

ESTIMATOR'S CORNER

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Bidding in Today's Economy

As I began to think of the content of this article, I wondered if I was setting myself up for failure. Where would you begin to discuss bidding in today's economy? There are different ways and methods of bidding as a subcontractor versus a general contractor. Then there are even particular ways and factors to pay attention to by region. So, I'll start with something I encountered last week.

I was putting together a bid for a multifamily framing package and I went to get my normal prices from the local suppliers, but noticed it had been a while (about a month) since I had received a pricing update.

I placed a call to them and was met with a resounding, "Stop. Don't send anything in until we update those prices." Ok, can't be that bad, can it? It was. A 56-cents-per-lineal-foot 2x4 was now 79 cents per lineal foot, the 3/4" plywood was almost \$2 per square foot. Lumber, of all dimensions, was up on average about 40 percent. I called my rep back with a lot of questions: why, how, where, and are you trying to buy a new boat with these increased prices?

Bottom line is that material prices have gone up and lumber is through the roof right now — for a variety of factors other than availability. Had I not updated my material prices that day, I would have been 40% short on my lumber material costs. This leads me to my first suggestion, update your material pricing weekly, especially now.

The current phrase, "we are in unprecedented times", is a bit overused: We are always in unprecedented times for one reason or another. We have to bid accordingly, which means staying on top of constantly evolving pricing — lumber, steel, copper, heck, even cast iron lately.

Construction materials are all riding some strange, hard to predict wave.

Cumming, a large global cost consulting firm, publishes a quarterly price-per-square-foot guide for different building types and regions. They're usually right on the money, and I feel for the team doing the updates this year. Prices are simply out of whack. That's got to be a tough job for Cumming right now.

Another issue we are facing right now: labor shortages. It starts with the tradesmen who are running a lot of crews where the only qualified guys are in their fifties, and they're stretched thin. The younger qualified tradesmen are getting harder to find. They simply don't have the skilled people and the time to get to everything right now. This affects cost and productivity. If you have a job site full of "B" and "C" teams because your "A"-level teams are elsewhere, it is going to cost you labor hours, additional materials and, most importantly, time.

Good subcontractors know this, and while honest, they're human. This reflects back in what they charge. I've seen HVAC per square foot jump from \$19 to \$24 to \$37 per square foot in some areas. Austin, Texas is ridiculous right now. With Oracle and Tesla projects and the need to build housing and mini support cities and shopping plazas to support the workers for those companies, it is nearly impossible to find good subs in the area. This is reflected in the pricing we're seeing. The days of \$300 a square foot for commercial structures are disappearing, or have been gone for a while.

So, how do we bid in today's economy? Strategy

against your competitor has always been one of the main principles for survival. Now it seems like we're able to sell ourselves, not on the price, but the ability to staff the job and to do so in the time frame the owner needs. We've seen cities that typically go for low bidders now rapidly changing over to "best qualified" or "who can start in two weeks".

We bid intelligently by keeping current material pricing and by talking in-depth with subcontractors and suppliers. Are the specified materials available? If not, what is, and how does it affect cost and compliance? If we are working with a subcontractor on a bid, we have to find out if they really put enough money in for the job if they come in as the low bidder. Are they carrying the specified material? What does their crew size and ability look like? We now choose subs not based on price but based on ability.

I can hear some of you groaning, "That's just not the way it works, Josh." You're right too. Some have to bid the normal way, lowest price, qualify your trades as best as possible upfront and then work it out in the field. I'm not saying this doesn't apply; I'm simply encouraging you to be extra vigilant with qualifying pricing and labor availability.

Bidding in today's economy calls for multiple eyes and ears on a job — not leaving it to one estimator or owner. It takes not simply putting productivity rates and material costs to quantities, but really talking through all aspects and the schedule of the job. It means letting the owner know if their requirements are unreasonable for cost and time parameters up front.

Bidding in today's economy means relying on everyone in the company to get involved in the decision-making process and making the call before bidding. Asking the questions: Is this not only right for us, but is this right for us at the current moment? Can we actually staff it? If we ask, "Who cares?", and bid it with the thought of worrying

about it later, will we end up doing the job at cost? We have advised some of our clients not to bid jobs for these reasons. Why risk making zero profit, or losing your reputation due to overcommitment and understaffing?

For owners out there reading this, the current times are benefiting you in some ways. Larger general contractors who wouldn't typically work on your smaller project are now bidding them. This can lead to a better and more efficiently built job due to their experience and management expertise. So there are advantages to this economy.

I simply ask that you, as owner, remain cognizant of the fact that you get what you pay for. Qualify your GC's and their subs. It never hurts to ask them to justify their abilities. Does the sub putting the brick all over the building have any lawsuits? Have they walked off another job? It's your money and it's in your best interest to find out.

For the general contractors, subcontractors and suppliers out there reading this, double check your material pricing. And as you plan to staff a job, qualify each other. Subs should make sure the GC is going to pay on time. Make sure they aren't trying to get you to produce more than you can so that your quality suffers. GCs should ask if the lowest bidder is really the right one for your profitability on the job and your reputation.

While there is no tried and true method to bid at any time or in any economy, during the current situation we have to be extremely vigilant in all areas, and make smart decisions. We must communicate more and remove the divide between our internal staff, the design team, and the owners. Being candid is of prime importance ... especially now.

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