

# 27 Hidden Costs That Sink First-Time Property Developments

*Tina Meredith — 30 Years Experience*



The complete cost protection checklist. 27 expenses first-time developers routinely miss, across every phase from due diligence to settlement.

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## Why this checklist exists

In thirty years of property development I have watched the same thing happen again and again. Sharp, motivated people enter their first development project with genuine enthusiasm and watch their budget disappear. Not because they were lazy or incompetent. Because there were costs they simply did not know existed.

Here is what the industry does not tell you upfront. The costs that sink first-time developments are not mysterious. They are predictable, they are quantifiable, and every single one of them is documented in this checklist. You can find them and budget for them before you commit a single dollar, if you know where to look.

## How to use this checklist

- ✓ Work through every item before signing a purchase contract
- ✓ Mark each item once you've budgeted for or addressed that cost
- ✓ Use the cost ranges to build a realistic contingency reserve
- ✓ Revisit the relevant phase checklist at each stage of your project
- ✓ Share it with your project team. Everyone should know what's on this list

The costs on this list have collectively destroyed millions of dollars in developer equity. They do not need to touch yours.

*Tina Meredith | Property Development Insite*

## PHASE 1: PRE-DEVELOPMENT &amp; DUE DILIGENCE

Items 1–6

**1** Skipping proper market research*Potential cost:* **\$5,000 - \$15,000**

Most first-timers skip proper market research or rely on suburb reputation and gut feel. That is not enough. A real analysis looks at buyer demand, competing supply, realistic price points, and what actually sells in that area. Without it, you are building your entire business case on assumption. And assumptions do not cover your loan repayments when the market shifts.

**What to do about it**

*Get a professional market study done before you sign anything. Make sure it covers demand, competition, and realistic financial scenarios. I know it feels like an unnecessary cost at this stage but the \$5K-\$15K is cheap insurance against a six-figure error.*

**2** Committing money before checking if the numbers actually work*Potential cost:* **\$30,000 - \$100,000+**

A market analysis tells you what buyers want. A feasibility study tells you whether your specific project on your specific site actually makes money. These are two different things. I have seen people spend money on architects and consultants before ever checking whether the numbers work conservatively. That is not due diligence. That is enthusiasm. And enthusiasm does not pay back your loan.

**What to do about it**

*Run a detailed feasibility before committing any real capital. Model conservative sale prices, realistic timelines, and every cost included. If the project only works on best-case assumptions, it does not work. Walk away and find one that does.*

**3** Not investigating what's under the ground*Potential cost:* **\$10,000 - \$50,000**

Soil problems, subsurface rock, and unstable ground are completely invisible until the excavator hits them. Skipping a geotechnical investigation to save \$2,000-\$5,000 is one of the most common and costly mistakes I see. Remediation costs run 10 to 25 times the cost of the test you skipped. Rock excavation and engineered foundations are not negotiable once you find them.

**What to do about it**

*Order a geotechnical investigation during your due diligence period. If issues come up, factor the costs into your offer or walk away. I have watched people try to negotiate after the fact. It is a much harder conversation than having the information before you sign.*

## 4 Missing environmental issues on the land

Potential cost: **\$15,000 - \$100,000+**

Contaminated soil, heritage vegetation, endangered species habitat, or wetland designations can stop your project for months and cost you a lot of money to resolve. Former service stations, old industrial land, and even farming properties often carry contamination that is not visible on the surface and is not in the contract. I have seen this catch people completely off guard.

### What to do about it

*Get Phase I and Phase II environmental screenings for any site with an industrial or agricultural history. Check local heritage and biodiversity overlays before you make an offer. Budget for tree protection and habitat compensation if council requires it. These are not surprises if you look for them early.*

## 5 Assuming the zoning allows what you want to build

Potential cost: **\$8,000 - \$30,000**

Assuming your project fits within existing zoning is one of the most common planning mistakes first-timers make. Rezoning takes 6 to 12 months, costs tens of thousands in professional fees, and comes with no guarantee of success. And the whole time you are waiting, holding costs keep running. I have seen projects lose all their profit margin before construction even started because of this.

### What to do about it

*Confirm zoning, height limits, floor space ratios, and setback requirements before you submit any offer. Get a planning consultant to review approval probability early. Structure your contract with conditions tied to getting the consents you need. Never assume. Check.*

## 6 Not checking overlays before you buy

Potential cost: **\$5,000 - \$40,000**

Flood overlays, bushfire attack levels, acoustic corridors, heritage precincts, and design overlays are completely separate from zoning. And they are frequently missed. Each one triggers its own engineering reports, specialist consultants, and design constraints. A bushfire overlay alone can add \$15,000-\$30,000 in construction costs and requires a BAL assessment before you can even lodge your DA.

### What to do about it

*Check all overlays on the planning scheme before purchase. Not just the zoning. Every overlay has its own cost and consent implications. A good planning consultant can identify all of them in an hour. That hour saves months of surprises. It is one of the best investments you can make at the due diligence stage.*

## PHASE 2: SITE PREPARATION &amp; INFRASTRUCTURE

Items 7–12

**7 Underestimating what demolition actually costs***Potential cost:* **\$15,000 - \$60,000**

Removing existing structures, trees, and debris is consistently underestimated. Asbestos removal, underground tank extraction, buried foundations, and protected tree management all need licensed specialists and proper permits. What looks like a straightforward knock-down job can double in cost when asbestos sheeting turns up or 200 cubic metres of contaminated material needs carting away.

**What to do about it**

*Get itemised demolition quotes that include asbestos testing, waste transport, and site restoration. Add a 20-30% buffer for unexpected finds. And get all demolition permits sorted before any equipment arrives on site. A stop-work order at demolition stage is an expensive way to start a project.*

**8 Forgetting about water and sewerage connection costs***Potential cost:* **\$15,000 - \$50,000**

Water and sewerage connections go through separate authorities, separate applications, and separate cost schedules. The bills come from the water authority, not your builder, and they often do not show up until mid-project when it is too late to adjust your budget. In some areas, sewerage connection alone for a multi-dwelling development reaches \$30,000-\$50,000.

**What to do about it**

*Contact the water and sewerage authority directly during due diligence. Get a written cost estimate and ask specifically about capacity constraints that might trigger upgrades. Never assume existing connections are adequate. I have seen this one catch people out badly, and it is completely avoidable.*

**9 Leaving power, gas and NBN out of the budget***Potential cost:* **\$10,000 - \$40,000**

Power, gas, and NBN connections are billed by three separate providers and are frequently left out of initial budgets because they are not in the builder's quote. Transformer installations for multi-dwelling projects can add \$15,000-\$25,000 on their own. If services do not reach your boundary, you pay to extend them at \$50-\$150 per linear metre.

**What to do about it**

*Contact each utility provider separately during due diligence. Confirm connection points, capacity, and upgrade costs in writing before you finalise your feasibility. These costs are not small and they are not optional. Get them on paper early so there are no surprises mid-project.*

## 10 Not budgeting for stormwater management

Potential cost: **\$25,000 - \$75,000**

Councils increasingly require on-site stormwater detention to manage downstream flooding impacts. Retention tanks, infiltration systems, and detention basins carry real design, engineering, and installation costs. Here is the thing: these are conditions of approval. You cannot design your way around them and you cannot skip them to save money.

### What to do about it

*Engage a civil engineer early to assess what stormwater systems your site and development type will require. Review council policy before you finalise the design. Budget for ongoing maintenance obligations too, not just installation. They are a condition of approval, not an optional extra.*

## 11 Buying a sloped site without costing the earthworks

Potential cost: **\$30,000 - \$100,000**

Sloped sites need excavation, fill, and engineered retaining walls. These costs add up fast. Removing excess soil runs \$15-\$40 per cubic metre to cart away. Importing fill costs even more. Retaining walls are \$500-\$1,500 per linear metre depending on height. On a difficult site, earthworks costs can eat your entire contingency before construction starts.

### What to do about it

*Get a contour survey done early and ask your engineer to estimate earthworks costs before you lock in the design. Look for design solutions that work with the natural levels. Every extra metre of retained height costs real money. Sort this out on paper, not on site.*

## 12 Assuming builder preliminaries are included in the build rate

Potential cost: **\$20,000 - \$60,000**

Builders charge separate preliminary costs before a single trade starts work. Site establishment, hoarding, scaffolding, site sheds, temporary power and water, safety fencing, and project management overheads all appear as a lump sum in the contract. First-timers regularly assume these are included in the build rate. They are not. On a \$600K build, preliminaries alone can be \$40,000-\$60,000.

### What to do about it

*Ask every builder you quote for an itemised breakdown of preliminary costs. Compare preliminaries separately from construction costs. A lower build rate with inflated preliminaries is not a better deal. Include realistic preliminaries in your feasibility from the very start.*

## PHASE 3: REGULATORY, LEGAL &amp; COMPLIANCE

Items 13–18

**13** Forgetting about council infrastructure levies*Potential cost:* **\$10,000 - \$50,000+**

Councils charge contribution levies to fund local schools, roads, parks, and community infrastructure. These charges vary a lot, from \$5,000 per dwelling in some areas to over \$50,000 in high-growth corridors. They get left out of budgets constantly because payment is not required until later in the approval process. By the time the bill arrives, it is too late to change the feasibility.

**What to do about it**

*Call your council's development contributions team before you sign any contract and get a written estimate. These charges are published in council schedules and are completely predictable. There is genuinely no good reason not to include them from day one. It takes one phone call.*

**14** Underbudgeting for permits and inspections*Potential cost:* **\$8,000 - \$25,000**

A standard multi-dwelling development needs 15 to 25 separate permits and inspections. Planning approval, construction certificate, plumbing, electrical, driveway access, and more. Each one has its own application fee and inspection charge. Miss one and you get a stop-work order. First-timers typically budget \$3,000 for permits and receive a bill three times that.

**What to do about it**

*Build a permit tracking register with your builder and certifier at the start of the project. Budget \$500-\$2,000 per permit and assign clear responsibility for monitoring permit status. Do not assume your builder is across all of this automatically. Stay involved.*

**15** Not planning ahead for the occupation certificate*Potential cost:* **\$3,000 - \$15,000**

The occupation certificate is the document that makes your development legally habitable and sellable. It cannot be issued until every single condition of consent is satisfied. Unresolved defects, missing documentation, or outstanding works found at final inspection cause costly delays right when you are under the most financial pressure to settle and sell.

**What to do about it**

*Keep a live conditions of consent register throughout the entire project and review outstanding items at every site meeting, not just at the end. Budget your certifier's final inspection fees and allow 4-6 weeks for OC processing in your project timeline. Leaving this to the last minute is where things go wrong.*

## 16 Underestimating legal costs

Potential cost: **\$12,000 - \$35,000**

Property development involves a lot of legal work. Purchase contracts, development agreements, construction contracts, subdivision documents, easements, covenants, and title registrations. First-timers budget \$3,000-\$5,000 for legal fees and regularly receive invoices for \$20,000-\$35,000. Complex projects with multiple stakeholders cost even more.

### What to do about it

*Use a property development specialist lawyer, not a general conveyancer. Get a full-project fee estimate before you engage them and negotiate fixed-fee arrangements where you can. A rough working guide is 1-2% of total project costs for legal services. Budget it from the start.*

## 17 Not engaging a quantity surveyor

Potential cost: **\$5,000 - \$15,000**

A quantity surveyor provides independent cost estimates, checks your builder's quote for gaps, and monitors costs through the build. First-timers skip this entirely and then discover the builder's quote was missing major scope items, or that variations have quietly eaten the margin. On any project above \$500K, the QS fee pays for itself many times over. This is not a nice-to-have.

### What to do about it

*Engage a QS to review your feasibility before purchase and again to check your builder's quote before signing. Their independent review catches pricing errors and scope gaps that cost far more than their fee to fix once construction has started. I have never seen a first-time developer regret hiring one.*

## 18 Leaving technical consultants out of the budget

Potential cost: **\$25,000 - \$80,000**

Beyond your architect and builder you will need planning consultants, land surveyors, civil engineers, structural engineers, traffic engineers, arborists, and acoustic consultants. Each charges \$2,000-\$15,000 or more. These fees are not optional — council approval is simply not possible without them. And yet they are consistently left out of first-timer budgets.

### What to do about it

*Map out every consultant you will need at the start of the project and get written fee proposals from each one early. A working guide is 5-8% of construction costs for professional services. Engaging them early prevents rushed and more expensive work later. Build the full team into your feasibility from day one.*

## PHASE 4: CONSTRUCTION &amp; EXECUTION

Items 19–23

**19** Changing your mind during construction*Potential cost:* **\$15,000 - \$60,000**

Changes during construction are priced as variations and builders charge premium rates for them because they disrupt schedules and require rework. A simple bathroom relocation can cost \$8,000-\$15,000 once plumbing, waterproofing, and tiling are all counted. Variations accumulate quietly. Each one looks small. Then you realise a \$400,000 build has become \$480,000.

**What to do about it**

*Lock in all design decisions before construction starts. Get a quantity surveyor to review plans for buildability before you sign the building contract. Set up a strict variation approval process and track the running total every single week. Every variation needs to be a conscious decision, not an afterthought.*

**20** Not planning for delays and what they cost*Potential cost:* **\$5,000 - \$15,000 per month**

Every month a project runs over costs real money. Loan interest, council rates, insurance, and land tax keep running whether anyone is working on site or not. Weather, material shortages, subcontractor availability, and permit delays routinely push projects out by 3 to 6 months. A six-month blowout at \$8,000 per month is \$48,000 straight off your profit. I have seen this wipe out entire margins.

**What to do about it**

*Build project schedules with a 20-30% time buffer and choose builders with solid track records and adequate resources. Include liquidated damages clauses in your construction contract and maintain active oversight throughout the build. Never, ever budget for a best-case timeline.*

**21** Not accounting for materials going up in price*Potential cost:* **\$10,000 - \$50,000**

Timber, steel, and concrete can increase 10-30% over an 18-month project. Most building contracts include price adjustment clauses for materials, which means you absorb the increases, not the builder. On a \$600,000 construction budget, a 5% materials increase is \$30,000 you had not planned for. This is not theoretical. It happens regularly.

**What to do about it**

*Negotiate fixed-price contracts without materials adjustment clauses where possible, or carry an explicit 5-10% materials contingency. Consider pre-purchasing long-lead items like windows and structural steel early to lock in current pricing. Ask your builder directly how price increases are handled before you sign anything.*



## 22 Not understanding the builder's margin on subcontracted work

Potential cost: **\$15,000 - \$50,000**

Builders apply a margin of typically 15-25% to all subcontracted trades. This is normal and legitimate, but first-timers often do not understand how much it adds up. On a \$500,000 project with significant subcontracted work, the builder's margin can represent \$75,000-\$125,000 of the total. Understanding this helps you read quotes properly rather than just comparing headline numbers.

### What to do about it

*Ask builders to break down their quote into direct labour, subcontractor costs, materials, and margin. Compare quotes at this level of detail, not just the total. A lower headline rate with an inflated margin is not always the better deal. A QS can help you read these comparisons properly.*

## 23 Not planning for defects after handover

Potential cost: **\$5,000 - \$40,000**

The defects liability period, typically 3-12 months after practical completion, is when construction defects surface. Cracking, waterproofing failures, drainage problems, and poor finishes are all common. Builders who are unresponsive or have moved on to other projects mean rectification often ends up at the developer's cost even when it legally should not.

### What to do about it

*Do a thorough pre-handover inspection with an independent building consultant before you release the final payment. Retain a portion of the contract sum as a defects holdback. Document every defect in writing. Your legal position under the contract is much stronger when you have done this properly from the start.*

## PHASE 5: COMPLETION &amp; EXIT

Items 24–27

**24 Leaving landscaping and external works as an afterthought***Potential cost:* **\$25,000 - \$100,000**

First-timers focus on the building and forget everything around it. Driveways, fencing, retaining walls, landscaping, irrigation, outdoor lighting, and letterboxes all cost real money. Councils often mandate specific landscaping standards including mature trees and automated irrigation. External works for a multi-unit development typically start at \$50,000 and go up from there.

**What to do about it**

*Include detailed external works costs in your feasibility from day one, not as an afterthought at the end. Get quotes from landscape contractors directly, not estimates from your builder. Read the council's landscaping conditions carefully. A working guide is \$10,000-\$25,000 per dwelling for external works.*

**25 Forgetting about GST, stamp duty and tax obligations***Potential cost:* **\$20,000 - \$80,000+**

I forgot about GST early in my career. Just forgot about it. And stamp duty. These are costs that are completely predictable and completely avoidable, yet I see first-timers leave them out of feasibilities regularly. On a \$500,000 sale, GST alone is \$45,000. Stamp duty on a \$600,000 land purchase in NSW is around \$22,000. These are not surprises. They are certainties.

**What to do about it**

*Get a property development accountant involved before you purchase, not after. Understand your GST position, your income tax obligations, and whether your structure affects your outcome. Every one of these costs can be calculated in advance. There is no excuse for being surprised by them.*

**26 Underbudgeting for sales, marketing and agent commissions***Potential cost:* **\$15,000 - \$40,000**

Selling costs money. Agent commissions run 2-4% of the sale price, plus marketing campaigns, professional photography, floor plans, signage, display furniture, and open home costs. On a \$600,000 sale that is \$12,000-\$24,000 per dwelling. These costs are fixed regardless of how long the campaign runs. And they are completely predictable from the very beginning.

**What to do about it**

*Budget 3-4% of your anticipated sale price for selling and marketing costs. Talk to your selling agent before construction finishes so your specifications match what buyers in your area actually want. Start marketing before practical completion to reduce your holding period. Every week you hold unsold stock costs money.*

## 27 Not keeping enough cash in reserve for holding costs after completion

Potential cost: **\$5,000 - \$15,000 per month**

If your properties do not sell straight away, the holding costs keep running. Loan interest, insurance, council rates, body corporate fees, and utilities on empty dwellings add up fast. Three months of unsold stock on a two-unit development can cost \$20,000-\$40,000 before a single settlement occurs. This is one of the most overlooked risks at the exit stage.

### What to do about it

*Keep a cash reserve that can cover at least 6 months of post-completion holding costs. Consider pre-sales to reduce your exit risk. And never build your feasibility around an assumption that everything sells on the day the OC is issued. Plan for the realistic scenario, not the best one.*

## YOUR POTENTIAL COST EXPOSURE BY PHASE

Items 1–27

| Phase                             | Items | Potential cost exposure        |
|-----------------------------------|-------|--------------------------------|
| Pre-Development & Due Diligence   | 1–6   | \$43,000 – \$285,000           |
| Site Preparation & Infrastructure | 7–12  | \$115,000 – \$375,000          |
| Regulatory, Legal & Compliance    | 13–18 | \$63,000 – \$205,000           |
| Construction & Execution          | 19–23 | \$50,000 – \$200,000           |
| Completion & Exit                 | 24–27 | \$65,000 – \$235,000           |
| <b>Total potential exposure</b>   | 1–27  | <b>\$336,000 – \$1,300,000</b> |

### Knowing the costs is the first step. Knowing if this is right for you is the essential one.

This checklist protects your capital once you have decided to develop. But the most expensive mistake of all is committing to property development before you have honestly assessed whether it suits your skills, your risk tolerance, your time, and your financial position. The Property Prequel Roadmap is a 9-step framework that helps you make that decision with confidence, before you spend a dollar, sign a contract, or commit a single hour to a path that may not be right for you.

**Decide with confidence before you commit.**

[thepropertyprequelroadmap.com](https://thepropertyprequelroadmap.com)

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