



“Experience the Difference”

BUILDING SUCCESS 101

Q: What is an escalation clause?

A: This is where the customer agrees to pay for price increases on specified items that happen between contract signing and the start of construction. These tend to appear when there's high price volatility for a given building material (such as lumber). The decision to sign or not sign such a clause is a bet on the market, but without it the contractor may price the job higher to cover potential increases.



Forward to Friend

Built for Success

Quality homes and happy customers don't happen by accident. The best builders have systems to ensure those outcomes.

If you have a complete set of construction documents, including accurate blueprints and product descriptions, then material and labor costs won't vary much between equivalent professional builders. Most of the price difference will rest with the builder's "fee"—the overhead and profit built into the home's cost.

What does that fee cover? And is a lower fee always better?

The first answer is that the fee makes great service possible by funding the builder's internal management systems. These systems keep every part of the job running smoothly, and the best builders have spent years creating and fine-tuning them.

Those builders are in demand among customers who expect great service and, as a result, they command higher fees. We believe it's money well spent.

Many of us have known contractors who did good work operating by the seat of their pants, but that doesn't work anymore. It may be adequate for handyman jobs, but on a custom home it's a recipe for disaster. That's because today's builders face a business environment that, if not deliberately managed, will quickly throw projects off schedule and off budget.

Here are four examples of these complexities and how management systems ease the pain.

More regulations. Zoning restrictions, association rules, building codes and labor laws make building homes tougher and more expensive than it used to be. Management systems, backed up by the right software, help the builder navigate these regulations while staying on schedule and on budget.

Less room for error. Engineered building components and code-mandated energy-efficiency details make today's homes unforgiving of moisture problems. The builder's quality assurance system helps the project manager confirm that workers are detailing the home to be healthy, comfortable and durable.

Vanishing workers. The most challenging issue today is the shortage of skilled labor. With fewer young people seeking careers as carpenters, plumbers and electricians, builders have to compete fiercely for the best ones. The best subcontractors and employees prefer to work for builders who run well-organized jobs and who pay promptly—builders with financial stability and effective scheduling and management systems.

Rising material costs. A combination of tariffs and high demand for building products has fueled big price increases in recent months. Builders with systems for reducing jobsite waste and negotiating fair prices with suppliers can mitigate the impact of those increases.

How do you spot a company with such systems? Talking with past customers is a wise step but you can also ask questions when interviewing builders, such as:

How will the builder keep you updated on the schedule? How often will you get job progress and budget reports? It doesn't matter whether the information gets sent through an online portal or by email: the format matters less than the fact that the builder has a system for communicating it.

How does the builder organize product selections? Are there detailed selection sheets? Will you be expected to meet due dates for selecting products? You want a "yes" to this last question because a firm, systematic approach to selections really helps keep the job on track.

When you walk the home at critical stages (for example, after mechanical rough-in) does the builder use checklists to ensure that everything was completed as planned?

Builders aren't that different from other companies that make complex products for demanding customers. Those in high demand get there because their systems allow them to focus on creating great products for fair prices. Smart homeowners choose one of these builders for their custom home.

Warm Regards,

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