

Guestimate or Services Agreement

Guestimates are a prickly path for both the owner and the builder.

Consider a builder that offers a low ballpark square-foot estimate on a project before it has been designed. This is a tactic used by many unscrupulous salespeople called “bait and switch”. If the owner decides to use that builder because the price sounds good, “What can go wrong?” What happens when the cost exceeds the budget? Does the builder make extra money on change orders? Does the owner actually have enough money to pay for the extra costs? What happens to the relationship between the owner and builder? Again, “What can go wrong?”

Consider another builder that tries to cover all the bases. An experienced and thoughtful builder might pad the budget to include unforeseen costs in order to prevent surprises and maintain a healthy relationship with the owner. Imagine the owners’ pleasure when the project comes in on or under budget. It’s a wonderful thing. The problem is that this builder frequently isn’t awarded the project in the first place because the owner is stuck on the low guestimate from the other builder.

Also consider the risk of making a decision based on a price guestimate. Do you really want to move forward with such a large investment based on a ballpark estimate? And what is the risk to the builder if he gives you an unrealistic budget and you proceed based on his guestimate? Personally I don’t want the risk or pressure.

The solution may be a Professional Services Agreement. In our case it’s a design agreement because we have another business entity ([Kg3d Home Design](#)) that allows us to provide a valuable service without requiring the initial commitment to use us as your builder. Once we have a preliminary design, we can create a detailed budget estimate and specifications that describe everything that’s included in the budget.

If for some (unfortunate and disappointing) reason you decide not to use Groninger Homes, you still have all the valuable information to streamline your project with another builder. This is one of the reasons we keep the two companies separate. Hopefully this provides a flexible avenue to start the design-build process one step at a time. Please let us know if you have any questions. *Keith Groninger*