

HOW TO ESTIMATE CONSTRUCTION PROJECT COSTS

eBook



Estimating construction project costs starts with a careful review of the project documents to determine the amount of work in a project.

Many residential builders and remodelers use estimating and material takeoff software to quantify the work and price the materials and labor needed to

complete it. Estimate accuracy depends on correct material takeoffs and consistent pricing of project components. Software improves your efficiency, allowing you to bid on more work.

We're going to take a look at the project estimating process and show how software can improve accuracy and efficiency.





Start with good estimating software

You know that time is money, and any time saved putting together cost estimates is money in the bank. Construction estimating software helps streamline the bidding process, reduces errors, and makes pricing more accurate.

Estimating software streamlines the bidding process by speeding up material takeoffs and labor calculations. It also makes pricing work simpler, as the software's cost database can be updated quickly to reflect new pricing.

With manual estimating or when using spreadsheets, it's easy to miss items or not calculate formulas correctly, which can lead to underpricing work. You can't recover costs for work that you've missed on the estimate, so it puts you behind right from the beginning.

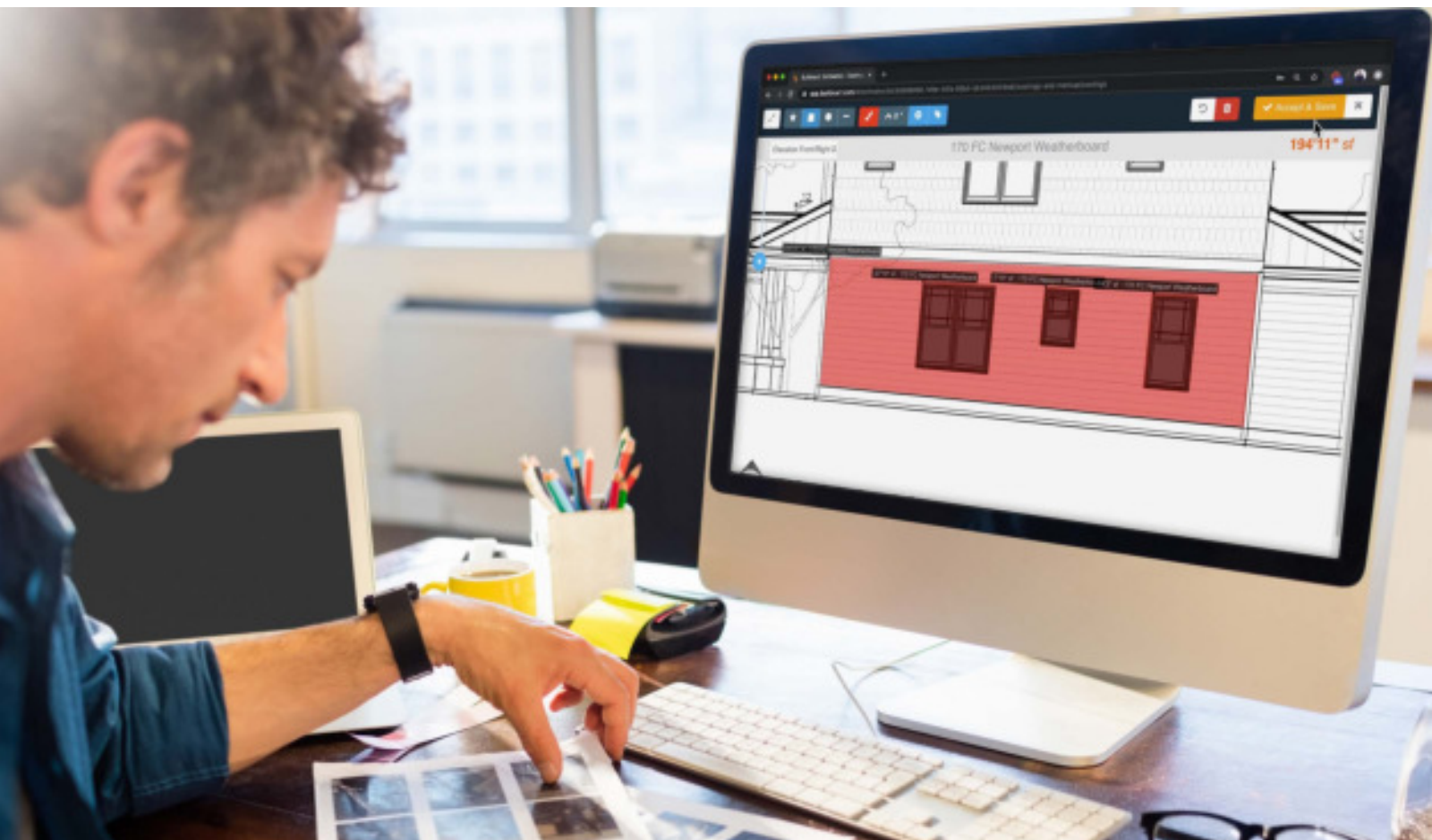
When you use the same pricing structure and item list, pricing is more consistent across your projects. This helps ensure that profits are also consistent from project to project.

Complete material takeoffs

Once you've reviewed the project documents to determine the overall scope of the project and the portion(s) that you will be bidding, you are ready to perform a [material takeoff](#).

This involves the creation of a list of materials and equipment that will be needed to complete

the work. The amount or quantity that you'll need will depend on the amount of work shown on the plans or documents. Measurements can be taken by hand using a scale ruler on printed plans (which is time consuming and can lead to mistakes) or digitally using [material takeoff software](#).



Here are some tips for ensuring accuracy on your material takeoffs:



Use a checklist

Develop a checklist of usual bid items that are included in most of your projects. This helps ensure that key items aren't missed when bidding a project. General conditions, rental equipment, and other miscellaneous materials are often forgotten if they aren't on a checklist.



Automate as much as possible

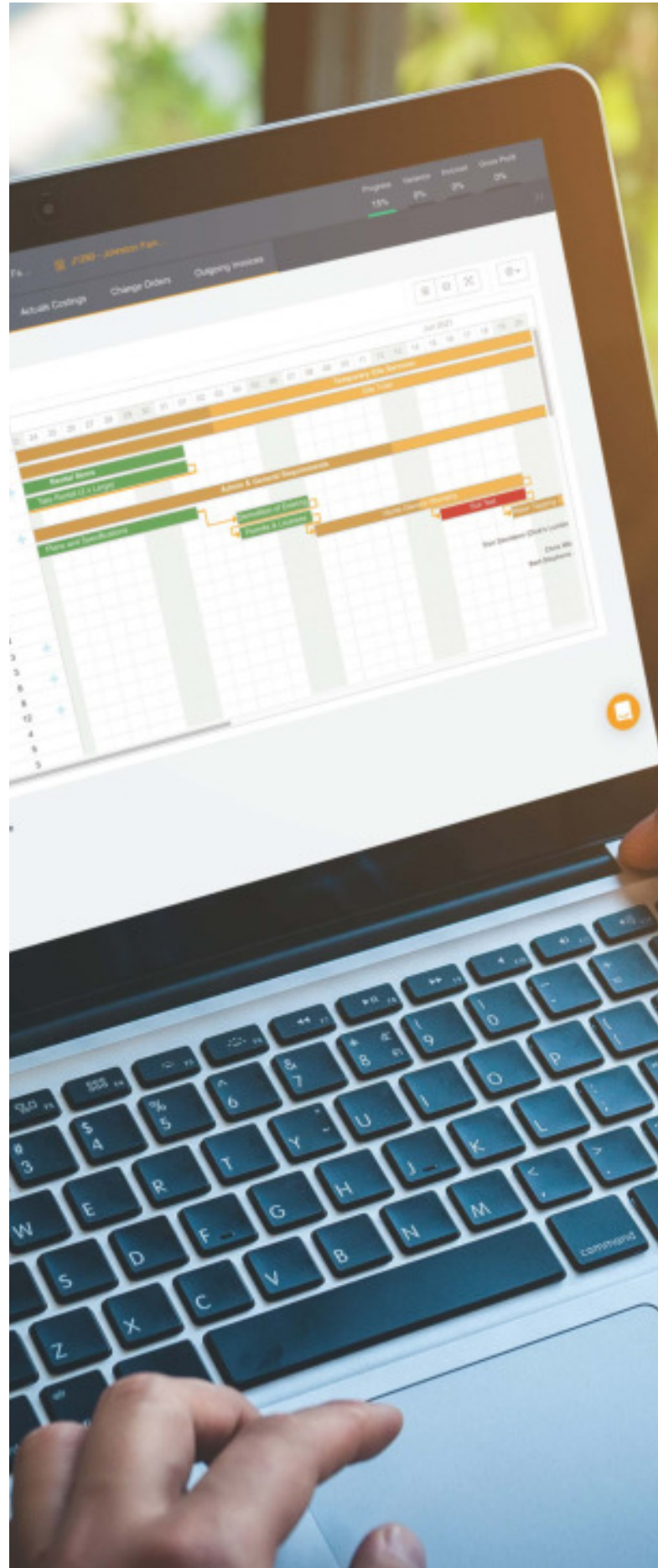
Some [takeoff software](#) allows you to capture assemblies or packages (at Buildxact we call them recipes) that are a collection of materials used as a unit in the project. An example would be an interior framed drywall wall with wooden studs at 16 inches on center. The package for this wall would include drywall, screws, insulation, wood, and nails.

By using recipes, you don't have to calculate how many studs are in the wall, because the program calculates that for you. You just measure the wall length, and the software tells you how many studs you'll need. This saves you lots of time!

Estimated schedule

Next, you'll put together an estimated schedule for the project based on your scope of work. This lets you know how long the work will take and how much labor to include in your cost estimate.

The schedule should be based on the amount of material you have to install and the production rate of your employees or crews. Be sure to include crew time, supervision, and administration time in your estimate of the duration of the project. Record the trades and manhours that will be needed to complete the project.



Pricing the work

Now that you've got a full list of the materials needed and know how much labor you'll need for the project, it's time to put together your cost estimate. Cost estimates are based on material pricing, current labor rates, past projects, and your company's experience with similar work.

First, you'll want to make sure that your material pricing is up-to-date, especially in today's market.

Also check to make sure the material will be available within the timeframe the project is scheduled for. In Buildxact, you can upload your own pricelist, or sync up your dealer's pricelist with our new integration.

Your labor billing rates need to be high enough to cover wages and burden, which includes employer-paid taxes, retirement funds, vacation time, sick time, etc.

Include an allowance for overhead costs that need to be covered by the project. Overhead costs include vehicles, insurance, cell phones, computers, and office administration expenses.

Finally, add a percentage for profit, which will vary depending on how aggressive you want to be on your estimate and what the market will bear. Make sure that you correctly add up all the costs and markup, including profit, to determine your final price.





Get better bids with estimating software

You can perform accurate construction project estimates faster and easier when using estimating software. Digital takeoffs and pricing integrations improve accuracy and ensure consistent pricing across projects.

Buildxact is easy-to-use construction management software that allows you to be more efficient and price more work.

Get started with Buildxact.

Designed for residential builders and trades who want to streamline their estimating process, Buildxact is easy to get started with and simple to use.

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