



Why Budget?

Your project's success hinges on creating and sticking to a comprehensive budget. Creating a construction budget allows you to prepare for completion delays, modifications, unforeseen problems, and hidden costs. The time spent estimating construction costs will save you a lot of money in the end. Insufficient planning is primarily why projects fall short of expectations or go over budget.

Planning & Budgeting

The first major step in creating a budget is to discuss specifics of the project with us. You must have an achievable vision for the property—including its primary use, general design ideas, a desired completion date, and a rough cost tolerance.

Once the budget has been intelligently estimated and is within your financial tolerance, it is time to begin concept design drawings.

Basic Budget Considerations

- **Permitting:** such as survey, electrical, mechanical, plumbing, environmental, etc.
- **Blueprint Drafting and Review:** including the cost of design development and engineering
- **Site Preparation:** may include the cost of excavation, driveway building, forest clearing, the installation of utilities (such as water, septic, sewage, electric, gas, etc.), as well as labor and machinery costs
- **Foundation:** including soil condition, stability of the ground and compaction requirements
- **Exterior Considerations:** include windows, doors, seismic zone, insulation requirements, and design and review boards (if applicable)
- **HVAC Considerations:** such as high-efficiency forced air or an in-floor radiant heat system
- **Interior Considerations:** include the level of finish materials desired—such as flooring, cabinetry, countertops, lighting and plumbing fixtures, appliances, fireplace(s), home theatre, media and smart-home technologies, etc.
- **Contingency Allowance:** A contingency allowance is a way to account for unforeseen costs. A good rule of thumb is to reserve at least an extra 5% of the budget for such costs.

Hard Costs, Soft Costs & Site Costs

When estimating construction costs, it is helpful to think of the different types of costs—hard, soft or site.

Hard Costs

Hard costs account for the actual physical construction of a project. For example, excavation and site preparation, plumbing, window and door, HVAC, mechanical, and electrical costs are all hard costs. You must include not only the cost of materials in your hard cost estimates, but also the labor and equipment costs required to utilize those materials.

Soft Costs

Soft costs may be less readily recognizable, but they are equally important when estimating building costs. Fees (such as legal, design, management, etc.), insurance, financing and interest costs, taxes, and even LEED Certifications (if applicable) are all soft costs worth considering.

Site Costs

Site costs can include land costs, surveys, the demolition of any structure impediments, the installation of utilities, driveway building, forest clearing, accessibility and environmental compliance measures.

Unforeseen Costs

At some point during the building process, you are sure to encounter several surprise costs. Minimizing these costs up front can lead to increased efficiency and a greater likelihood of meeting the completion deadline.

Combating Unforeseen Costs

In general, budgeting is helpful, but not foolproof. Ideally, the 5% contingency allowance that you set aside during your preliminary budgeting process should mitigate your surprise costs. Good communication with team members in the early stages of the project is advantageous; sharing goals and plans early on creates a unified approach that may not show up in your budget but remains vital to your project's success.

Conclusion

Thorough budgeting with thoughtful estimates allows for an efficient design and construction process, while inadequate budgeting may lead to omissions, errors, delays, and even project incompleteness.

The keys to successful budgeting are: having a clear and achievable vision for your property; familiarizing yourself with all relevant building codes; understanding which line items are necessary and which are flexible; and accounting for hidden costs that will require you to ultimately be flexible with your budget.

Other Questions?

If you have additional questions, please feel free to [contact us](#). We look forward to speaking with you.