

WHAT'S YOUR COST per square foot?

Asking most home builders, “What’s your cost per square foot?” is a little like asking a mechanic what it’s going to cost to fix the engine in your car before he’s had a chance to look it over. Without knowing more, a price is just a shot in the dark. Do you have a bad spark plug wire or does the entire motor need to be rebuilt?



WHY DO BUYERS ASK BUILDERS ABOUT THE COST PER SQUARE FOOT?

Everybody uses it.

Real estate agents, mortgage loan officers, appraisers...they all report the home’s square footage and a price for the home. The entire existing home market uses this square footage price for establishing home values and listing prices. But be wary of real estate agents who compare all new and resale listings by their cost per square foot. Is a used Toyota Prius worth as much as a brand new Prius?

It’s easy.

Easy to calculate – simply divide the price by the square footage. Easy to understand. Easy to use (as one way to compare homes). And it’s easily accessible – real estate websites publish this information.

Can you afford what you want?

Are the design, amenities and products shown in new homes within your budget?

You want to get a fair deal.

Because there are so many variables, cost per square foot seems like a fair way to ensure you’re not getting ripped off. But can be a rip-off tool itself when used in a misleading way by an unscrupulous builder.

You’re a bargain shopper.

But you wouldn’t buy a new convertible on the basis of its “cost per pound.” Buying a home on its cost per square foot would be just as silly.



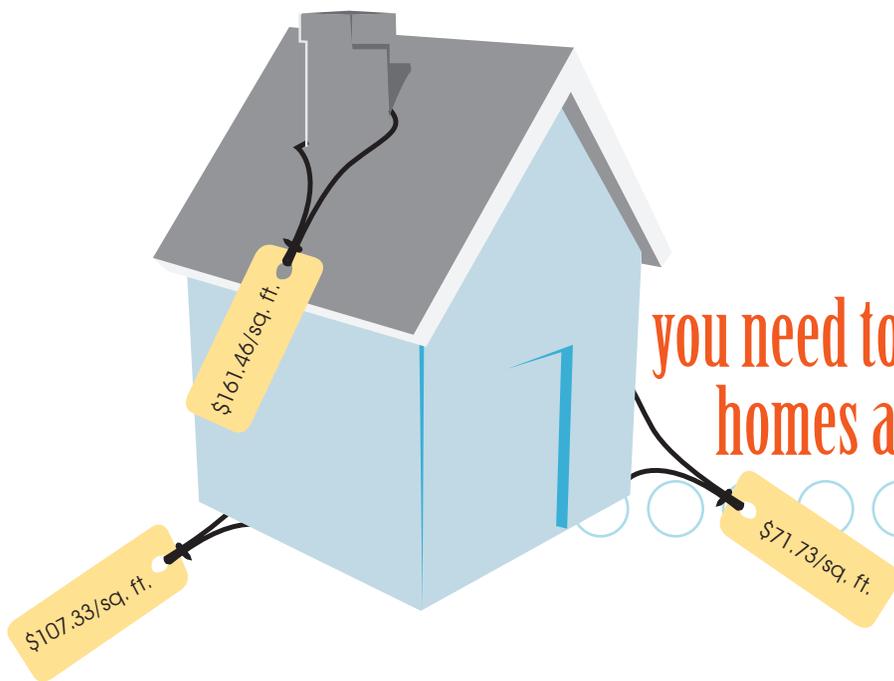
source Chevrolet.com

2012 Chevrolet Corvette
\$17.02/lb

2012 Mazda Miata
\$9.59/lb



source Mazdausa.com



10 Things

you need to know before comparing new homes and their cost per square foot

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What's included in the price?

Builder A includes and hardwood flooring, Builder B figures carpet. Builder C includes full sod and a generous landscaping allowance, Builder D's price only includes grass seed. Was a concrete driveway included? Don't laugh! Such factors don't affect the size of your home but affect the cost per square foot.

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Land costs

Did the cost per square foot quoted include the home site? A \$25,000 lot represents \$12.50 per square foot for a 2,000 square foot home, but \$30 per square foot if built on a \$60,000 lot! Subdivision covenants (i.e., full masonry front elevations) and community amenities such as walking trails and parks all have costs which are passed along to each homebuyer as higher lot prices.

Methods used...differ

1 An all-brick home may be hundreds of square feet bigger than the same home with siding! Was the second-story area of a 2-story high entry foyer included? It's heated space but it isn't "walkable" square footage. Such differences can dramatically impact the home's reported square footage and thus its cost per square foot!

What square footage was the price based on?

Basements? Attics? What if, due to a sloping ceiling, you can only stand up in a small portion of that attic? What about porches, a deck, patio or the garage? If the garage space doesn't increase a home's square footage, why not build a 4-car garage? A silly exaggeration, but any cost per square foot comparison is meaningless if the square footage of these areas is counted differently by various builders.

The materials / products used differs by builder

2 Your price includes granite countertops! But which granite, the \$40 per sq. ft. or the \$100 per sq. ft granite? Are the included hardwood floors 3/4" or the cheaper 3/8" thickness? Seeing on a builder's specifications sheet that granite countertops and hardwood floors are included is insufficient for comparing different builders' cost per square foot prices.



first floor	1387 sq. ft.	<i>Cost/sq. ft. @ \$300,000</i>
second floor	471 sq. ft.	
total finished	1858 sq. ft.	\$161.46
garage	509 sq. ft.	
porches	185 sq. ft.	
attic	243 sq. ft.	
total under roof	2795 sq. ft.	\$107.33
basement adds	1387 sq. ft.	
total sq. ft.	4182 sq. ft.	\$ 71.73

Quality workmanship isn't cheap

In order to quote a lower cost, a builder can opt to hire the low-bid carpenter, plumber or drywaller on your home. The value of caring craftsmen shows up when you have annoying air leaks around your new windows, doors that close by themselves or poor water pressure in your master bathroom.

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The type of home you build impacts cost

By stacking its two levels, a two-story home will have a smaller foundation and smaller roof than a one-story home of similar finished square footage.

Your choices...

Because of expensive cabinetry, countertops, faucets, tile floors, appliances and plumbing fixtures, your kitchen selections alone could increase your home's overall cost by \$10-20 per square foot! Also increasing cost without increasing square footage are: fireplaces, lighting, window treatments, and even paint—many builders charge \$100 or more each time you change paint colors.

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The total size of the home

Costs such as permits, government fees and utility hook-ups are constant regardless of the size of home. Smaller homes still have a kitchen sink, dishwasher, range, refrigerator, and microwave—just like larger houses. Therefore, smaller homes are generally more expensive per square foot.

Cost is driven by design

Since sophisticated rooflines and dramatic entryways don't increase a home's square footage, such homes cost more per square foot. Homes with higher ceilings or artful ceiling details cost more per square foot than homes with standard, 8-foot high flat ceilings.

Carpet comes in 12'-wide rolls, so designing a room 12'-8" wide is more expensive due to the added labor costs for cutting and seaming the carpet and increased material waste.

Pre-drawn home plans might cost \$1,000, or about \$.50 per square foot for a 2,000 square foot home, while custom-drawn plans typically range from \$2-\$10 or more per square foot.



Moving Forward...

We hear horror stories of builders who will quote a low price per square foot and then pound the buyer with extras after the job is started. Contact your builder's references! Have you thought about the cost per square foot of your new home warranty? Warranty policies vary by builder!

Every homebuilder can give you a detailed and accurate cost per square foot

"Production" builders, repeatedly building the same portfolio of plans, developing entire neighborhoods and offering less personalization can most quickly quote you a price per square foot. With fixed standards, their economies of scale typically enable them to offer the lowest cost per square foot.

Semi-custom builders offer a wider variety of home designs, building sites, personalization and finish selections for your home. Initially they may quote you a broad price range, such as "\$100 to \$200 per square foot depending on what you want" reflecting many of the variables addressed. As you make decisions, the ultimate price per square foot comes clearer into focus.

A custom home builder may never build the same home twice. She doesn't have historical data for that specific home to look back on as a starting point. Knowing that custom home buyers often have specific products and amenities in mind, understand she can't give you an accurate cost per square foot up front.

Do you really want the cheapest?

Even if it was possible to get fairly comparable cost per square foot info from multiple builders, are you going to automatically take the lowest price? How do you suppose the builder with the lowest price per square foot was able to do it?

When it comes building or even remodeling a home, like with most of life's major purchases, you get what you pay for. So...if you choose to, use preliminary cost per square foot numbers to help you know if you're "in the ballpark" budget-wise. But understand it's just not a good way to compare builders and their homes. ■