



Project Investment Guide

Your guide to aligning design, budget, and construction requirements to future proof your investment.



HOW MUCH WILL MY PROJECT COST?

Any construction project's true and full cost is a dynamic discussion that requires an open and honest dialogue between Owner, Architect and Contractor. Decision points including the size of the home, and the materials selected, will significantly impact the overall price. At Red Barn, we take a holistic view of all-in costs early in the process and along the way we provide cost-benefit analysis for alternative solutions. Some expenses that can impact the budget include landscaping, utility installations, and energy-smart upgrades or systems.

We begin our projects from one of two perspectives: you define your maximum all-in budget, or we craft your budget by establishing the project's size and level of fit and finish. We work with our clients when their budget doesn't align with their overall goals and provide options for returning these two data points to balance. Limitations of size and/or budget are not automatically a negative for a project. They often lead to opportunities for creative problem-solving and material usage. This is one of the many reasons to engage an architect. We see opportunities where others see constraints.

So, how much will your new home cost? That depends...

THE INITIAL BUDGET

The first tool we use to quantify construction cost is a Cost per Square Foot model. Using the overall project area, we apply various cost multipliers. This multiplier varies depending on the project scope. For example, interior renovations, additions, and ground-up new construction will have different multipliers. These multipliers are calculated using the pricing data we track on our projects. Cost per Square Foot has limited accuracy. Early in the process, contingencies (up to 20%) should be included to allow for changes later. Cost per square foot analysis does not consider items outside the building envelope, professional services, or landscaping. Line items for appliances, kitchen components, and millwork should also be considered.

The architect may not be the only professional involved in your project. Engineers, surveyors, interior designers, or lawyers may be involved along the way. These expenditures are also known as “soft costs”. Red Barn will define other professionals’ involvement and can provide guidance for their services. We will help you build your team and make introductions as appropriate.

Land acquisition and development costs also need to be calculated for new construction projects. Access roads or driveways may need to be constructed. Utilities must be brought in from the street, or specialty contractors will be employed to drill for water. New septic systems will require excavation equipment and trenching. These costs are in addition to the Cost per Square Foot analysis.



Construction is a messy process. Once your house has been completed, landscapes will need rebuilding and hardscape areas will be crafted. A landscaping budget should be established and carried as a separate line item at the start of the project. Depending on the landscape's complexity and the desired plantings, a landscape architect should be employed to design and specify these items. Their fees should be represented within the soft cost line items.

We will revisit and recalibrate your initial budget as additional information becomes available and decisions are made. Red Barn reviews proposals from construction management companies of varying sizes and capabilities across the residential market on a monthly basis. We continually refine our tools and data based on this live feedback model to best align budgets with reality.

DEVELOPING + REFINING THE BUDGET THROUGH DESIGN

SCHEMATIC DESIGN

The real fun begins during the Concept and Schematic Design phases. This is when we start to mold your desired spaces into floor plans, elevations, and renderings. It is an iterative and collaborative process. During this phase, you will begin to see your dreams take shape and Cost per Square Foot is still an appropriate tool.

At the end of Schematic Design, floor plans and elevations are solidified enough to be advanced to the Design Development phase. This is a good time to get initial feedback from a General Contractor. We still advise carrying a healthy contingency with this estimate, and this initial pricing helps confirm that the overall size and scope of the project are aligned with the budget. If there is a disparity in budget and anticipated construction cost, it is much easier to refine the design at a schematic level rather than after Construction Documents have been issued. Our contract's base service allows for two schematic-level options while redesign efforts after the Construction Documents are issued will incur additional services!





The contractor's institutional knowledge only goes so far. Estimators can't anticipate every finish material before they have been selected, more decisions still need to be made.

DESIGN DEVELOPMENT

In Design Development, we provide options for materials and systems that will be used in the project. Window manufacturers such as Andersen, Marvin, and Lowen can be shopped comparatively. We will decide if stock, semi-custom, or fully custom kitchen cabinets are appropriate. Heating and cooling systems are compared against one another, and long-term operating and maintenance costs are considered. Structural components are laid out, and any specialty systems are identified.

CONSTRUCTION DOCUMENTS

Red Barn's Construction Documents are the most technically complete definition of the scope of work, and we pride ourselves on their level of detail and accuracy. Decisions made during Design Development are detailed and further specified. Interior and exterior finishes are selected, and we produce schedules to track decisions regarding lighting and plumbing choices. Once complete, this set of drawings is ready for final cost estimation. The Contractor's proposal based on the Construction Documents will represent the most accurate forecast of the overall construction budget. Further analysis and negotiation are required at this step to ensure that the proposal encompasses the full scope of work and represents costs for all of the items the contractor will provide. Decisions regarding finish materials that have not yet been made will be provided allowances to ensure as complete a view of the cost of work as possible.

SAMPLE BUDGET

The budget below is representative and assumes a 4,000 square-foot house with an attached, 900-square-foot, 2-car garage and a 400 square-foot deck built on unimproved land. This home would feature 4 bedrooms, 3.5 baths and a home office. This budget also carries for a planned landscape and inclusion of a pool.

LAND IMPROVEMENTS

Includes: Clearing + Site Prep; Driveway/Access; Delivery Utilities from Street; and Septic System.

SUBTOTAL: \$ 237,500

MAIN HOUSE CONSTRUCTION

Depending on your finish choices and the complexity of the project, we typically see pricing in the **\$500 - \$650/square-foot range**. This includes General Contractor's fees (typically 15-20% Cost of Construction). For the purposes of this model, we are using the top end of this range which reflects the projects you see in this guide.

SUBTOTAL: \$2,215,000

LANDSCAPING

Hardscaping; Grass/Lawn; Planting Beds; Decorative Elements (including lighting); and Pool + Pool Deck.

SUBTOTAL: \$ 400,000

PROFESSIONAL SERVICES

Includes: Architect (typically 8-12% Cost of Construction, depending on level of service and project type); Interior Designer; Landscape Architect; Structural Engineer and HVAC Engineer.

SUBTOTAL: \$ 412,500

PROJECT TOTAL: \$3,265,000

EXCLUSIONS

Project enhancements not included in the above assumptions as follows: Land Acquisition; Bonus Room (over garage); Home Theater; Smart Home Techology; Home Gym; Finished Basement; Finished Attic; Solar; and Furnishings.

ESTABLISHING YOUR BUDGET

Talking about design is exciting; discussing budgets, not so much. However, they're equally important. Many factors influence your budget, so use these prompts to help you start shaping yours.

Project Type:

Renovation

Addition

New Build

Land (for a new build):

Construction Budget:

Professional Services:

Sitework + Landscaping:

Appliances:

Fixtures:

Furnishings:

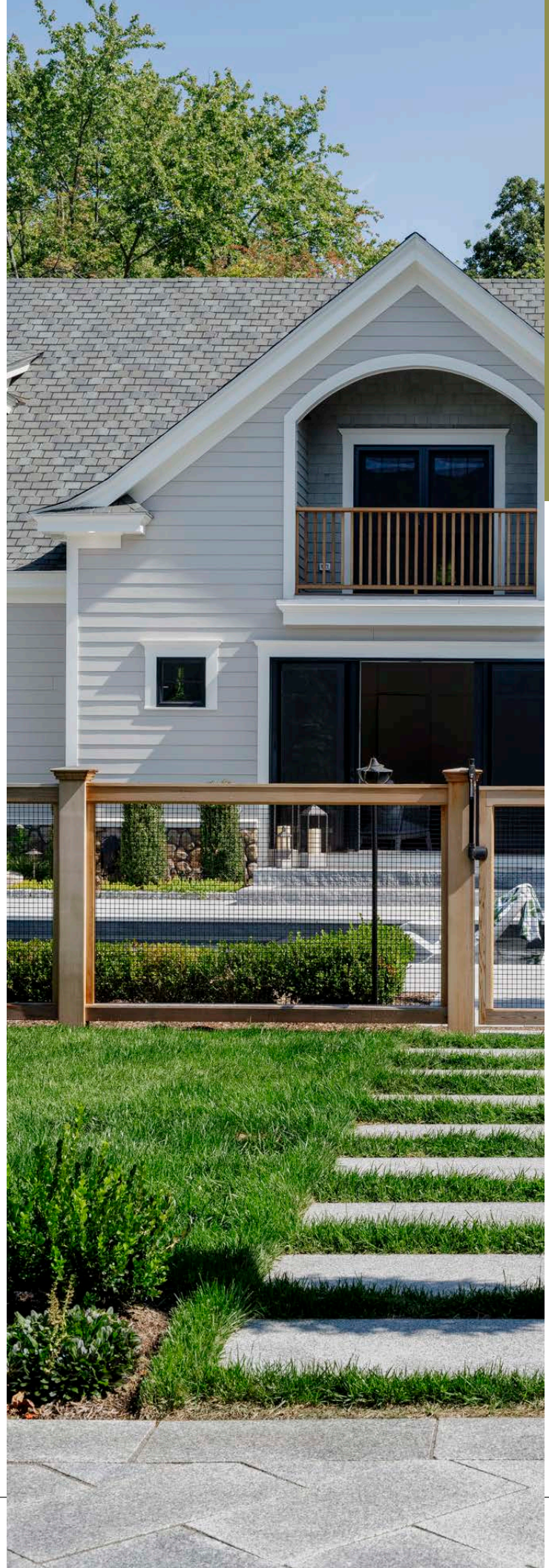
UNDERSTANDING CONTRACTOR PRICING

Working closely with both the owner and the Contractor is critical at this phase. We use proprietary tools to back-check contractors' bids against the scope of work and other proposals. This gives the team clarity and confidence in selecting and negotiating with a single contractor. What is up for negotiation? Just about everything.

Contractors have costs associated with the business side of getting your project built. Understanding the differences between the builder's General Conditions and Profit/Overhead is a necessary first step in understanding the bid.

All bids include a line for **General Conditions**, representing indirect costs that are not directly linked to construction but are essential for executing the project. Examples include project management, site management, and other general expenses required to run the project. You will want assurance that staff members from the builder's team are dedicated to your project. Their salary expenses are reflected in this line item.

In reviewing contractor bids, we expect to see line items for Overhead and Profit. These are compensation factors related to the Contractor's business practices. Overhead encompasses their operating expenses that are not specific to your project. Trucks, tools, administrative personnel, marketing, and business development activities are all items that the contractor accounts for in their overhead line item. Profit is the net difference between the amount the contractor is paid for the project less expenses. Profit is typically seen as a markup on the labor and materials coordinated by the contractor. Profit is necessary for contractors to maintain and grow their business and also takes into account their risk associated with delivering the project on time and on budget.





A bid package should include a clear delineation and accounting for items to be provided by the contractor and those to be provided by the owner or others. This information needs to be separated so that the owner can understand items they must pay for out of pocket or other specialty contractors they will need to hire to complete the project.

Two pricing tools are used in the conversation between owner, architect and contractor. Additional/Alternate Work refers to varying scopes of work that the owner wants priced out by the contractor. These alternate schemes allow the owner to opt into certain aspects of the work or choose between two options. Exclusions are a tool contractors use to limit their liability and exposure on the project and identify to the Owner and Architect elements of the work that they are specifically not providing pricing for. These may be unknown costs such as "winter conditions" (plowing and digging out from snow storms). Costs associated with plowing are typically excluded as contractors can not accurately predict how much snow removal will be required for the project. However, by listing it in their proposal, they signal to the rest of the team that we may run into these costs. The contingency line item would absorb this expense should the need arise.

Red Barn's process helps owners understand the full accounting of their project and how our understanding of the project costs evolves over time.

WHEN TO ENGAGE YOUR ARCHITECT

The simplest answer: as early as possible. Red Barn offers a range of tailored services to support your project from the very beginning.

REAL ESTATE ADVISORY

For those searching for a buildable lot or considering a teardown/rebuild, we provide expert guidance. Our services include site and zoning analysis to evaluate potential properties. This can involve establishing a buildable envelope or identifying potential challenges, such as setbacks, wetlands, or Board of Health and septic limitations. With a licensed realtor on staff, we can also provide real estate comparables to help you evaluate the potential post-improvement value of your home.

PRE-DESIGN SERVICES

Our Pre-Design services offer a high-level overview of the project's construction budget. To develop this, we first define key parameters, such as the overall size, code requirements, and utility needs. These elements shape the scope of work. Additionally, inspiration images help us align with your aesthetic preferences and desired finish level.

All this information is synthesized into a starting point for establishing the total project budget, setting a clear path forward for your design and construction journey.



TODAY'S MARKET

We have seen a sharp increase in construction costs over the past four years. An unbridled demand for design and construction services during 2019 and 2020 came before a sharp inflationary period. These phenomena were coupled with an increase in lending rates pushing overall construction budgets higher. The good news is increases in home values have kept pace with these pressures offering homeowners reassurance to continue to make home improvements. We understand and take into account the effects of the macro economic environment on your decisions.

While the current construction market is tricky to navigate, Red Barn has the tools to help ensure you will have a successful project that lands within your budgetary expectations. A building project involves a substantial investment of time and capital, and Red Barn is committed to stewarding you through. You benefit from our vast experience and proprietary tools. Our positive attitude doesn't hurt either!

Early and frequent conversations around budget ensure that we are designing within real constraints, which benefits the creative process and saves you time and avoids costly redesigns. Through iteration, honest conversation, and financial modeling, we will determine the best design that reflects our clients' values, addresses their needs and challenges, and meets their budget expectations.

