

# How we arrive at construction costs

The location of the construction site is prime and the far removed sites are from economic activities, the higher the costs because of the logistical expenses involved



By JEN MUSYIMI

“And why does my proposed house seem to cost higher than my neighbour’s?” she quickly interjects in the middle of my presentation. She actually catches me unawares and the reason I am taking my time to respond is not so the unusualness of her question but so I may deliver the most logical explanation possible.

The interesting thing is that the neighbour’s house, though similar looking in size, wasn’t considered during the designs nor the choice of materials for this proposed house. But this is why we are professionals, this is why we credit ourselves with excellence in core competence of construction costs so I must satisfy this client using the simplest terms possible because when I start saying the RC frame is heavier than the neighbour’s, we may just kill the project.

“We only had a budget of Sh30 million when we conceptualised this house and now you are driving us towards Sh40 million; I am getting a heart attack,” she emphasizes and I nod in appreciation for I understand so well what the client’s concerns are.

“Everything is different with your house compared to the neighbour, the substructures, the space arrangement hence the design and the specifications. We are having a steel structure roof and expansive windows not to mention the finesse in the finishes”. My attempt in answering kind of puts a grin on her face, though a faded one. And I guess this is the



Apartment blocks under construction in Nairobi. INSET; Jen Musyimi. PHOTO; FILE

same way I would react if I were in her shoes.

As I leave the meeting I ponder some more on the subject and I use the analogue of clothes. I wouldn’t ask why my suit costs twice than that of the receptionist simply because they are different, different cut, different fabric, different sourcing.

More often than not the cost structure of a construction project will pretty depend on first and foremost the design, the specifications, the site conditions and the location of the project, period.

The space arrangement will determine the support frame hence the cost of foundation, walls, doors, roofing and pretty much everything. A similar space in size can have less walls or windows depending on how many rooms are designed. With this also comes space use and the client’s preferences. Living rooms will cost relatively more than bedrooms because of the value additions and aesthetics applied.

The specifications on the other hand encompass the type of mate-

rials and workmanship involved. And here we are talking the clients choice in materials. Take the walls, for example; are they built in stone or brick, and are they then left bear or they have wall master? Are the doors aluminium or wood? Of course the more sophisticated the materials and workmanship are, the dearer the whole project becomes.

## Location

Further, the site conditions comprise a big part of the costs. This is because like its alluded to in the Bible, the foundation of a house must be strong. The conditions of a site can either be red solid, rocky, marshy, or black cotton just to mention but a few. The engineer designs optimally with the site conditions in mind and the rule of thumb is such that the more impressive the site is, the cheaper it becomes.

Finally, the location of the site is prime and the far removed sites are from economic activities renders the costs high. This is mainly because of the logistical expenses

involved during the implementation of the project.

Now, the above narrative is not rocket science but its something we as experts encounter frequently especially from owner occupier developers. I may attribute this to the either the emotional attachment involved in home development, or family associated pressures, or the shock on realisation that construction is more intricate than meets the eye. Either way, it is a valid question, which even us as experts ask ourselves more so when doing a critical comparative analysis for the costs of a project.

“Why is the roof element apportionment more expensive than normal?” And it’s only through asking such questions, that we opportunistically comb through the bills of quantities to ensure that they are a true representation of the project costs. For we fear, small mistakes may kill the project or change it totally.

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## PROPERTY PRICES UP

### US house prices up 0.7 percent in August

The US house prices continued its moderate growth in August on a seasonally adjusted basis amid record low mortgage rates, the US Federal Housing Finance Agency (FHFA) reported on Tuesday.

The house prices in August were 0.7 percent higher than a month earlier, according to the FHFA’s monthly House Price Index. Over the 12 months ending in August, the house prices gained 4.7 percent, signaling the housing market is steadily on the way to recovery. However, the price variation across the country was ragged.

For the nine census divisions, the Pacific division including Hawaii, Alaska, Washington, Oregon, and California saw a three percent increase in the house prices from July to August, more than any other region. But the prices in the East South Central division including Kentucky, Tennessee, Mississippi and Alabama fell the most by 0.5 percent.

The report measured changes in real estate values using purchases of properties with mortgages back by Fannie Mae or Freddie Mac. It did not provide a specific price for houses. As measured by the National Association of Realtors (NAR), the US median existing-home price for all housing types was \$183,900 in September, up 11.3 percent from a year ago.

### Modest growth

The lowest mortgage rates on record helped boost home refinancing and purchasing, as the Federal Reserve’s new bond purchase plan brought down fixed mortgage rates back to near all-time lows.

While housing had improved during the past 12 months, activity remained well below historical standards and continued to show signs of only modest growth through the rest of 2012, said US mortgage giant Fannie Mae in a recent report.

Still, the house prices in July were 15.9 percent below its April 2007 peak and roughly the same as the June 2004 level, noted the FHFA.

Meanwhile, house prices in Britain increased by 1.8 percent in the year to August, lower than a 2.0 percent increase in the previous 12 months, the official data showed on Tuesday. The average price of properties in Britain stood at £234,000 (about \$374,400) in the month, said the Office for National Statistics (ONS).

On a seasonally adjusted basis, the house prices rose by 0.1 percent between July and August. The data indicated that there existed big gap between house prices in London and Northern Ireland. - XINHUA