

Construction Costs

Construction cost estimating is a sensitive subject with many builders. It's frequently misunderstood, varies widely between builders and communities, difficult to discuss with potential customers, and the most frequent criteria used by buyers when selecting a home or builder. This is my attempt at explaining some of the dynamics and hopefully establishing enough credibility that you will allow me to provide an estimate for you. *Keith Groninger*

Construction Cost Types

In general, there are four types of costs associated with construction: market costs, value judgements, personal preference and options.

- A. **Market costs** are controlled by supply and demand. Concrete, lumber, drywall and metals are all commodities. Their costs are driven by the market. There aren't any special places where one builder can purchase these items for much less than another. We conduct business professionally and expect the best pricing on these items from our suppliers. Likewise, many of the trade contractors provide services that are like commodities. Of course we have minimum standards, but much of the semi-skilled labor costs are also a function of supply and demand. We seek to manage our projects as efficiently as possible and obtain the best pricing from the companies we prefer to work with. If a builder leads you to believe that they can provide these items at a cheaper rate, be cautious.
- B. **Value judgement** costs are likely the most difficult to understand and the area where many home buyers get into trouble. Air-conditioning, insulation, roofing and windows are some of the cost categories included. Many of these components are installed as systems and technical knowledge is necessary to compare the cost and benefits. Decisions about mechanical systems and the building envelope are often above the ability of all but the most studious home buyer. Few buyers when given the option, choose the cheapest roof. Low up-front cost may contribute to increased operating and long-term costs. We can help you make value-based decisions that enable you to obtain the best return of your investment.
- C. **Personal preferences** are those items selected by you. Frequently, these are the most-visible items and also carry the strongest emotional bias. We have a variety of vendors that offer discount, mid-range or luxury products and services. We see our role as helping you find ways to achieve the most satisfaction from your purchases at the lowest cost. This can be time-consuming but also a lot of fun.

- D. **Options and upgrades** is also a very diverse cost category. Not long ago, many features that were considered to be upgrades, have now become what many buyers consider to be “standard”, and the list continues to grow. The most common budgeting error is the omission of something that was overlooked or simply cannot be left out. Therefore a thorough estimate should also list the items that it doesn’t include. The joy of building a new home can be tempered by the realization that it’s going to cost a lot more money than planned, to actually get what you want.

Cost-Saving Strategies

Here are some ideas for controlling costs that make sense if followed in steps. These strategies should be approached as a team with the owner, designer and builder involved.

- Design the home to be efficient to build. It’s highly recommended to get a builder involved during the design process in order to help with budgeting. Most home designers have very little expertise in construction costs. General cost-per-square-foot guesstimates can be very difficult to reconcile. That said, there’s a good argument that a well-designed home actually has a higher value.
- Evaluate needs and emotional desires. Many showrooms are designed to stimulate your emotions and cause you to spend more money. Not that there’s anything wrong with getting what you want, but there are almost always consequences when we purchase with emotion. Frankly, there’s not much we can do to help unless you want us to tie your hands...
- Establish “preferred builder” status. This is achieved when trade contractors and suppliers prefer to work for one particular builder over another. Preferred Builders are often rewarded with the best pricing and service from the companies they work with. This is achieved by builders that run organized projects that allow the trades to be more productive and therefore make more money.
- Develop detailed specifications and work descriptions. Specifications compliment a set of construction drawings as the written description of work to be performed on a project. Concise information supports accurate bidding, enhances communication, improves quality, expedites the time schedule and prevents mistakes.
- Shop for the “best” price. We all like to feel like we’re getting a good deal. There are several avenues to shopping for comparable products. Sometimes the online or warehouse purchase makes sense. Other times we want to stick with a full-service vendor or buy something at a fancy showroom. We can help you find the “best” option.

