

Pre-Construction Cost Planning Guide For Property Investors and Developers

BuildWise Advisory

1. Introduction

Pre-construction is the most critical phase of any project from a cost and risk perspective. Decisions made at this stage have the greatest impact on the final construction cost and overall financial outcome.

Many projects exceed budget not because of poor construction performance, but because cost planning was not properly addressed before construction commenced.

This guide provides a practical overview of how to approach cost planning, identify risks early, and make informed decisions before committing to construction.

2. Understanding the True Cost of a Project

A common mistake is to focus only on the construction contract value. In reality, the total project cost includes several components:

Construction Cost

- Main contractor works
- Subcontractor trades
- Materials and labour

Professional Fees

- Architect
- Engineers (structural, MEP)
- Quantity Surveyor / Cost Consultant

Statutory and Approval Costs

- Planning and permit fees
- Government charges
- Utility connections

Other Costs

- Site preparation and enabling works
- Furniture, fixtures, and equipment (FF&E)
- Contingency allowances

Understanding the full cost structure ensures that financial planning is realistic from the outset.

3. Key Cost Drivers

Construction costs are influenced by several factors:

Design Complexity

Projects with complex geometry, large spans, or bespoke features will carry higher costs.

Material Selection

High-end finishes, imported materials, and specialized systems significantly increase project cost.

Location and Site Conditions

Access, ground conditions, and logistics can impact both cost and programme.

Market Conditions

Availability of contractors and labour demand can influence pricing levels.

4. Common Mistakes in Pre-Construction

Starting Construction Without a Defined Cost Plan

Proceeding without a structured cost plan often leads to uncontrolled spending.

Incomplete Design Information

Tendering with incomplete drawings increases the likelihood of variations during construction.

Underestimating Provisional Sums

Provisional sums are often unrealistic and lead to cost increases later.

Selecting Contractors Based on Lowest Price

A low price may reflect missing scope or underestimation, not efficiency.

Lack of Contingency

Projects without contingency allowances are exposed to financial risk.

5. How to Review a Project Budget

A well-prepared budget should be:

Structured

Broken down into logical elements or trade packages.

Transparent

Clearly showing quantities, rates, and assumptions.

Aligned with Design

Reflecting the current level of design development.

Realistic

Based on current market conditions, not optimistic assumptions.

6. Managing Risk Before Construction

Identify Gaps Early

Review drawings and specifications to identify missing or unclear scope.

Clarify Responsibilities

Ensure contract documents clearly define what is included in the contractor's scope.

Reduce Provisional Sums

Where possible, replace provisional allowances with defined scope.

Establish a Contingency

Include a realistic contingency to manage unforeseen conditions.

Plan Procurement Strategy

Select an appropriate procurement route that aligns with project risk and design maturity.

7. Pre-Construction Checklist

Before proceeding to construction, ensure:

- A detailed cost plan is in place

- Design information is sufficiently developed
 - Contractor pricing is clear and transparent
 - Provisional sums are understood and justified
 - Risks have been identified and addressed
 - A contingency allowance is included
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Final Advice

Pre-construction planning is not an optional exercise — it is essential to achieving cost certainty and reducing financial risk.

Investing time and effort at this stage will significantly improve project outcomes and help avoid costly issues during construction.

Need Professional Advice?

BuildWise Advisory provides independent cost and risk advisory services to support property investors and developers throughout the construction process.

If you are planning a project, we can help you assess costs, identify risks, and make informed decisions before you build.