



Creating Cost Certainty

In the Commercial Real Estate world of fluctuating costs and tighter returns on your investment, doesn't your project deserve a realistic construction budget from day one?

Written By Des Burke



Every project begins with the creation of a vision followed by a projected ROI. The question then becomes, “What is this going to cost?” Often a budget is established in the early stages of a project that does not reflect the true final cost. In this era of evolving cost models, new construction materials and techniques, and unique designs; simply relying on rough costs per square foot or generic estimating platforms may produce the budget you “want” to see, but not the budget you “need” to see. A critical component of any project is developing an accurate and detailed construction budget.

Understanding the Consequences of an Inaccurate Budget in the Concept Stages

First, underestimating your project’s cost from day one will remove your design team’s ability to develop their design in accordance with a well-conceived budget. As you wade deeper into the design process, the result may be a budget update that gives you sticker shock. This creates delays as your team then struggles to reduce cost through value engineering, redesign, or worst of all, scope cuts. Some of those scope cuts may involve components of your project that you held near and dear when you created your vision.

Second, overestimating your project’s cost from day one can kill a deal before it ever gets off the ground. As mentioned earlier, margins are tight, so using a budget that unnecessarily inflates a project’s cost will not serve you well as you determine your options.



Third, let’s assume that your project is only slightly over the estimate, but the numbers still work, so you proceed. Although this may not seem like a bad idea, as your design progresses based on your initial vision, there is no opportunity to add value to that vision through improved aesthetics or premium systems that enhance your space/building value. Frequently you do not realize you had all that ‘fluff’ in your budget until you have received your final bids.

Again, this may not seem like a bad thing; you can always add items back into your project? Yes you can, but instead of having them included from day one as part of the base bid documents, you are now adding scope through the change order process, which has a premium associated with it.

When insufficient thought and analysis are the basis of a project's early stages, you may end up in trouble. You can certainly reach out for pro-bono help from contractors, consult your design and engineering team for budgetary input, or you may have some historical costs per square foot you can use from past projects. However, these approaches may not always give you the budget accuracy and detail you need to see.

A budget should be a well-thought-out, concisely detailed, accurate quantity take-off with a budget summary prepared for you by a cost estimating professional.

A cost estimating professional will prepare the correct budget on day one, allowing owners to make any necessary course corrections early in the process while the team is still in the visioning and concept stages of your project. Once your concept budget reflects a cost that the entire team is comfortable with, the detail within that budget should act as guidelines for the architectural and engineering teams to use through-out design development. Additional budget updates along the way will check the progress of the value vs. cost proposition.

As the saying goes, 'you get what you pay for.' Estimating input provided for free or as a favor is fine, but you may pay the price in terms of accuracy and detail. Concerning the entire cost of the project, the fee for cost consulting is a small investment. What you gain is an accountable partner who will understand your goals and tell you what you need to hear, so you ultimately end up with the project you envision at a cost you can afford.



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Mr. Des Burke brings over 33 years of pre-construction and construction management leadership to KRAMER, providing expertise in critical project aspects, including budgeting and cost consulting.