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Architects' fees

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The Competition and Consumer Act 2010 applies to the supply of professional services including those of architects. Among its effects is a prohibition of mandatory fee scales so that architects and their clients are free to negotiate and agree fees on any basis so long as it is legal.

How do architects charge fees?

There are several different methods that architects use for charging fees.

Percentage fees

This is a very common method of charging fees. The architect charges a percentage of the cost of the building (usually the cost on completion). The advantage of a percentage fee basis is that a fee agreement can be reached at the earliest possible time, even before the value or extent of the building work is known. It is normal for the fee to change with the cost of the work so if, for example, you increase the size of your job, the architect's fee will increase proportionately.

Similarly, if the final cost of the building is less than the estimate, the architect's fee would be reduced. It should be noted, however, that if the architect has completed design work to your instructions and you then change your mind about the extent of your work, you may be charged additional fees for redesign work.

Lump-sum fees

This is also a common method of setting fees. The architect agrees on a fixed sum of money for an agreed scope of work. Normally the fee will not change if the cost of the building changes. This has the advantage that the client always knows exactly how much the architect's fee will be. However, it is not always easy to calculate a fixed lump-sum fee at the outset of a project, especially if the client is unsure of their requirements, and so sometimes architects will quote a percentage fee which will later be converted to fixed lump sum when the scope of works is actually known.

Time-charge fees

This is not a common method of charging for architect's services, particularly for design work on a specific building. Nevertheless, should this method be used, the architect will charge for the work on an agreed hourly (or daily or weekly) rate. It is useful where a client wishes to seek advice on a project. In these instances, lump-sum fees are also common. The disadvantage of time-based fees is that there is no certainty at the outset of how much the fees will amount to, although this disadvantage can partially be overcome by setting an upper limit which cannot be exceeded without approval.

How much does an architect charge?

The cost of an architect's services depends on a number of factors, some of which relate to the architect's experience, reputation or method of operation.

Time charges, for example, will vary considerably. Clearly, the rate for a recent graduate will be considerably less than that of a very experienced architect. Likewise, a well known architect will most probably be able to command higher fees than an unknown architect. An architect who operates a small practice from home will obviously have lower overheads than a large city practice and may therefore be able to charge less. Hourly rates normally include all normal office overheads such as office rental, administrative staff, printing, telephone calls and so on.

As indicated above, each architectural practice sets its own fees and charges, so depending on the nature of the project and the services, hourly charges could vary from approximately \$100 per hour to many hundreds of dollars per hour.

Percentage charges may also vary according to the type and complexity of a job. For example, it is clearly much easier to design a garage than an entire house and it is similarly easier to design a new building on a virgin site than it is to alter and extend an existing

dwelling. The more complex the job, the more time the architect will have to spend and therefore the more fees will have to be charged. Percentage fees for full architectural services on small and/or complex projects could be in the order of 20% of the cost of the works and would progressively reduce to around 6% for larger and less complex projects.

When do I have to pay the architect?

This is a matter for agreement between you and your architect and should be settled before the architect starts work. Depending upon the scale of the job and the time frame, the architect may charge at the completion of each stage or on an agreed cash flow (for example, so much per month).

Service stage

Percentage proportion of fee to be charged

Examples	1	2	3	4
Schematic design	15.0	17.5	15.0	12.0
Design development	15.0	12.5	15.0	13.0
Contract documentation	40.0	40.0	30.0	35.0
Tendering & negotiating	2.5	2.5	5.0	5.0
Contract administration				
- Construction	25.0	25.0	30.0	35.0
- Post construction	2.5	2.5	5.0	0.0

It is usual, where any stage is extended, to claim fees on an instalment basis. Thus during construction it is normal for the architect to claim regular progressive payments of fees. The payment of architectural fees is not contingent upon a development application or building application being approved as the architect does not have any control over how authorities determine applications.

What do these stages mean?

In order to understand the billing process it may help to understand the process of design and construction. You should discuss this with your architect at the outset of your project but as a general guide the major stages are:

Schematic design

Once you and your architect have established the basic decisions regarding your requirements and budget, the architect will start 'designing'. The drawings will usually be relatively simple and there will probably be some optional schemes to discuss and agree with you. At the end of this stage the general planning and style of the building will be fixed. Usually the drawings will be submitted to your local authority for development approval. Some authorities require more detailed information such as models and perspectives to be submitted. These are usually prepared in the next stage and are generally not covered by normal architectural fee agreements.

Design development

When you have approved the preliminary designs the architect will develop the design in more detail, usually involving subconsultants such as structural engineers. The developed drawings will include detailed plans, elevations and sections and the estimate of cost will be more refined. It is likely that your architect will work closely with you during this stage so that you should be able to easily approve the work on completion of the stage.

Contract documentation

In order for the architect to call tenders and have the building built it is necessary to produce very detailed and accurate drawings and specifications. This is the contract documentation stage. At some point in this stage the architect will prepare documents or submissions to the relevant authority for building approval.

Contract administration

The process of building is relatively lengthy and often complex. The architect's role is basically to administer the contract (tendering, arranging the contract, certifying payments to the builder as well as issuing any variations and so on) and to inspect the works so that they are built in accordance with the documents.

Is there any way to make a fee cheaper?

Like all things, the cost of architectural services can always be made lower but it must also be remembered that lower does not always mean better. Your architect can only make the services cheaper by shortening the time spent on design or by deleting a part of the normal service. Lower fees result in conservative design, not good design. Architects cannot spend time refining a design to save you money if they are working for minimal fees. The only other option therefore is to reduce the scope of services. For instance, you could consider asking a builder to price your job on the basis of the sketch plans alone. Alternatively, you may wish to employ the builder and administer the contract yourself. Such methods would reduce professional fees but are not recommended, unless you have a thorough working knowledge of the construction industry. The end result could well cost you more if you are exposed to the technical and legal problems which frequently occur during the contract administration stage. If you feel an architect's proposed fee is high, it is best to discuss the matter fully and frankly with them before they start work.

Are there any other costs involved?

Usually the architect will seek reimbursement for items outside normal architectural services, such as:

- specialist subconsultants (for example, structural engineers, cost consultants, landscape architects)
- travelling expenses where the site is more than 30km from the architect's office
- models or perspectives
- fees for authorities application

Where can I get further advice?

If, after reading this document, you are still unsure of any element or if you require more details we suggest that you purchase a copy of the Institute's Advisory Note AN10.01.100 (which includes a copy of the standard Client and Architect Agreement with explanatory notes) and a set of Client Notes. For general information about what an architect does and how to maximise the benefits from the architectural commission, see the booklet *You and Your Architect – Building Projects*. These publications are available from all Institute Chapter offices and Architext bookshops.

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