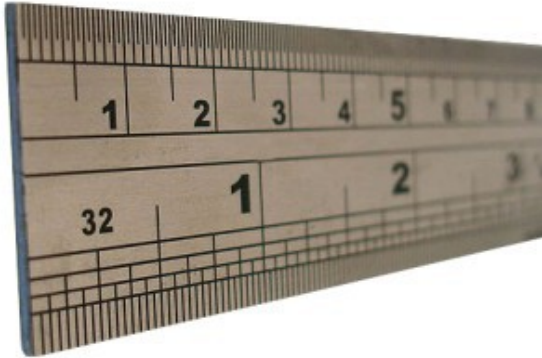


The Square Foot Pricing Mystery

How I learned to stop worrying and love the infamous square foot pricing question.

By [Andy Stauffer](#)



Ask any farmer what a bushel of wheat costs and he'll have an instant answer for you. Similarly, the price of a barrel of oil and an ounce of gold are common knowledge, with costs quoted down to the last cent. But try asking a home builder about the "cost per square foot" to build a home, and you'll likely get any number of responses, including lowball guesses, unhelpfully vague price ranges, or even outright irritation from the respondent. Why is new home construction so different? A simple question like this seems fair, so why is it met with disdain by home builders?

The disconnect stems from the fact that in residential construction, there is simply no agreed upon standard for what constitutes a square foot. No grocer would have trouble telling you what a gallon of milk costs, and what it contains. It is not so easy, however, to decide what is contained in a square foot of home. For example, do builders only include finished square footage in their estimates? Do they count unfinished basements? Does a square foot include the garage and deck? Therein lies the complication: it's up to each builder to decide for themselves.

For illustration, consider the hypothetical Jones Residence. The Jones family wants a rancher with 2,000 square feet on the main level, an unfinished basement, a three-car garage (700 square feet), and a covered deck (200 square feet). Simple enough, right? The savvy Mr. Jones, seeking more than one opinion, meets with two separate builders and asks them, independently, what they would charge him, per square foot to build his dream home.

Builder A looks at the project and considers it a 4,000-square-foot home since, after all, while the basement will be unfinished, it is nonetheless conditioned space and thereby "countable". He also reasons that all of his homes generally have a

200-square-foot covered deck with a three-car garage, an integral part of the house. His price? Only \$100/square foot.

Builder B looks at this very same layout, but considers it a 3,417-square-foot home, after using “tried and true” math: He counts the main level area (2,000 square feet) at full value; the basement and [garage](#) at half value (1,000 square feet and 350 square feet); and the covered deck at one-third value (67 square feet). He proudly presents his reasonable cost to build the Jones Residence: \$117/square foot.

That’s a difference of \$17/foot between the two, and their calculations are 583 square feet apart...and they’re *both* right. Notice, despite the disparities mentioned above, they’ve both quoted a home that costs about \$400,000. Builder B just *looks* more expensive, on paper.

This scenario plays out in real life all the time. Unfortunately, it often results in a homeowner selecting a builder based on who can provide the “lowest cost per foot” without taking into account the bigger picture. Each builder, when presented with plans and specifications, is able to implement unit costing and vendor quotes to arrive at a total construction cost. At the end the day, the square-foot cost is largely incidental – a house costs what it costs.

All too often, however, folks who come into my office will attempt to pit me against another builder by stating, “Builder X says she can build for \$110/ square foot, what’s *your* square foot cost?” Before I answer, I’ll whisper a silent prayer: *“Lord, forgive them; they know not what they ask...”*

I then dive into my highly conditional response, which goes like this:

First, we’ll make the following assumptions:

1. Tap fees and/or well and septic costs are excluded (for now);
2. The house will have a three-car garage and 200-square-foot covered deck;
3. Site conditions are favorable (i.e. there are no expansive soils, and no blasting is needed);
4. The house will be fully finished (minus 5% of area for mechanical room);
5. The driveway and utility lengths are 100 feet or less;
6. We’re using standard construction systems and methodology (i.e. 2x6 exterior walls, composition shingle roof, forced air, vinyl windows, 50/40/10 split of carpet, hardwood and tile floors, granite counter tops, gas fireplace, etc.);
7. Landscaping is excluded.

After rattling these off, I catch my breath... then continue. Then the magic happens: once we've defined what is and what isn't included, the square-foot pricing conversation actually begins to make sense. There we sit – builder and prospective client – having a productive conversation about what the house costs.

Suddenly, I am able to show Mr. Jones that his initial plan of just multiplying \$100/foot times 2,000 finished square feet on the main level isn't going to give him an accurate understanding of cost. He will learn that no math, used by any builder, will net him a \$200,000 home. (*How many times have you had this conversation?*) Most importantly, he will learn *why*. This helpful conversation allows me to show my attention to detail and instills a level of confidence on the part of the client. To think: If I had just stated a ballpark "cost per foot" without qualifications, I wouldn't have earned the opportunity to get into these details, especially if my ballpark square foot cost was higher than "the other guy's."

The lesson here is that it's incumbent upon *the builder* to meet the prospective client where they are. The question of cost per square foot, despite our wishes, may never go away, and that is because perfectly reasonable folks will continue to seek a way to traverse a sea of information, advertising, and sales propositions, and find a simple, quantifiable unit of measurement. That's fair enough.

My suggestion to those in the building industry: When you're asked what your square foot cost is, answer the question with a question. This isn't being evasive; it's being honest. These days, I find myself saying, "Well, that depends: What do you mean by square foot?" and that's a great conversation starter.

It does take time to explain the rules, and to clearly delineate what is and isn't included, to be sure. But this technique accomplishes two key objectives: First, the prospective client is able to determine how far she can expect her dollars to go, and second, the builder is able to qualify the prospective client so neither party wastes their time unnecessarily. Once the square footage discussion has been had, both the builder and prospective client can focus on the viability of the project and the possibility of working together.

I used to dread the square foot question. But now, when Mr. Jones asks me, "What is your cost per square foot?" I'll try to put him at ease by validating his concern, knowing that we have to start *somewhere*. But the question behind the question is really "how much will my house cost?" and this is far easier to answer, and results in a happier builder, as well as a happier client.

Andy Stauffer is president of Stauffer & Sons Construction based in [Colorado Springs](#).