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From: Remodeling magazine August 2010 | Posted on: August 6, 2010

Price It Right

Basic estimating principles for breaking even on a job.

By: Les Cunningham

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In today's economy, most remodelers are reluctant to turn down a job. And homeowners, since they are likely using their own money, are more budget-conscious. In addition, they are now attempting to negotiate deals and are willing to play hardball with contractors.

However, remodelers need to make sure they are not losing money on the jobs that they accept. Here are a few estimating principles that will help you.

You must **charge your actual labor costs**, i.e., your labor costs plus the burdened labor costs that go with paying an employee, including city, state, and federal taxes.

You must **include the actual cost of materials**. This is based on your actual take-off, which has the specific materials you will use. Instead of using costs from a previous job, consider contacting your suppliers about the latest prices.

To include the actual costs of subcontractors, **have subs submit written bids**. Some remodelers estimate the subcontractor's portion of the job or even prepare the bid for them. Use the subcontractor's expertise on the bid.



You must **include the actual costs of your overhead expenses**. Remodelers who work out of their homes often forget to factor in utilities, phones, and replacement costs of the wear and tear on their property.

You may or may not charge a profit on top of these four items, but I would strongly suggest you do. However, in view of the current market, even if you do not include profit, you can be assured that you won't lose money if you accurately estimate and include these four items.

If the deal doesn't work for you, thank the homeowners for the opportunity, and walk away. Wait for the projects that will work for you in the time frame that you need.

—Les Cunningham is president of Business Networks, a peer-review organization for the remodeling and insurance restoration industries. les@businessnetworks.com.

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