

Calculating the True Cost

A veteran builder uncovers the upgrades that

START WITH A WISH LIST

If prospective homeowners already have chosen land, they often come to my office with sketches of the floor plan they're imagining. If they haven't, we do some sketches together, working out priorities like number of bedrooms, size of kitchen, and so forth. Pictures copied from books and magazines are common in these early meetings, as are online photo galleries. These are great guideposts for the design process, but they are best set aside until after we've determined a base price.



BY PAUL BIEBEL

I must have met with a thousand prospective clients in the last 40 years, all of whom have asked a series of questions that basically boil down to this: “How much will it cost per square foot to build the house we have in mind?” They usually proceed to show me their dream home; sometimes it’s copied from a book or magazine, sometimes it’s a collection of inspirational photos saved to an online gallery, and sometimes it’s just a sketch. Often they have consulted another builder, or talked to friends or relatives who built a similar house, and so they already have a number in mind for the building cost. Not surprisingly, this number is usually the lowest one they’ve heard.

But if you ask me, the real question that homeowners—and builders, too—should be asking is this: “How can two houses that are similar in size vary so much in cost per square foot?” The answer is that it all comes down to the hundreds of potential premiums and upgrades. If you want to understand the true cost of building a house, you have to

track down, label, and calculate the details that distort the bottom-line price.

Easy answers are too good to be trusted

Too many people, homeowners and builders alike, are in a hurry to sign a deal and break ground without fully calculating the cost. It should come as no surprise, therefore, when the homeowners find later that their budget was less than their appetite and that they don’t have enough money to finish the project, or when the builder does the math and realizes he didn’t make any money on the project. It takes work to understand realistic costs.

Let’s say that in short conversations, one builder quotes prospective homeowners a price of \$100 per sq. ft. to build their home, and a second builder quotes \$150 per sq. ft. For a 2000-sq.-ft. house, that’s a price difference of \$100,000. You can bet that the \$100 figure sounds much more appealing to the homeowners at that moment.

CALCULATE A NO-FRILLS BASE PRICE

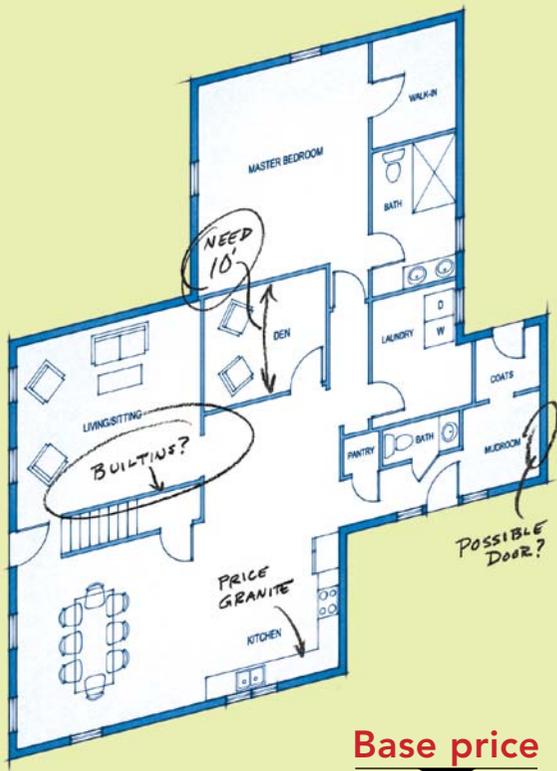
With the floor plan sketched out, I add up the square footage and determine a base price. (This price doesn’t include land or improvements.) This amount is the bare minimum I need to deliver a no-frills, code-compliant house. In my area, \$110 per sq. ft. is about the lowest price I can realistically achieve. This assumes vinyl siding, wall-to-wall carpeting, fiberglass shower units, and laminate counters. Potential premiums and upgrades are all still set aside, as are finished garages, porches, decks, and any bonus/unfinished spaces.

But maybe the second builder is including the site work in his price, while the first builder is only talking about the cost of the house itself. Maybe the second builder is committed to high-performance construction methods that include time-intensive air-sealing and insulation work, while the first builder thinks that such cutting-edge stuff is a scam.

Prospective homeowners are sometimes so desperate to hear what they want to hear that they will trust that what they are being told by a builder is in agreement with what they are assuming. Detailed drawings are a builder’s only means of avoiding the inevi-

of Construction

take building budgets from baseline to busted



Base price

2414 sq. ft. x \$110 = \$265,540

SHARE YOUR MATH

At this point, we haven't spent any time drawing exterior elevations and discussing upgrades, so if the base cost is higher than expected, we can make changes to the size and use of spaces without much wasted effort. The goal at this stage is to set expectations and to develop trust. To that end, all the formulas, budgets, and estimates are fully disclosed, are fully verifiable, and include design and building fees. Making a spreadsheet with this information requires some work, but it's a helpful budgeting tool because it creates total transparency between my clients and me. If the base number is on target with the clients but doesn't represent the style and level of quality they desire, we can begin to talk about adding premiums.

table "He said ... she said ... and I thought" messes that happen without drawings. That's not to say that early discussions can't be grounded in baseline estimates, or that you need polished drawings to determine that baseline estimate.

Beware of assumptions

The planning phase is a pivotal moment in the relationship between builder and client because it's the point when the philosophical magnifying glass comes out and everybody gets a close-up view of how personal tastes can collide with the budget. This part of the process can be fun, but on some days, these

sessions send me home wanting to sit for an hour and stare at a white wall.

Home-improvement TV shows are so pervasive that many of our younger clients think that a new house should automatically include items many would consider upgrades. If your idea of "standard" interior finishes includes hardwood flooring, ornate trim, and granite countertops, you might be surprised to find that your builder considers "standard" to be carpeting, builder-grade

trim, and laminate countertops. I've lost clients simply for mentioning vinyl siding.

Don't just focus on the shiny objects, though. Less-sexy upgrades can add up to big money, too. For instance, I haven't met any homeowners who are content with a basic code-compliant electrical package. Many begin thinking that way, but when I start asking questions like "Do you want under-cabinet lighting?" or "Do you like having an outlet under every window?" or "Would

REALITY CHECK: HOW PREMIUMS DISTORT

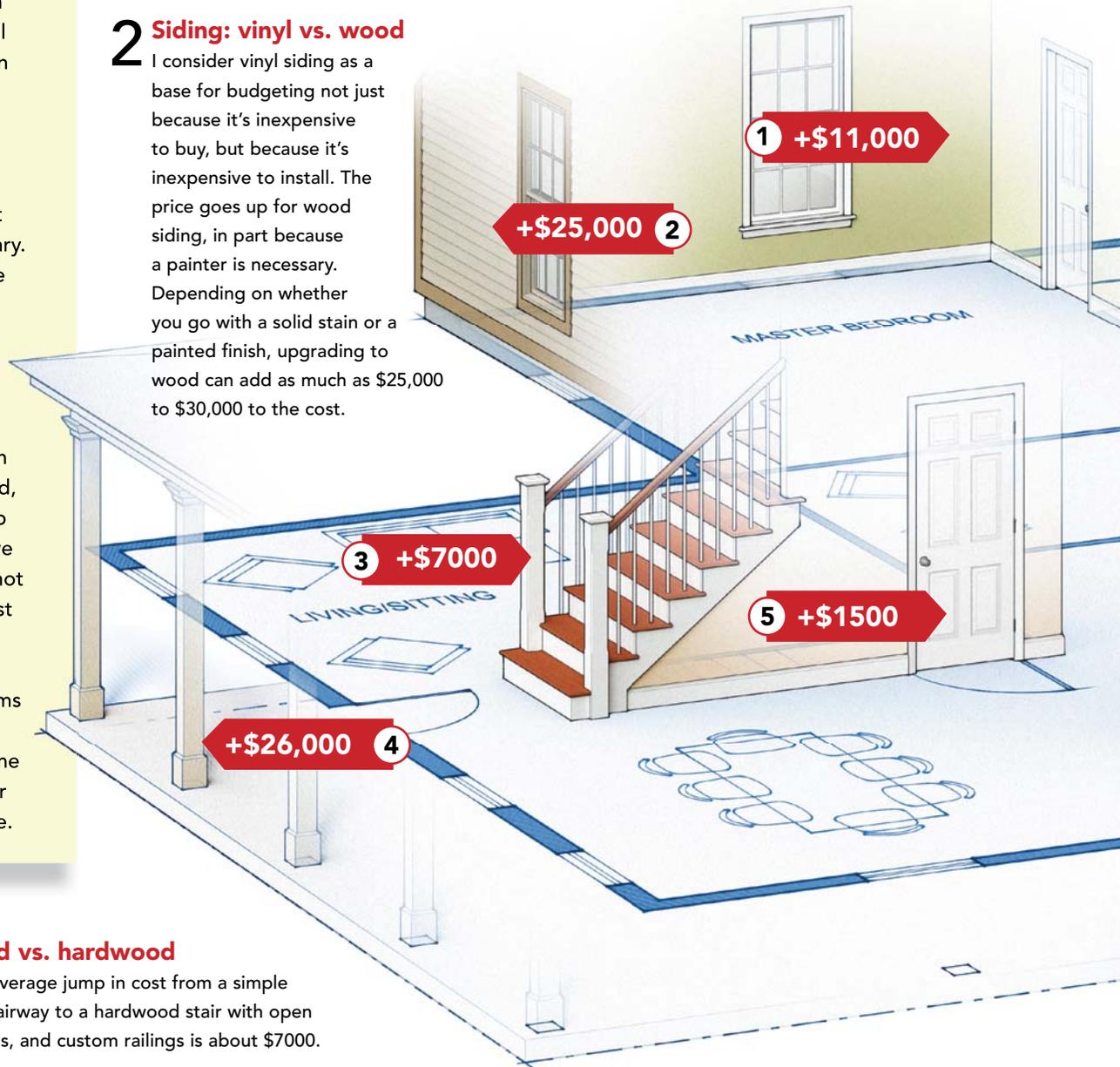
Premiums are the things that give charm and personality to a house and may be the reason a prospective client fell in love with a floor plan or photo of a house in the first place. Often referred to as “must have” items, they’re actually the things that are not strictly necessary. They increase the price of the house without adding living space. Some of these budget killers are easy to spot (fireplaces, hot tubs, etc.), but others hide in plain sight. Once tallied, these items can add up to a long and expensive list. Remember: If it’s not on the plan or in the list of specifications, then it’s not in the price. To see how these premiums can affect the cost of the build, consider some examples based on our 2400-sq.-ft. base house.

1 Interior walls and trim: paint vs. stain

Our budget for an all-paint interior is around \$12,000. If a client opts for stained wood doors and trim, the price for materials jumps by \$5000, and the painter is likely to ask for about 50% more, adding another \$6000.

2 Siding: vinyl vs. wood

I consider vinyl siding as a base for budgeting not just because it’s inexpensive to buy, but because it’s inexpensive to install. The price goes up for wood siding, in part because a painter is necessary. Depending on whether you go with a solid stain or a painted finish, upgrading to wood can add as much as \$25,000 to \$30,000 to the cost.



3 Stairs: carpeted vs. hardwood

I estimate that the average jump in cost from a simple carpeted straight stairway to a hardwood stair with open spindles, newel posts, and custom railings is about \$7000.

4 Outdoor spaces: no-porch vs. porch

A porch is technically an unfinished space, so it costs less than my \$110-per-sq.-ft. baseline. However, it does have a roof and some trim elements, and it may require a slab foundation. This typically prices out to about \$75 per sq. ft., or in this case, about \$26,000.

5 Interior doors: hollow-core vs. solid

The cost to upgrade from a \$150 six-panel Masonite-type hollow-core door to a six-panel solid door is about \$100. When you multiply that amount by 15 doors, the budget jumps by \$1500. Any other wood door aside from the mass-produced six-panel pine door costs even more.

THE BASE PRICE



6 Shower: fiberglass vs. tile

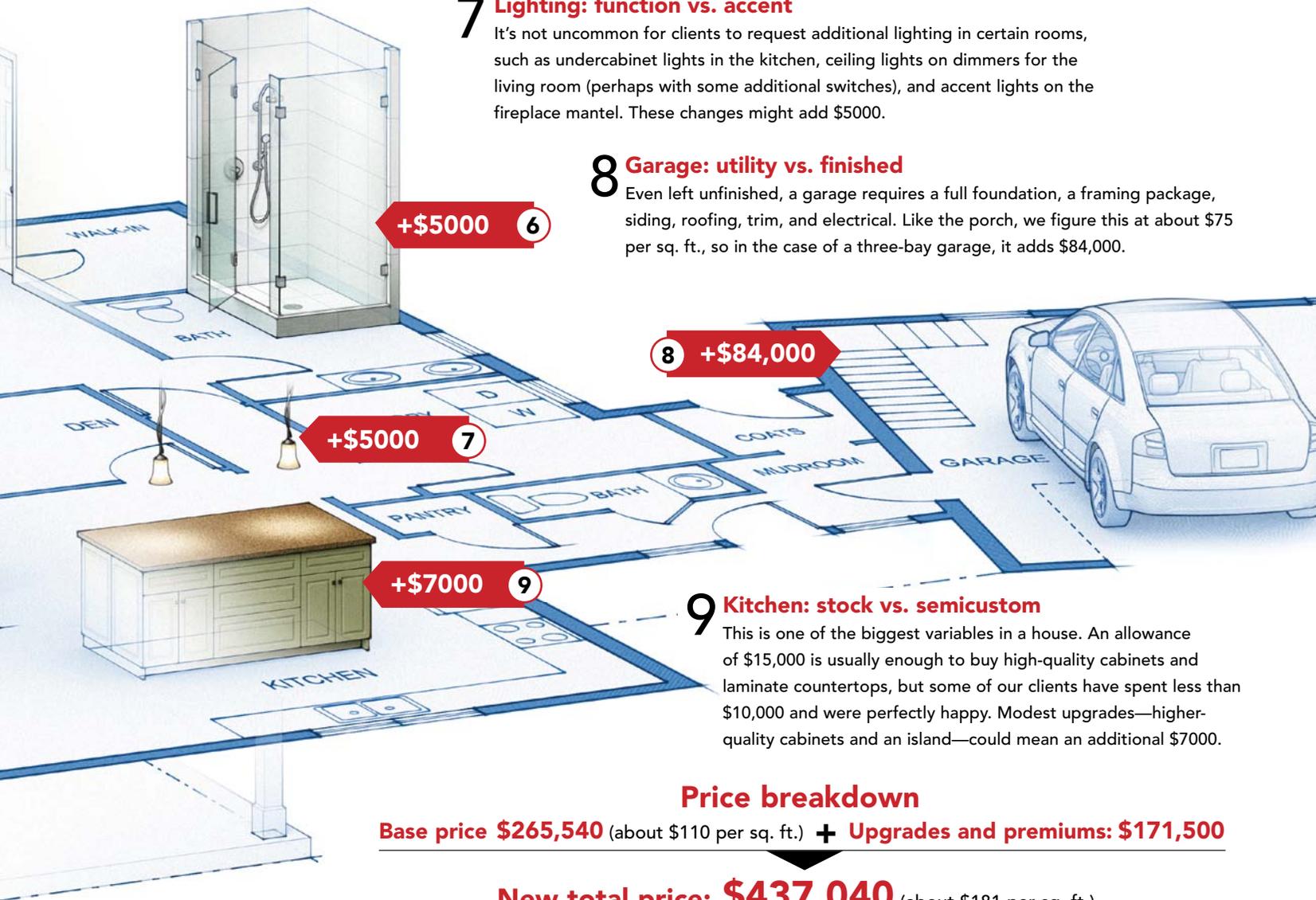
A general rule of thumb for upgrading from a simple fiberglass shower to a custom tile shower with basic white tile, a door, and a recessed light is to add \$5000.

7 Lighting: function vs. accent

It's not uncommon for clients to request additional lighting in certain rooms, such as undercabinet lights in the kitchen, ceiling lights on dimmers for the living room (perhaps with some additional switches), and accent lights on the fireplace mantel. These changes might add \$5000.

8 Garage: utility vs. finished

Even left unfinished, a garage requires a full foundation, a framing package, siding, roofing, trim, and electrical. Like the porch, we figure this at about \$75 per sq. ft., so in the case of a three-bay garage, it adds \$84,000.



Price breakdown

Base price \$265,540 (about \$110 per sq. ft.) + **Upgrades and premiums: \$171,500**

New total price: \$437,040 (about \$181 per sq. ft.)

you like to have motion spotlights outside?" they quickly change their answer. This sort of change can wreak havoc with the cost per square foot, because once added up, the final adjusted cost to do the electrical wiring may double or even triple in comparison to a simple code-compliant house.

Prudence also requires balancing the items that you want now with the ones you would

like to add at some future point. This applies to lots of areas in a house, but the electrical system is a common one and serves as a good example. Sometimes you can save money over the cost of a retrofit because a particular job is easier to do on a new house, such as adding those electrical outlets under each window while the walls are open and accessible. At other times, you may need to

spend just a fraction more up front to leave room for future expansion, such as choosing a main electrical panel that's big enough for adding circuits later, or running conduit from the basement up to the attic to aid in future wiring. □

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