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General Contractors Can Help You Save Money

Here's How





NOBODY WANTS TO PAY MORE THAN THEY NEED TO —

**ESPECIALLY WHEN
IT COMES TO
CONSTRUCTION!**

Whether you're embarking on a residential remodel or addition, new construction, or a commercial tenant improvement project, your budget will be one of the very first project considerations.

The assistance of architects, designers, general contractors, design-builders, and necessary consultants all come with costs. They are all highly trained and skilled professionals, vital to the success of any project. In addition to increasing the quality of the build, the right people/team can save you a significant amount of time and money.

Your general contractor is perhaps the most important part of this equation. From estimating costs and scheduling the project to purchasing materials, there are numerous ways they can help you reduce expenses.

To better understand this relationship, we take a look at the most common reasons why a project can incur costs overruns, as well as key ways your general contractor can help mitigate this!

But first things first, what exactly is a general contractor?

What is a General Contractor?



A general contractor is a licensed and insured expert with overall responsibility for your construction site — they are your go-to person for anything relating to the entire construction project.

General contractors will often bid on projects based upon completed architectural plans, but may also be involved in the complete design-build process to offer a turnkey service. Here at Letter Four, we offer both approaches, giving project owners complete freedom of choice.

It's common for general contractors to manage a group of subcontractors to complete a build. For instance, a licensed electrician is hired to install all electrical work, a millwork subcontractor fabricates and installs the cabinets and custom built-ins, and the HVAC system is installed by a subcontractor who specializes in that field. The general contractor holds full responsibility for the project, including scheduling, costs, quality, and communication with all parties involved to coordinate all work, required inspections, and client meetings.

Some of the main responsibilities of a general contractor can include:

- Bidding and budgeting for jobs in the planning phases
- Working alongside architects and engineers
- Applying for and/or securing building permits
- Overseeing day-to-day activity onsite
- Managing subcontractors, vendors and client communication
- Ensuring quality and safety throughout the project
- Conducting project inspections with city inspectors and ensuring that the project meets code requirements
- Managing staff and all personnel on the construction site
- Project scheduling
- Budgeting and cash flow during the build



As you can see, general contractors are responsible for a lot! They consequently have a large role to play in keeping costs under control.

The “Hidden” Costs of Building



Cost overruns and “scope creep” are all too common in the construction industry. Recent studies have shown that US projects typically exceed their budget by a minimum of 16%. Taken on an international scale (in a study that looked at 20 countries over 70 years) — this jumped to an average overrun of 28%. Some of these increased costs are due to clients/owners adding additional scope after the project has commenced — known as “scope creep”. The other main reason for cost overruns is unforeseen conditions, most

common in the case of remodels where a building’s existing issues may not be visible. What’s more, significant overspend was experienced by 85% of all projects across 20 countries, so it’s by no means a few isolated incidents.

There are many reasons why construction projects exceed their budgets. These “hidden” costs of building can be found in almost every stage of the job, from planning to execution, wider business practices and final closeout.

Some of the most common reasons why residential and commercial builds exceed their budgets include:

Inaccurate project estimates

The project estimate is a crucial part of the planning stage. All too often, the overall price of projects may be underestimated — with overly optimistic estimates enticing new clients. Proper documentation, qualification and past project data should all be used as part of this process.

Unforeseen changes to the build

Whether it’s the result of design errors, a change of heart, or inadequate scope — late-stage changes to a project can substantially add to the overall cost (as well as timeframe).

Changes often stem from poor communication between key stakeholders, so making sure everyone is properly informed and onboard throughout the course of the project is key.

Lack of project oversight

Without clear oversight of the build, problems with scheduling can rapidly emerge. If one trade is delayed or a phase is left uncompleted, the entire timeline can be negatively affected. Scheduling and the administrative aspects of construction are vital to stay on time and on budget. Time is money here and delays can be costly.



How general contractors can help you save money.



With such a wide range of responsibilities, general contractors play a key role in keeping projects on track and within budget. From sourcing materials to site management, investment in technology and eliminating waste — there are so many ways a great general contractor can help you save money.

Here are 7 of the most important aspects:

1. Purchasing materials

Most general contractors will have worked in the industry for many years. They'll know the best places to go for the best deals on materials. Whether this is local wholesalers or bespoke manufacturers, you can be sure you're paying a fair price.

General contractors may also negotiate with suppliers across multiple construction projects, which means they can buy materials in bulk. All of these cost-savings (as well as increased efficiency) can be passed on to the owner — with the potential to save significant amounts of money.

2. Accurately estimating costs

General contractors can bid on a project as early as the planning and conceptual design stage,

though this is not always the case. Oftentimes, bidding starts once projects are fully designed, engineered, and permitted.

There's real value in working with a Design-Build firm, like Letter Four, who provides a bid early on, because getting the budget right from the start is crucial to avoid overspending.

Clients should be wary of automatically going with the lowest estimation when selecting building contractors.

As part of these budget estimations, general contractors should plan for a certain level of adjustment as the project goes on. Whilst it's impossible to predict every eventuality, proper communication in the early planning stages will reduce the likelihood of major alterations. When



general contractors, architects and clients work in unison — costs can be better anticipated and monitored as the project progresses.

3. Staff and site management

General contractors are responsible for the entire building site — and this includes people as well as processes. Failing to manage a job properly can result in project delays and greater costs for the client, and, poor staff morale, failed subcontractor relationships, inefficiencies, and reduced profits for the general contractor.

Experienced general contractors will ensure that a site is managed efficiently. This includes providing workers with the equipment they need, managing roles and responsibilities and consistently tracking progress towards the completion date. All of this necessitates great teamwork and collaboration

between trades, architectural teams and project owners — ensuring everyone understands and meets requirements for budgets and deadlines.

4. Limiting human error

Anyone involved in building (whether small-scale residential renovations or large commercial projects) will know that mistakes can and do happen. Whether it's the wrong shade of paint, or issues with materials or measurements, human error can creep in.

Fixing mistakes means time and money in terms of workers, wages, and materials — but general contractors can play a large part in mitigating these risks. With full oversight of the project, if errors do occur, your general contractor can make sure they are rectified quickly. This will help prevent a ripple effect with respect to costs and delays further down the line.

How general contractors can help you save money.

Continued



5. Reducing waste

Your general contractor is responsible for not just the build, but also the amount of waste produced. Carefully calculating materials and overages needed will help reduce excess materials, but your general contractor can also help with waste reduction in terms of time and labor.

With proper scheduling and project management, the right people, materials, and trades, will be on site at the right time. As well as avoiding wasted time, general contractors can also make sure that any unused materials are appropriately reused or recycled to cut down on removal costs.

6. “Plan ahead” ordering

With material shortages these days, ordering materials well ahead of time so that contractors are not waiting on materials will result in significant savings.

This will save costs of storing materials on site, as well as ensuring that subcontractors are only paid for the time they are actually needed on site. With “Plan ahead” ordering there is less wastage and reduced cost.

7. Investing in technology

General contractors are the true experts of the construction trade — and their knowledge extends to the latest innovations that can save building teams time as well as money.

Building Information Modeling (BIM) is one such example. This 3D modeling tool was once considered a novelty in the construction process, but quickly gave companies a competitive and cost-effective advantage in pre-construction stages. Fewer mistakes and re-draws (with one master design for everyone to work from) results in significant cost savings.



Here at LETTER FOUR we draft in a BIM software called Revit, which allows us to model our projects and accurately incorporate structural work into our model. This results in accurate material take-offs.

Business management software, drones to monitor building sites and even automation for repetitive tasks such as bricklaying are all further examples of exciting cost-saving technology.



READY TO KICK-START YOUR PROJECT?



Letter Four is a full-service architectural design and construction firm based in California. We understand that every project has a unique set of needs and goals, and offer stand-alone architecture and construction services as well as the full design-build process. From planning and pre-construction to the closeout process, we ensure your vision comes to life on time and on budget — reach out to us today.