



Australian
Institute of
Architects

CLIENT RESOURCE

Single Residential Projects

UNDERSTANDING
CONSTRUCTION COSTS





UNDERSTANDING CONSTRUCTION COSTS

In Australia we have a great, well regulated and extremely skilled building industry, however, this can also make the cost of building expensive. Sometimes the cost of building can come as a surprise, so it's important to have an accurate understanding of the construction cost throughout the project to ensure it comes to life.

It's also important to keep in mind, that whilst construction costs are the major component of your project costs, it usually does not include the costs of consultants, planning and approval fees.

As each architectural project is unique, there are many variables which will impact on the cost of construction including:

- The site (access, gradient, location, condition of the existing house)
- Timing (both material cost increases, builders availability as well as competitiveness in the industry changes frequently)
- The builder you engage (like everything, skill and pride in work varies across the industry)
- Construction quality, materials and methodology (timber, brick or concrete construction)
- The design (which is why you engaged an architect).

There are many ways you can get an understanding of construction costs on your project, but it's important to know what is reliable. The builder is obligated to rectify the issue. While this provides security to the owner it should be noted that the client is paying for this arrangement.

DON'T RELY ON:

IT BEING FINE

Getting your project to a point where it can undergo tender or builder procurement can be timely and require significant expense. Without an understanding of costs you risk putting your project out to tender and finding out you can't afford to proceed with the construction.

A FRIEND WHO JUST BUILT

Often you might have a friend who just built or someone 'in the know'. But every project has a unique set of circumstances so comparing floor area, or room numbers from one project to the next often misses key elements that affect price. Your project is bespoke, with many variables so comparisons between your project and a friend or relative's project is more often than not unreliable.

GOOGLING IT - ONLINE COST ESTIMATES

There are websites that claim to provide guidance to construction costs. However, these often work on a basic square metre rate and don't account for the variables above. Unfortunately, there are no golden rules - if there was, managing construction costs would be easy.

SEEING IT ON TV

Home building programs like to tell you how much their 'make over' cost. However, often these prices exclude overheads, labour costs and sponsorship deals the show might have.



Birchgrove House | PASSAR | Photography: Pablo Veiga



House in Newtown | Architect George | Photography: Clinton Weaver

WHAT YOU SHOULD RELY ON:

YOUR ARCHITECT'S OPINION

Your architect will have a reasonable understanding of construction costs and it's important you discuss your budget with your architect from your first meeting through each of the architectural stages and when any design changes occur.

Their advice is typically based on industry knowledge and previous project experience.

A BUILDER'S COST ESTIMATE

Discussing and having a builder price your project throughout the process is a good way to understand how much it might cost you to build. If a builder has worked with your architect before this will be a more accurate price as they'll be well placed to understand the details and expectations of the build. Every builder works differently so if you know who you're working with early on, the design could be adjusted to suit a particular builder and make for a cost effective build.

Some builders may offer to price a project with the hope that if you proceed with the works the contract will be negotiated with them - this might just be a quick estimate. Other builders may request a fee to offer an early price estimate on a project - but if they do, they'll likely do a detailed and considered quote.

However, without a contract between you and a builder, it can be hard to hold them accountable to any early construction estimates.

A QUANTITY SURVEYOR

A registered quantity surveyor is professional who focuses on carefully pricing projects and will be able to provide you with a detailed cost plan.

A cost plan breaks down the key components and trades in projects with a significant amount of detail. This will both ensure each component of the build is included and allow you to review the construction costs in detail.

Often Quantity Surveyors work with builders, assisting in them in preparing tenders on projects, which means they stay up to date with costs as markets become more competitive or less.

There are a number of reasons to use a Quantity Surveyor (QS) to obtain a cost plan:

You can ensure your project design relates to your budget, so you won't end up spending time and money on consultants and approvals to find out the design is unattainable.

- A Cost Plan can be used to set a budget when it comes to shopping for fittings, fixtures and finishes (ie taps, tiles, kitchen appliances, light fittings etc).
- A QS is an impartial consultant in the design and construction phases so they have no bias or ulterior motives.
- If your architect uses a percentage fee, a QS can provide an impartial cost estimate for the fee to be based on.

However, there are a number of pitfalls.

- A Cost Plan is not a quote - you'll still have to allow tolerance.
- If you have a Cost Plan prepared early in your project, you'll need to keep a track of changes as the design becomes more detailed to avoid a surprise at Tender.
- It's important to work with a QS that's right for your project. There's no point selecting a QS who would normally estimate 30 storey apartment blocks for your modest home.
- QS's are often conservative in their cost estimates so the true cost of works may be lower (but not a lot lower).

COST ENGINEERING

If your project ends up over budget, don't panic - it happens for many reasons and can be managed through cost engineering.

Your architect understands your project intimately and they are a problem solver. Design is problem solving after all, and restrictions can lead to clever solutions. Your architect will want to proceed as much as you do and discussions around priorities, finishes, fittings, fixtures, scope and alternative contractors can help get the project back on track.

CONTINGENCY

No matter how much you plan every site and project is unique so it's important to allow a contingency for latent conditions, changes on site or an unexpected surprise. The required contingency on a project can vary, so talk to your architect about what's right for your project.

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