

Episode 50

Hiring Contractors and Subcontractors

The show notes: www.houseplanninghelp.com/50

Intro: Our interview today is with David Snell, he's a serial self-builder but he's also part of the Homebuilding & Renovating team. We spoke to Jason Orme in episode 37 and I have a feeling that he did mention David in that episode.

David is currently building his 14th house so we're going to find out why he's doing that, we also talk a bit about acquiring land because David thinks that you should never have a problem, it's easy to find land, and he shares his tips for building up a decent team. I think we also mention contracts in this episode.

I started by asking David how he got into self-building.

David: I got into self-building when I self-built the house that my wife and I got married into in 1970. In fact I carried her across the threshold, in 1971, of that first house that we'd built. I didn't do it entirely on my own. There were four houses and I built them with some friends. We put our own labour in, we employed labour and it was our first venture for all of us. We made terrific mistakes but in the end we got it right and we managed to build those four houses and we moved into, as I say, one of them.

Ben: Can you remember any of those early mistakes?

David: Well the one I can really remember, because this is an awful long time ago now, the one I really remember is when we thought, we haven't got any pea shingle on site and we needed to backfill the drains. "Oh we've got plenty of sharp sand and we don't need that," so we used sharp sand instead of pea shingle to haunch around the drains. Of course the building inspector, the minute he saw that . . . It took us days to dig it out again! It's the sort of mistake you make and don't make again. [David laughs.]

Ben: Now a lot of people when they build a house, they build up all of this knowledge and they never use it again because they've created their perfect house so how come you ended up building not only a second but how many more after?

David: Well, we're now on our 14th self-build project. For me, buying and living in someone else's house is an anachronism. I have to do it occasionally as we are now. We're living in somebody else's house, renting it off them and for me it is not a pleasant experience. For me it is a complete anachronism to live in somebody else's house. If we want to move, our first thought is where is the land and how do we build and that's what we do. So every time we want to or need to move, the goal has been to buy a piece of land and build our own home.

Ben: What are your tips for finding a piece of land, then?

David: Finding a piece of land has never been difficult. For nearly 15 years I wrote an article for the magazine [Homebuilding & Renovating] called Plotfinder Challenge and once a month I would attach myself to a land-less would be self-building person or couple and I would find some plots of land in the area they wanted to live, at the price they wanted to live at, to pay. We would then spend a couple of days looking at those plots of land. They would hopefully buy the piece of land, I would write the story. I did that 12 times a year for 15 years and 60% of the time they actually bought the plot that we saw on the day.

Finding land is not as difficult as you would imagine. It is all over the place. It's just how to look at it and where to look for it that's the thing.

Ben: Is it something that we are doing wrong? When we look at it we're just picking . . .

David: I think, to interrupt you, it's your attitude. If you ever meet a self-builder, and I expect you've met quite a few, if a self-builder actually wants to go and self-build at all, again, they simply do so. They simply go out there and find the next piece of land without any particular problem. It's the first time self-builder who has that terrible problem finding the piece of land. So it's a question of attitude, it's a question of being able to, first of all knowing where to look and who to look for. That's easy these days because estate agents do actually sell land to self-builders. When I first started they didn't want to talk about selling land to self-builders. Now they recognise that perhaps we'll pay a little bit more and that we will probably do it again and that we are repeat business just like builders.

Also there are plenty of websites and specific internet sites for the sale of land. There's PlotFinder, there's PlotSearch, there's a myriad of them, there's RightMove which all deal with land. You just

log onto those things and you can come away with a whole list of land. You can refine what you want and where you want, and if you look at it and say: "Well, I'd always wanted half an acre in the Guildford area and I've only got £150,000," you'd pretty soon find that you couldn't get that. So you'd actually have to refine your search and say: "Well, we'll move a bit further up the M4 and maybe we'll find £200,000 for the plot," et cetera.

Ben: If you go down that route, does that give you the best price for a plot of land or is there anything else you can tack on to get some value out of it?

David: In most cases there's going to be value in a piece of land. Some vendors don't understand . . . They think if the finished house is going to be worth £300,000 and it's going to cost £150,000 to build it their land is worth £150,000. That actually leaves no profit for the builder or developer or self-builder and their land hangs around on the market for a long time as a result. There has to be an engine to create development. The engine in any business, it's no different in building or self-building, the engine is profit and that engine has to be there. So land always has a value relevant to the house that can be built upon it but that also must include a profit.

There is in fact a simple means of valuing land, which anybody can learn to do and it's simply that the land cost, plus the build costs, plus a margin of say 20-30% equals the end value of the house. You need to learn to use that equation and to look at a piece of land and work that equation out in your head. You need to be able to juggle the first three elements of that equation to always add up to the last element. So the land cost plus the build cost plus the margin must never exceed the end value. It could be less than the end value in which case you're quids in but it mustn't ever exceed it and you need to be able to juggle those.

If the land is costing more than you'd originally hoped for then something else has got to give. Either the cost of the building has got to go down or the amount of the margin has got to go down but they must never exceed the end value of the house.

Ben: I had to ask you some questions on that. One of the key things that I want to do today is to ask a little bit about the people that work with you on a site and setting that up. Are you hands-on? Do you get involved yourself?

David: I'm nearly 70, I'm not hands-on in anything! [Ben and David laugh.]

Ben: So you are the brains behind this . . .

David: I used to be hands-on. No longer.

Ben: Fair enough. I understand that. So how do you set this up? What are the first things, once you've got your plot, who do you look to first?

David: I think if you've lived in an area for a long, long while you would build up a knowledge of local tradesmen. You'd have people that you know, friends you know or family that you know who have had something built in the area. You may have had an extension to your house or built an extension to your house which has introduced you to the technology of building houses, the terminology of building houses and also the people that were involved. So if you lived in an area for a long, long while you've probably built up a knowledge of who to talk to in the first place anyway. If not, then I think I would always go with recommendation and if you've decided to build a house then start to ask people who are having a house built or have had an extension done: "Who did this for you? Were they any good?" and they will tell you: "This bloke was fabulous," or "this bloke turned up and he was there on the Monday and we never saw him for weeks afterwards." That's the sort of person you don't deal with. "This person was good on this but it wasn't particularly good on that. I'd have him again to do my roof but I wouldn't let him hang my doors." Learn that sort of thing from their previous clients.

If you don't reach labour or builders by recommendation there are plenty of places to look for builders. Again the internet can come to your help here, you know, searching for builders on the internet. There's plenty of internet sites that deal with that. Even if you find them like that, still don't forget that idea of recommendation. Many of the internet sites have their recommendations. They've got star ratings and things like that but you still, I think, need a personal recommendation. I would always ask any person who was going to work for me on a site to give me the names and addresses of other people they'd done the job for. And I would go and see them, and have the courage to knock on their door and say: "I understand Jim Bloggs did this or that for you. What was he like?" Get it from the horse's mouth.

It's no good finding out at the fag end of a job, when there's no money left on it, that the bloke's not reliable. You need to know that right from the beginning and you don't deal with that person. The only way to do that is to talk to their previous clients.

Ben: Have you ever had a situation where you've had to part company with somebody?

David: Yes, I have. A bad bricklayer or a bad carpenter is used to being sent down the road, quite frankly, but did you do the homework on him to employ him in the first place? Did you talk to his previous clients and most importantly look at his previous jobs? And if you hadn't done that then you suddenly discover he's a bad bricklayer then the fault is yours not his because he just happens to be a bad bricklayer. [David laughs.]

Ben: So what was the situation that you were thinking of because you said 'yes' to this question?

David: I mean there are countless . . . I have watched a plasterer and realised that he couldn't do it and said: "Out, sunshine."

Ben: How do you know he can't do it? Or is this just, I suppose you've seen it many times . . .

David: I don't think you have to be an expert to rub the back of your hand. And it should be the back of your hand, by the way, not the front of your hand because if you use the front of your hand it puts grease on the plaster and it's difficult to paint afterwards. If you rub the back of your hand down the plaster I don't think you have to be an expert to feel that that's rough. I don't think you have to have an expert to look at bricks to see that they're all higgledy-piggledy, that the horizontal joints are up and down or the burps don't line up, vertical joints don't line up or that they're smudged in mortar. I don't think you have to be an expert for that. I think any layperson can see that. I think any layperson can see whether doors hang properly and stay where they're put rather than swinging shut or swinging open. These are the sort of things we live within. It's the cocoon we live within which we call home and it's not difficult to see whether it's good or bad.

Ben: Going back to the beginning for a moment, when I asked you about the first people that you get on board, who is that for you?

David: This 14th project of ours, we are now talking to you, I'm talking to you in Kent. We, until a month ago, lived in Gloucestershire. That's where I've built the last four houses. Even those four houses in Gloucestershire were an amalgam of people I built up and people who were discarded and new people who were taken on. Here we're in completely fresh territory. We came here not knowing a soul. How did I find who I'm dealing with? I looked through on the

internet, I rang people, I went to see them, I went to see their work and I got to know them. And I looked for the key trade to start with, which in my case was bricklayer.

Having found the good one that I think I'm happy to play with, it's not that difficult to roll on from that and find the other trades. A good carpenter doesn't want to follow a bad bricklayer because he's just got terrible problems with the levels for his plates or his joists or whatever. A good bricklayer doesn't want to follow a bad ground-worker because he's got to spend days on end trying to level up his foundations and things like that. So they tend to work in laissez-faire groupings and if you get to a good tradesman then they will always recommend the tradesman either side of them or the tradesman that they've worked with in the past and that's exactly what I'm doing.

Never, by the way, never ask for them to recommend a trademan in their own trade, in their own discipline, because they'll never have a good word to say about anyone in their own discipline. It's disciplines either side of them that you need to ask about.

Ben: Do you bargain on price a lot or how do you get together what they are going to be costing?

David: You know, I've been in the industry now 52 years and I've built up a fair bit of knowledge about things so in a way pricing is something that I understand and know in an encyclopedic way. At the same time whenever I've got my plans drawn I send them off to an estimating company. It's 150 quid plus VAT and they send them back and I've got an estimate of everything. Happily it normally accords with what I expect it to do. That's then my guide through the project. For example, the estimate that I've got for the current house says the electrician should be £5,200. I've actually got a quote for £5,900 but that includes a garage and shed et cetera, et cetera. So I know I'm on the right lines with that one. But I already knew before he gave me the price, what his price should be or the ballpark figure.

Ben: And is there ever a case for, let's say he charged £7,000, that that would actually be justified because he's superior in some way or do you think there are more or less these markers?

David: No, I don't think so. I think a good bricklayer is as good as another good bricklayer.

What I wouldn't do, to go back to your question as well, is I wouldn't argue about prices and try and beat people down. I think a couple of years ago you could probably have done that in the depths of the housing depression. In normal business it is not a good thing to do. I think if your man gave you a price of £6,500 and you said: "You can have the job for £6,000," he would always perceive that you had robbed him of £500. And he will get it back! He will get it back by skimping on the job or charging you extras so you won't have won anyway.

Ben: By that token then there is very little bargaining power.

David: There's not bargaining power, this isn't an Arab souk this is getting your house built and this is getting your house built by proper people at proper prices. If somebody gives you a price which on your estimating thing should have been £5,500 and it comes in at £8,500 either they think you are a soft touch or they don't want the job in which case you don't deal with them.

Ben: That makes total sense. Can I ask a bit about contracts? What would I need to know about contracts? This is the first time that I . . .

David: Are you talking about written contracts?

Ben: Contracts that you need when you have your subcontractors, et cetera?

David: I would guess that 90% of self-build projects don't have a written contract, don't have a formal contract in place. That doesn't mean to say it's not a good idea. The fact of the matter is that if you wave a sheet of paper an inch thick at a builder and ask him to sign on the bottom he'll probably add the date into the price.

I have nothing against a very short, simple form of 5 or 10-page contract in plain English with tick boxes, say, about whether they can use the toilet if they're building an extension, when they'll start, when they'll finish, importantly when you'll pay them and at what stages of the build you'll pay them and how much you'll pay them. Also if the contract has something in it which will deal with what happens if matters do go wrong - how do you terminate a contract, how do you get them off your site, how do you agree a termination?

Most decent contracts, that is the most important bit of it. If everything goes swimmingly the contract is just something that can go in the bin but if it goes pear-shaped then that contract will detail

how you get out of that or how indeed the builder gets out of that problem and how you solve the problem.

Ben: Is it more of an agreement of what you're going to do, really, rather than a contract because you were saying about those elements. What elements do you need to set upfront when you're talking about your work?

David: The price has to be agreed and the way in which you'll pay it and the rate at which you'll pay it. First of all, no subcontractor, no labour-only subcontractor or even a plumber or an electrician who is supply and fix is really going to be interested in signing any kind of contract. With them it's going to be a question of offer and acceptance. You are going to ask them for a quotation, they are going to give you a quotation, you are going to accept it and the contract is formed by offer and acceptance.

With a small builder, yes there can be this simple form of contract that I've talked about. The main business is it's sorting out how you will pay them but you still need to work that out with subcontractors because if you've got a builder who's building a house for you and he's undertaking the whole shooting match then you'll obviously agree to pay him as certain stages of the build are reached and you will pay him either an agreed sum or an agreed proportion of the sum as each stage will be reached. That's simple and that's straightforward and that's sensible to have that down, and you don't pay him until and unless that stage is reached. If he starts asking you for money before that stage is reached, alarm bells should start to go off. Hang on, this guy is in problems of some sort, how do we sort this problem out? So that's with a builder. With a subcontractor there won't be a formal contract, as I say, other than this offer and acceptance but there still has to be some agreement as to how you're going to pay this bricklayer. You've agreed to pay a bricklayer £12,000 to do the brickwork on your house, at what rate is he going to be paid? If he thinks he's going to be there for 12 weeks and you pay him £1,500 a week then 10 weeks into the job you're not going to have anything left on it and he might perceive that, *hey I can go down the road and get more money* and might not finish. If you think that doesn't happen, as you drive around look at the gable ends of houses and look for the number of gable ends where it's quite obvious that a different bricklayer has laid those bricks. It does happen.

Ben: Let's say that you do have that situation where you've got to bring on someone else. Are there any things that we need to consider in

that case or is it going to be much tougher to get this team member in?

David: It's tougher to get somebody to take on somebody else's work. If you're using an NHBC builder the NHBC will help you find a new builder to take on the job but quite frankly if you've got 75% of the way through a job with a builder and he goes pear-shaped on you and you need another builder, it will probably cost you 50% of the job to finish it. Now normally you'll be okay because if you're using an NHBC registered builder that will be covered by their insurance but you'll also be covered because, happily in the building industry, we pay people in arrears so that you shouldn't have paid the builder for the stage that he hasn't reached, in effect, when you parted company with him. So you should always be in hand.

Ben: I was just going to say to you, was that actually, that would back to our fault again?

David: A number of people do pay too much upfront. I know people who've paid builders upfront and the builder has said, you know: "I need a couple of grand to get everything all organised." This is rubbish. If anybody asks you for money upfront then you walk away quite frankly. There's no need for a builder or a subcontractor to ask for money upfront. If they've got any kind of credit rating at all they will pay their builders' merchants at the end of the month following the month of invoice. That's eight weeks at the longest period. Between four and eight weeks. So they haven't got to pay anything out for materials for four to eight weeks. They haven't got to pay anything in labour except in arrears themselves so there's no reason to pay anyone upfront.

Where the lay self-builder can get into problems is paying too heavily throughout the job so that the job physically can't be finished before there's not a lot of money left on the job. So you have to be very, very careful. If someone says they're going to be there for 10 weeks you don't pay them £1000 every week, you pay them £800 every week to keep that incentive to finish.

Ben: How many people do you have in total working on this project that you're undergoing at the moment?

David: Well, there's never more than five or six guys on site at any one time.

Ben: When it comes to teamwork and people working together, if there's only five, then I imagine, do they come as a team?

David: They either come as a team if you're using a builder. If you're using a builder there could be 14 people on there. If you're using subcontractors they will probably come in and do their jobs once the other guys have gone.

Ben: And there's no stepping on feet or anything like that? They can work around . . .

David: No, I mean half the business of programming a site is understanding the sequence of events through a site. I think it's important you learn what happens when. Once you've got the weather-tight shell finished, for example, the plumber and the electrician and the plasterers are the next ones in, but the plumber can be there at the same time as the electrician or the electrician could be coming next week. Once the plasterer comes in, everybody has got to clear out. So it's a sequence of events and you need to understand that sequence of events and then I don't think people tread on people's toes too much.

If you've got to the situation where you've got carpenters trying to cut skirting boards and putting dust everywhere, and you've got a painter at the other end of the room trying to paint them then something has gone terribly wrong. He's wasting his time. You need to get him out and say: "Come back later, sunshine, when we've cleared up this place."

Ben: As we just wind up this little section on putting together a team, are there any other key points that will help us make a success of this?

David: I think I would stick to the key points. Go by recommendation, look at their previous work, talk to their previous clients and find them through each other.

Ben: That's quite succinct. I now want to talk, just as we get towards the end, about some of your self-build history and going through all of these projects. Do you feel that each time you go through it, you improve, you hone, you've got something more to go onto the next project or is it just like repeating the same thing again and again?

David: No, I've never built the same house twice. The last five houses will have been bungalows. This is the last one, by the way!

I have built to accommodate our lives and our lifestyles, and to survive children and them to survive me quite frankly because I think the generations don't always mix happily in houses. I think

most of what goes for 'family housing' is not fit for purpose. I don't think the generations can suitably live with each other in most houses, which is why most kids get thrown out on the streets and get into trouble because they're interfering with dad listening to the television. Just one example - when my children were teenagers I specifically built so that they had their own lounge, their bedrooms were separate from ours, still within the property and that they could live a semi-separate existence where they could maybe sit quietly and do their homework while father played loud rock music and didn't disturb them or maybe the other way round at times but where we could survive each other and still live as a family unit. The telling thing was my kids never hung around at the bus stop but all their friends used to come to our house so we became - de facto - the local youth centre for my children's group of friends.

Ben: Well, it's been fantastic to chat to you today, David. I wonder whether you have one final parting piece of advice?

David: Just do it, because I don't know anything that changes people's lives to such an extent as self-building. It really is a game-changer. It changes your life financially because most people make huge amounts of money in relative terms, huge amount increases in equity and it also changes people's lives because of the empowerment it gives them. Before you self-build you're just somebody who goes to work and gets paid by someone else, when you start self-building you're the boss suddenly and you're paying out massive amounts of money to people who are relying on you. And I think that changes your life completely.

Ben: David, thank you very much.

David: Thank you.