gareth@aheadmortgages.co.nz
022 631 2689
www.aheadmortgages.co.nz