

eBook

HOW TO ESTIMATE CONSTRUCTION COSTS

Are you prepared for today's homeowner?

Are you ready to take on the challenges of today's housing market? We know it's not easy. Skyrocketing housing prices, higher interest rates and a shortage of available home inventory has created a unique set of hurdles for homebuyers worldwide.

So, what's the solution? For many, it's the prospect of building a new home. But here's the catch: new construction comes with its own set of challenges, including rising land and material costs, and a growing labour shortage.

The real question is, how do you navigate these challenges while providing excellent customer service and making sure you're finding quality work?

The answer isn't in hiding these obstacles. Instead, it's about setting realistic customer expectations from the start. A detailed, accurate estimate is your ticket to long-term success in the building business.

A well-prepared quote empowers your clients to make informed choices, ensuring their home build stays within budget and makes the most of your time and effort. It also establishes your professionalism and expertise in both construction processes and material selections.

Plus, don't forget — delivering a quality home on time and within budget can lead to referrals that boost your business when markets stabilise.



How do I estimate home construction projects more accurately?

In this eBook, we'll break down construction estimating basics and show you how modern construction software can revolutionise the accuracy and efficiency of your project estimates. You'll discover how [the right software](#) guides you through pricing materials, calculating labour and managing overhead.

How does construction estimating impact you?

To quote a project at a profitable price, you need to thoroughly evaluate materials, labour, equipment, subcontractor and overhead expenses. When done right, [accurate estimates](#) can help you reveal which jobs to pursue and which jobs to avoid.

Estimators meticulously analyse architectural drawings, plans and other project documents to calculate the required material quantities and to add up direct and indirect costs accurately.

As a small business owner, do you really have the time to serve as the estimator in your business?

Too often the answer is no.

How many times have you found yourself estimating late at night or on weekends, sometimes making mistakes in the rush?

This is where [construction estimating software](#) steps in to save the day. The right software can [simplify takeoffs](#), automate calculations and streamline project management.

Most importantly — construction estimating software gives you back your precious time. Time for the job site, time for weekend hobbies and, most importantly, time for family and friends.

The goal of accurate estimating is profitability

A great estimate safeguards your profit margin, which, in turn, pays salaries, fuels business growth and ensures you can deliver high-quality projects on time.

Insufficient profit margins may lead you to pass on a job, pointing unprofitable clients to your competitors.

Let's dive into how construction cost estimating covers all the fine details, starting with some often-overlooked indirect costs.

Equipment

Construction requires a variety of tools and equipment, from earth-moving equipment and cement mixers to material transportation vehicles and hand tools, to name a few.

If you're not buying or renting this equipment, your subcontractors are—and they expect you to pay the bill. It's essential to include these indirect costs in your estimate to protect your profitability.

The good news is that software simplifies this process by creating estimate templates based on your most successful projects. [Estimating software](#) centralises equipment-related costs in a single place, simplifying calculations and helping you track cost estimates against actual expenses. This not only saves time but also improves accuracy over time.

Administrative costs

Your business must support you and your employees. If you're not marking up your jobs to include you and your employees' salaries, get ready for big losses down the road.

Other administrative costs might include:

- Office and vehicle leases
- Insurance coverage
- Legal fees
- Real estate purchases

Some admin costs, like permits and zoning approvals, typically must occur before construction can even begin. You need the cash flow to pay expenses like inspections, architectural or engineering services, environmental impact reports, and utility connection upfront.

Construction estimating software gives you the choice to line item these expenses in your estimate. You can show as much or as little detail as you want to the customer. In some cases, you can even apply a general markup to your entire job to cover admin costs.

Takeoff

Material takeoffs are a critical process during preconstruction. It involves meticulously examining architectural drawings to determine material quantities.

Utilising specialised construction estimation software, you can ditch the pen and paper for digital plans that save a significant amount of time and reduce errors. Once plans are scaled, material counts are calculated based on simple point-and-click linear and square measurements.

For a complete review of preconstruction, refer to Buildxact's eBook, "[How Preconstruction Works for You.](#)"

Materials costs

If you work with the same material suppliers, you probably have a good idea what materials cost. However, complex home construction projects or unforeseen material shortages can throw you a curveball. Suddenly, what you think something costs is not at all correct.

As a busy small business owner, you don't have time to keep up with fluctuating prices or geographical supply chain constraints.

Construction estimating software allows you to directly connect to your supplier's price list directly in the software, to ensure you always have the most up-to-date pricing.

Labour costs

Estimating labour costs is a crucial aspect to consider. The number of workers needed radically changes when it comes to custom builds. Your estimate needs to consider hourly rates or contracted amounts that factor in variables such as payroll tax and insurance benefits.

The job's complexity and scale determine the type of workers, qualifications and certifications needed. You should also account for supervision and oversight costs. Accurately assessing and estimating labour costs upfront ensures your talent pool will be available when you need them.

Subcontractors

Subcontractors play a crucial role in your project's timeline and profitability. Each subcontractor must be carefully coordinated to align with your project team so that subs are on the job site when you need them.

Construction estimating software is just one piece of an overall software platform that seamlessly connects project management and scheduling functions, ensuring a smooth workflow and minimal downtime.

Variations and contingencies

Unforeseen events and client requests for project changes can impact your budget and schedule. [Construction estimating software](#) makes it easy to document and process variations all online, saving time and streamlining the process.

The estimating process, step-by-step

Do your homework

You should always thoroughly review architectural drawings, blueprints and project specifications before building your estimates.



Reviewing these gives you valuable insights into the project's design and scope. Architectural drawings play a significant role in figuring out cost factors. For instance, they show when specialised equipment and labour are a must.

Construction drawings also provide critical information related to elevations and infill requirements.

This analysis helps you identify potential problems and address them upfront, saving you from costly fixes down the road.

Complete takeoffs, fast

As mentioned earlier, performing a construction takeoff is critical. It involves meticulously scaling and measuring blueprints to **determine the material quantities** needed. To streamline and enhance accuracy, smart builders employ **construction estimating software** to digitise the process.



Software ensures comprehensive coverage and avoids overlooking essential tasks-- resulting in more accurate estimates and reliable cost estimates. The construction takeoff, helped by advanced software tools, helps you perfect the planning process and ensures smooth project execution.

Because modern takeoffs digitally count or measure based on square and linear measurements, construction software allows for **faster takeoffs** that save up to 80% of your time.

List all the work

Once the material quantities and labour requirements have been decided, you can assign itemised prices to each task.



Builders calculate estimated material and labour costs for each specific activity, which are then multiplied by the corresponding quantity. The subtotal unit costs are then combined with the costs associated with subcontractors and hired equipment. This provides transparency for your clients and allows for informed decisions.

The [best construction estimating software](#) then transfers these task lists to [project scheduling tools](#) that help you map out what tasks get done and in what order.

Figuring out overhead and profit

As we discussed, you need to add overhead costs and profit margin to the estimate. The total cost creates a complete construction cost estimate that forms the basis for your customer's quote.



The best [construction estimating software](#) converts the construction estimate into a [professional-looking quote](#) that you can email directly to your client.

Construction estimating software also eliminates the need for multiple spreadsheets and complex calculations, and estimate templates let you store historical cost data, making your profits more consistent and predictable.

Ready to give estimating software a try?

Get started with a [14-day free trial](#) or [book a demo](#) and see how Buildxact can help save your business time and money.

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