

Cost per square metre.

One of the questions we are frequently get asked is, what is the (or your) cost per square metre to build a house? Or what is your square metre rate?

I also occasionally get emails like the one below:

"Can u pls tell me roughly that if u can build a 12 room double story house at noodsberg area about 110 km from pmb how much will be the cost excluding the material coz I will buy my own the building will be a brick one".

There are various figures in circulation about the cost per square metre to build a new house and they can be very misleading.

Firstly let's clarify the area in question: the square metres of the proposed house is generally accepted to be the total footprint of the house. That is the area that the walls stand on, is included in the total square meterage calculation. Therefore the actual usable floor area will be slightly less.

Secondly there are so many variables involved in building a house. From foundations to paint there are numerous different specifications, materials and procedures, that to just give a rate per square metre is impossible.

Thirdly the size of the house also has an impact on the final cost per square metre. The larger the house the greater the impact of economies of scale. Therefore the cost per square metre may well be less for a large house than for a small house.

Fourthly the finishes used can vary dramatically in cost. As an example you can buy tiles for R50 per square metre or you can buy tiles for R500 per square metre or more. A basic bath is available for about R700 but you can pay R14,000 or more. Kitchen cupboards vary dramatically in cost, as well as the work tops fitted in the kitchen.

Bearing in mind all of the above, I would suggest as a very rough guide you should work on a basic cost of R5,500 to R6,000 per square metre for an average suburban house, as of March 2010. This is only applicable to a completely new building.

It is pretty much impossible to even give an estimated rate per square metre for alterations and renovations.

Pricing

At RIBA we have done a lot work developing our pricing system so that it can be as accurate as possible and reasonably quick.

We also endeavor to use SABS/NHBRC approved materials where ever possible and build according to the National Building Regulations and industry best practice.

Two of the most common complaints from clients and potential clients that I hear are:

1. "I called the contractor, arranged a meeting and they never turned up".
2. "The contractor came to the meeting, discussed the project with me, but never ever gave me a price"

In my opinion number one is inexcusable, particularly if you want to build any kind of a reputation for service within your building business.

Number two, although not a very professional way for the contractor to conduct his business happens for a number of reasons.

If you remember that the guidelines in the corporate world are to get three prices for any potential project, this practice also cascades in to the private sector. Assuming that the project goes ahead, only one contractor can possibly get the job. So immediately the contractor is pricing possibly three jobs to get one. Many projects don't even start, one of the main reasons being unrealistic cost expectations. In years like 2009 when things are even more competitive the ratio may rise to as much as ten to one.

As explained above, there is no fixed cost per square metre, so to price a project accurately takes a fair amount of time. As a rough guide I would say anything from one hour, up to maybe 20 hours or more for a large contract.

The contractor must make sure that the price is as accurate as possible, too expensive and he will not get the work, too cheap and he will lose money or just roll money over. This puts him under a lot of pressure as the client wants a price back as soon as possible. Generally there will not be a Quantity Surveyor involved partly because of the cost and partly because the Quantity Surveyors are usually involved in much larger contracts than one off residential ones. This despite the fact that some of these contracts will run into hundreds of thousands or even millions of rands.

So once the contractor has work on his books it is very easy to neglect the pricing of future work.

The client will probably find that if they get three prices there will be a huge variance between cheapest and most expensive. Be very wary of just accepting the cheapest price. There is no training for contractors to learn how to price, it is all self taught and in the early days of their business it is very easy to make mistakes. Particularly on labour, set up and clearance costs. If they find that they have quoted too cheap, they are going to look for ways to economize during the contract.

Also remember that from cement and bricks to doors, door frames, paint, and every other material involved in the project, there are quality SABS/NHBRC approved products and there are cheaper products.

Please also remember that there are a lot of items that the contractor may not be including in his quotation. The below list gives you some of these items but is not exhaustive. Obviously all of the below will add to the final cost of any project.

- Land.
- Professional fees – Architects, Engineers, Quantity Surveyors, Land Surveyors, and Attorneys.
- Paths, driveways, boundary walls, fences, gates.
- Alarm systems, intercoms and entry systems.
- Air conditioning, under floor heating.
- Kitchen cupboards, built in cupboards.
- Decks, carports.
- Swimming pools.
- Planting, grassing, gardens.
- NHBRC fees.
- Finance costs.

Pricing is a huge part of any building business and in my opinion one of the reasons that there is such a lot of public mistrust and scepticism about small building company's, is because the company's themselves do not understand or complete the pricing process properly.

Please remember that if you choose to use the contractor that gives you the cheapest price and they can start tomorrow, you may well be heading for some troubled and stressful times.

I recently heard of a client who accepted a verbal quotation of R73,000.00 to carry out repairs to a roof. It is questionable as to whether the work was actually necessary, but there was no written documentation between that individual and the contractor, therefore there was absolutely no means of redress for that individual.

Not that it is much consolation, but the same problems have been around for a long time, please see the article below:

1. All prices are valid for a period of one month from date of estimate.
2. All water and mains electricity used during the building contract are for the account of the client.
3. An area of the site should be agreed between the client and contractor, at the start of the contract, to be set aside for storage of materials, building rubbish, tools etc. The contractor will keep this area as clean and tidy as possible during the contract.
4. Any scrap metal eg. Copper, lead, cast iron will be removed from site by the contractor, unless a specific agreement is arranged between the client and contractor.
5. All applications for local authority planning consent are the responsibility of the client.
6. No allowance in the quotation for any professional fees e.g. Architect's, Engineers, Surveyors.
7. No allowance in the quotation for any portable toilets or containers for storage. If these are required then the client must inform the contractor before finalising the contract price.
8. Contracts priced at R30,000 and under will require a 50% down payment, the balance to be agreed between client and contractor.
9. Contracts priced at over R30,000 will require a staged payment plan, this will usually be the following:
 - 1) 20% at the start of the job
 - 2) 30% at a point approximately one third of the way through the job
 - 3) 40% at a point approximately two thirds of the way through the job
 - 4) 10% at completion

Times and/or progress points for stage payments are to be agreed on a job specific basis between client and contractor.

From a failed builder to a famous Voortrekker leader and hero:

In 1815 the famous Voortrekker leader, Piet Retief, moved to Grahamstown where the building boom and the shortage of skilled builders encouraged him to try his hand at speculative building.

His unfortunate involvement with Government contracts began with the erection of new military barracks and headquarters. Retief put in his tender for £3 000 and after being awarded the contract, construction started on Scott's Barracks in May 1820. The plans included a group of buildings, the largest of which was two storeys in height running the full width of the site and built of stone with mud cementing, earthen floors and a slate roof.

The entire erf was to be surrounded by a high wall and the building was planned to house 180 soldiers and six officers with stables, stores and a powder magazine. Retief soon realised that he had under quoted for his work but was not permitted to withdraw from the contract. To save costs, he undertook much of the stonework himself and employed an under-qualified carpenter to complete the woodwork. The military authorities, unhappy with the shoddy carpentry, stopped payment, causing a long and bitter dispute over the terms of the original contract. Work nevertheless continued and the barracks were finally completed in April 1823, but unfortunately for Retief the building collapsed six months later during a storm. Retief lost the case against him and was ordered to make good any damages in addition to paying a 5,000 rix-dollars indemnity.

Shortly after Retief had set to work rebuilding Scott's Barracks, a previous contract that he had signed for the erection of a Drostdy went into dispute. From the start, the plans and contract were dubious and since the building was still a shell fourteen months after work had begun, the Landdrost, Harry Rivers, filed a complaint and Retief was sued for breach of contract. Retief again lost the case with costs. Although he was eventually paid a token sum for his work, Retief was insolvent and left the Cape to become the leader of the Great Trek. He was more successful as leader of men than he had been as a builder and he has become one of South Africa's most famous historical figures. He was put to death by Dingaan in February 1838.

(Source – Our Building Heritage, An Illustrated History by Paddy Hartdegen)

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