



RDDNY Design Build
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CONSTRUCTION ESTIMATE PRESENTATION



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General comments / concepts:

1. Construction documents: set of plans and specifications (CSI format)
2. Job timeline
3. Construction estimate software
4. Construction estimate companies
5. Free online remodeling calculator companies:
<https://www.remodelingcalculator.org/>
6. General conditions (10% usually)
7. Profit and overhead (15% usually)
8. Insurance requirements (% of construction cost)
9. Additional % when we do take off
10. Walk through
11. GC vs Subcontractors
12. Change order
13. GC and Subs insurance and license



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Ways to cost estimate a project

To estimate a job, we need a good set of plans and we have to know how to read plans.

There are few ways to estimate a job:

Stick Estimating

One of the biggest time-wasters is estimating by the old stick estimating method. For those new to the business, stick estimates involve a number of steps:

1. List all the various parts of the job.
2. List all the hours that it will take someone to complete each portion.
3. List all the materials that will be used on each part of the job.
4. List each sub-contractor that you will need.
5. List all the other items you will have to purchase or rent to get the job completed, such as permits, rentals, port-a-potties, etc.
6. Go back through your lists and put a cost on each item.
7. Last, have a knowledgeable second party double-check your lists and your math (this step is the one few estimators bother to do).

These steps, properly followed, will result in an accurate job cost. Apply your markup, and you have a price. Unfortunately, because it is so time consuming, it is seldom done with care and the result is often a sales price that is inadequate to cover the cost of the job let alone the overhead and any profit required by the company.



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Another major flaw with stick estimating is that it requires separate material and labor takeoffs (lists) before you can do the math. In reality, you don't need a material takeoff until you sell the job. Compiling one before you write a contract is a waste of time.

Unit Cost Estimating

Estimating should be done by unit cost only. It is much faster (as much as two times) than stick estimating, just as accurate, and gets you back in front of the customer sooner. You can't take three or four weeks with your quotation. You need to be back in front of your customers with a quote in 3-5 days, at most 7-10 days. Larger jobs (+\$100,000) may take a day or two longer because you need to get quotes from your subs, but no longer than that.

Unit costing follows the following steps:

1. Compile all the line items (assemblies) for that job.
2. Attach a unit cost to each line item (assembly).
3. Total your numbers and have them checked by a second party that knows what they are doing.

Apply your markup, and you have a price. Then get back to your customer with your quotation and move on with the sale.

Estimating Books

There are a number of estimating books available with unit prices. Care must be taken, because many of these books are regional in nature (although they may claim they work everywhere). Their method of



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constructing a given project may be entirely different than the way you build your jobs

If you decide to use one of these books, here is a quick trick to keep your book accurate for your area. When a job is complete, take the invoices and time accumulations from that job and compare them to the prices in your book. If the book price is higher, keep it. If the invoice price is higher, line through the book price and write in the job or invoice price. In 90 days, your book will be as accurate as it is ever going to be, but you need to do this on a regular basis.

One of the companies that have this type of books is [Craftsman Book Company](#).

Computerized Estimating Systems

In my 20 years in architecture and construction, one of the best improvements to estimating is the development of construction estimating software programs. The individual who insists on doing estimates longhand is open to errors. Doing estimates by hand is slow, out of date, inefficient and an irresponsible use of time. If I were the company owner or sales manager, I would not hire an individual for a sales and estimating position unless they were competent on an estimating software program or willing to learn and use one.

Regardless of the kind of work you do, today's customers want a quote in a timely manner. You can no longer take 10, 15 or 20 days to put an estimate together. The nice folks will go to another contractor to have the job done. Today's culture is "No, not tomorrow, I want it today!" Like it or not, that is the culture we operate in. If you want their business, comply with their time schedule.



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If you are not up to speed on some type of computerized estimating system, it is time to change!



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Things to have in consideration when cost estimating

1: Make Sure You Are Detailed and Precise in the Take-Off Process

You can't bid what you don't know. The care required in this step of the process can't be underestimated.

Consider the various components of the project, the amount of hours each phase will take, all the materials required, each subcontractor to perform the labor, and anything else that will be needed to complete the job. Now you can break down the project and consider the cost of each individual part.

2: Beware Unit Cost Estimating Guides

While unit cost estimating can be a faster way of estimating cost, it is not the most accurate option. Estimating based on unit cost or order of magnitude per square foot can be a bad choice for accurate estimating due to the many variables specific to your project. Experience will be required to use this method.

Start by making a list of all the items needed for the job. Identify each piece of assembly required to complete the job and attach a unit cost to them. The sum of all the unit costs will help you reach an accurate estimate.



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3: Use a Master Checklist

Plan organization is important to make sure the project stays on track and is completed fully. It's easy to forget things like permits, landscaping, hardscaping, etc. Use a master checklist to make sure you don't forget necessary steps and items. The folks at buildingadvisor.com have a free worksheet that includes formulas to help you in your estimating process.

Also consider using professional construction bidding software. The advantage of having all the information in one place, being able to track costs, and the reduction in errors is well worth the investment

4: Provide Extreme Detail Where You Have Expertise, and More Importantly Where You Don't

It's easy to be detailed on the portions of the project where you have the most experience, but it's your own gray areas that will come back and bite you with cost overruns. Be sure to utilize your expertise on the areas you know well. At the same time, be even more meticulous on areas you aren't familiar with.

Don't hesitate to call specific subcontractors or consultants to help out on areas that require another set of eyes.

5: Determine an Accurate Hourly Rate for Specialty Labor

Specialty labor, or craftsmen, must include normal wages and benefits, but must also factor in federal and state payroll costs. Be sure to take all this into account when establishing their hourly rate. Once you have the rate established, build out the additional members of the specialty crew and determine a crew rate. Consider how many employees you will need to



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bring into this project. At the hourly rate, determine what it will cost for those workers.

6: Define the Project Risks and Factor In Their Costs

When you start the estimating process, you have to consider what could possibly go wrong during construction. Consider potential mishaps and factor them into the cost and timeline of the project. It is not easy to predict the future, but you can look back on old projects and try to find commonalities to determine what risks may take place.

Start by looking at your previous projects and what unknowns at estimation time became margin killers during the project. Use this knowledge as a guide when creating estimates for future projects. This is an area where cost estimating software can help you immensely.

7: Understand Products, Materials Pricing and Fluctuations

You know material prices change, so pay close attention to factors that can affect pricing when estimating costs.

- Is demand high for a specific material or product?
- Do you have specific delivery challenges?
- Is the product or material custom?
- Do you need the product or material faster than the manufacturer's normal turnaround time?
- Are there seasonal limitations that dictate logistics and adjustments to price?

It is also key to understand material availability and any potential scheduling delays that will have cost implications if you don't order the



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materials on time. If products will have a long lead time, consider that when bidding and know you'll need to plan accordingly during construction.

Similarly, are there products specified on the project you're not familiar with? Perhaps the architect has selected prefabricated components or modular products. Understanding how these products are installed and the labor needed (or not needed if certain components are prefabricated) could have cost and schedule implications you'll want to factor into your bid.

8: View Your Project by Cost Centers

What portions of your project are contributing the highest percentage of overall project costs? Spend your time in these areas, ensuring precise definition of the scope, tasks, labor and materials needs. Make the process as seamless as possible to avoid excess cost due to mishaps. It may help to consider if there are ways to cut costs on these portions without compromising the quality of the project.

9: Account for Project Support and Operations Costs

There are costs related to your project that fall outside of direct labor and material costs.

Some common costs include:

- Administration and project operation costs
- Land acquisition costs
- Architectural and engineering services
- Legal services
- Staffing



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- Job site offices
- Utilities
- Shipping and storage

Be sure to account for these costs in your estimation. These items are usually cover under the general conditions percentage.

10: Accurately Determine Equipment Needs

After planning the project in full, determine what equipment is needed to complete it. Consider the details of the equipment beforehand, such as what type and size, and make sure you have the equipment capacity that is matched to your project. Also verify that equipment that is interfacing with other equipment is the correct size, offers the appropriate capabilities and is not redundant. Having the proper equipment will ensure the job is done efficiently.

When creating your project estimate, take time to consider whether is it more cost effective to rent or use your own equipment and small tools. This is especially true if the project will require tools you don't already own.

11: Check Your Subcontractor Quotes

Go through the same steps in evaluating potential subcontractors' quotes as you do evaluating your own quotes, outlined in this post.

Always compare more than one subcontractor for each specific scope of work on a labor and material basis. Getting apples to apples comparisons are critical in covering or uncovering any pitfalls.



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When considering which contractors to go with, never accept a cost-plus bid. Find a subcontractor who will provide you a firm estimate based on project scope.

12: Only Bid on Jobs with the Highest Chance of Success

How can you know what jobs have the highest chances of success? If you don't keep records of your bids and their outcomes, you can't. Start keeping track now if you aren't already.

Be able to determine when a job is worth bidding on and when it is time to move on. It is not worth spending money on something if it doesn't have a high chance of success. If a certain competitor is consistently underbidding you in your market and they are bidding against you on this project, you might consider withdrawing. If you can't be profitable at their bid level, don't waste your time bidding!



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Construction documents: drawings and specifications



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Timeline sample



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Software

Video about active takeoff

https://www.activetakeoff.com/?gclid=EAIaIQobChMIuuWf2_Dg3wIVCF8NCh1xegT-EAAYASAAEgIQFPD_BwE

Excel sample of take off



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Ways to improve profit

- Buy materials in large quantities
- Use laborers that know their trade
- Cut expenses
- Make sure the laborers have all they need in order to complete the task
- Have Stick to a timeline. (experience vs research online)



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Mistakes while pricing a job

- Know the site conditions (itself and surroundings)
- Don't miss a construction detail
- Make sure GC and subs includes all is need it to complete de job
- Make sure you built in logic steps
- Make sure you have overhead on materials
- Price the job accordingly
- Be accurate on number of laborers and time need it to complete the job