

How Much Do I Charge Per Square Foot

Builders have Appraisers and Realtors to blame for this ubiquitous question. Before I answer this, you need to stand in a custom builder's shoes for a moment so that the total picture can be perceived. Asking a custom builder this per square foot pricing question is similar to asking the Mercedes dealer how much per pound that fully loaded, top of the line S550 is. He would scratch his head on that while trying to figure out what that has to do with his car offering.

The Multiple Listing Service that (as listed on the internet) is the greatest thing since pocket calculators were invented. The average realtor can pull up a dazzling array of information that can be boiled down to financial representations that they can professionally present with great aplomb. The very real world problem is that the average home owner/ home buyer needs something to measure properties against one another. Price per square foot is one of the most highly touted measurements used. It has very little to do with choosing a home builder. It can be used with helping you discern the cost of purchasing between different homes, if your Realtor can communicate the reason for the difference in price per square foot due to location, finish out and amenities.

I have built homes (in the last year or so) that (after finishing) were appraised (without land) at prices ranging from \$97 per square foot to well over \$250 per square foot. What does that range of prices per square foot have to do with whether you will select me as your builder? Nothing, right? Price per square foot is a function of complexity, finish, size and under-roof area; you are asking a builder to quote a cost on a home without any real information.

So, what shall we do with this question? We need to break it down into the factors that create this price point per square foot as listed on MLS and wielded so effectively by Realtors and Appraisers.

Complexity of the Home

Square footage of the air-conditioned living space divided into the overall price of a home is equal to price per square foot. Let us begin here. If you are mathematically challenged do not worry, I will keep this very easy to comprehend. The way to quickly lower the price per square foot on home is design with price per square foot in mind... right? A couple of shoe boxes can be used to create a simple mental picture. Set them side by side. This is a one story home. Cut a hole on one side and create a garage door to drive inside for parking the car. Now... pick up the box that does not have the garage cut into it and stack it on top of the remaining box (garage is on bottom). This is a two story home. The one story has twice as much foundation square footage touching the ground and twice as much roof covering the boxes (the lids). The two story's concrete flooring is cut in half by stacking the boxes as well as the area exposed at the top only needs 1 roof (lid). Due to the fact that less concrete and roof are in the equation; cost went down, without making a sacrifice in square footage (except stairs). Magically, you have taken the same size home and made a considerable cut in the per square foot price by manipulating the design style to be used.

Now, let us go further. I will assume that you do not like the box on a box as a dream home. Perhaps you want a large patio in the rear and a verandah porch on the front. Perhaps some Dormers to let in natural light. Maybe we should create more interest by having the Master Suite area with nothing above it for noise abatement and privacy. A few gables thrown in and perhaps some breaks in the elevation to step back from a straight front. The corners create an interesting roof line and allow for more creativity in landscape and general appearance.

The complexity of a home increases the cost per square foot the further we move away from the box on box, straight and square box of the two shoe box example. How much? The sky is the limit. Every home is different and varies in cost to build. Each feature adds cost. Large windows let in a lot of natural light. The large windows are not only more expensive, but they require stronger framing (more wood) to compensate for the larger openings. The amount of light coming in may require a change in the engineering of the heating and air-conditioning system. Almost every designed feature of a home is a trade-off that has an effect on the overall design,

Level of Finish

Now that we have decided on a one story or two story with all of the possible variations... let us consider interior finish. Laminated Countertops are very common in homes. Granite countertops are on the higher end of countertops. The choices made there will affect the price per square foot. Even in those materials there is a range of costs that are beyond the comprehension of the neophyte. Granite (in slab form) runs from a couple of hundred dollars a slab to thousands of dollars per slab. The same holds true for almost every finish item in a home. The limit on cost is the design and the pocketbook. Six inch base boards versus twelve inch base boards will cost half as much. No crown through-out the house versus three step stain grade crown is going to be significantly different in cost. Hollow core doors are very common but solid core doors cost more than double... what about stain grade doors?

What size doors do you want, eight foot tall doors or six foot 8 inch doors? Which shall it be, paint grade cabinets or stain grade cabinets? Are we going with box store quality plumbing hardware or better quality plumbing hardware from the local wholesale vendor? Windows can be a huge price difference; aluminum, vinyl or wood windows? The cost can swing tens of thousands of dollars.

Size and Components Required

Size matters. A 10,000 square foot home will require a lot more of a builders time per square foot than a 2,000 square foot home. The larger home will (most likely) have large spans that will be using large (heavy) support beams to span those areas. These sometimes require cranes, stronger foundations and very meticulous installation to be supported properly. A smaller 2,000 square foot home will have many of the same rooms, but often without all of the complexity of the larger homes. A large 2 car garage is easier to build than a huge 6 car garage with 1500 square foot of living area above it. The possibility of racking (twisting) and spans involved increase greatly with the larger garage area. There is more engineering and support effort that go into the larger homes.

Kitchens are a big driver of costs. Appliance packages on smaller, less complex homes can be fully installed for less than two thousand dollars whereas \$60,000 is not unusual for a high end home kitchen appliance package. All of these factor into the cost per square foot.

Garages, Patios and Porches – the rest of the house

Price per square foot is for the air-conditioned space only.... What about the rest of the house? I guess we should assume that the cost of garages, patios and porches is negligible. Wrong !

These portions of the house all have concrete flooring below and ceilings above. They are lighted and have any wall or ceiling that is adjacent to a living area insulated. There are garage doors and windows to consider as well as out-door kitchen items. Flooring in garages can be any number of finishes besides bare concrete as well as patio flooring. The cost to build a porch, patio or garage is significant In the resell valuation, it gets lumped into the air-conditioned value at price per square foot.

Summation

As you can see the question of “How much do I charge to build per square foot” is a non starter for the custom home builder. In most cases, I have just met the person asking me this question. As I am not a mind reader, it is an impossible question for me to answer in a manner that will be related to your desire to measure me as a possible builder for you. A better question might be.... Do I build homes in _____ neighborhood? That at least would give me (the builder) some clue as to what the range of home sizes and quality you are considering building. Then we could open up a dialogue that would be specific to that price range of homes. The good builder will know what is standard and customary in the price range of the neighborhood. Instead, folks think I am being evasive when I try to probe to discover their needs. Really it is just a mundane miscommunication and a prospective home owner applying a popular home buying measurement in an inappropriate manner. It helps if you as the prospective home owner, take the high road and allow the experienced builder to probe on your question to be able to provide relevant information. I know that we (as builders) take every casual opportunity to put our best foot forward. We enjoy the opportunity to create a new relationship.