

Tenders and quotes

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A quote is a detailed calculation of your building project. You should get a few quotes before you choose your contractor.

Once you have come up with a list of potential contractors (usually three), you should present your building project to them. This is tendering, and is an opportunity for contractors to price your project as accurately as possible.

You can select the most appropriate quote.

To price the job, contractors need copies of the detailed drawings and specifications if you have them, as well as any information you have about the building site and where your building will be.

The more information you can provide them with, the more accurate their quotes will be. You should let the contractors know that you are tendering.

Check to see whether the contractors you have in mind will charge you for the time it takes to calculate a quote. Preparing a tender, particularly for bigger jobs, can be time consuming for potential contractors.

If you decide to skip the tender process you should still ask your builder for a detailed quote or estimate. It can provide a useful paper trail if things go wrong later in the job.

Quotes and estimates

An estimate is not a set price. However, while an estimate may change when the work is actually completed, the contractor has an obligation to be reasonably accurate with their estimate and make any limitations known to you.

A quote is a promise made by the contractor to build your home according to the specifications and drawings you provided for the cost they calculate. How much the build actually costs can be influenced by how your builder is paid (hourly or fixed cost), delays, and any variations, events or changes you and your building agree are necessary during the build.

Getting quotes

We recommend getting at least three detailed quotes with a breakdown of labour and material costs. Make sure you check if GST is included in the quote.

The quote will be the price you should expect to pay for the building work. However, matters outside the contractor's control can come up during a building project which create additional costs. This could be a cost of time, materials, or variations to the consent.

Ask for the contractor's hourly rate (including GST) so you know how much to expect to pay if you want any additional work done.

Check whether the quote is a provisional or prime cost sum:

- A provisional sum sets aside money for specific building work when there is not enough detail to provide a fixed price (if an item has not yet been purchased or chosen and the installation cost is unknown). Ask the contractor to confirm whether the quote is appropriate for the quality of goods you are expecting.
- A prime cost sum sets aside a fixed amount for a certain item (such as a kitchen sink) so you can choose these yourself. If you choose a product that costs more than the allocated prime cost sum, you will need to pay extra to use these in your home or building. A prime cost sum does not include any installation costs unless stated.

Payment terms

Your quote will also differ in cost depending on the contract you and your contractor choose. Each contract may have a different payment rate and scheme:

- full contract (the builder manages the whole process, including getting consents and health and safety)
- labour-only contract (you manage the whole building process, and the builder is only responsible for building)
- managed labour-only contract (the builder manages the day-to-day building and any other responsibilities you negotiate in your contract).

You should check which contract and payment method your contractor has quoted you for.

Why contracts are valuable

Understand when you need a contract for your building project.

Learn more about why contracts are valuable (<https://www.building.govt.nz/projects-and-consents/why-contracts-are-valuable/>)

Comparing quotes

When considering and comparing quotes, money shouldn't be the only factor in choosing your contractor. You should also consider the contractor's:

- level of experience and reliability
- what fixtures and fittings they suggest
- references and past projects.

Look at the details of the quotes to make sure they all cover the same scope of building work, materials and fixtures so you are comparing 'like with like'. Your plans and specifications may specify products and materials to meet the requirements of the Building Code, so make sure these are what's in the quote.

If one quote is significantly higher or lower than the others, check why. If any part of the quote is unclear, ask for more details.

You need to be happy with the proposed quality of specified fixtures and finishes in the quote because, once you've signed the contract, changing these will be a variation of the contract (and will probably cost more).

Materials and fixtures in your quote

If your designer or architect did not specify certain products for your contractors, the quote prices may differ greatly. This is because a number of factors might influence your contractors, including:

- their past experience with the products
- the wholesale price of the products
- the time and labour cost taken in getting quotes from multiple sources
- terms of trade available from various sources
- loyalty schemes (such as rebates for buying a lot of product) available from various merchants.

Ask your potential contractors:

- why they propose to get building materials and fixtures from a particular source
- if the benefits of buying materials and fixtures from that source have been reflected in the quote.

If you're asking difficult questions or negotiating the terms of your contract, ask someone you trust to help you.

When you've made your decision and chosen your contractor, you should send written notification to those who missed out.



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