

# COMPARISON OF THE THREE WAYS TO ENTER A BUILDING CONTRACT

## FIXED PRICE

| Homeowner Pro's                          | Con's for homeowner  | Pro's for builder                              | Con's for builder                                |
|--|--|--|--|
| 1 You know your "all in" cost up-front   | 1 Builder needs to pad the price for the "what-if factors" | 1 Builder generally makes higher mark-up       | 1 Higher risk to make less profit or loses money |
| 2 You can set financing up-front         | 2 You may pay more than if using a cost-plus               | 2 Builder makes much higher mark-up on changes | 2 Has no control of future materials price's     |
| 3 Your Contractor/builder takes all risk | 3 Builder needs change orders to make ANY changes          | 3 Less time required to manage the project     | 3 Has no control of future Labour price's        |
| 4 Financing is easier                    | 4 Builder can mark up any changes absurdly                 | 4 Less accountability req. to the home owner   | 4 Builder pays for inefficient time & mistakes   |
|  | 5 You need to make ALL selection decisions up-front        | 5 Not as much time required for builder input  |  |
|  | 6 Much less flexibility in custom changes                  | 6 Much less home owner involvement on site     |  |
|  | 7 Much less direct involvement in the building process     | 7 Quality does not need to be as high          |  |

## STRAIGHT COST PLUS

| Homeowner Pro's                                      | Con's for homeowner                                     | Pro's for builder                                 | Con's for builder                       |
|--|---|---|---|
| 1 You do not need to make all selections up-front    | 1 Builder offer a low-ball "Budget" to get the job      | 1 NO risk of losing money                         | 1 Much more paper work for builder      |
| 2 You have more control over cost                    | 2 You find out the original builder's budget is way off | 2 No issue with future materials price's          | 2 No change order mark-up possibilities |
| 3 You get to see ALL hard cost to the project        | 3 You pay builder for his inefficient time & mistakes   | 3 No issues with future Labour price's            | 3 More accountability                   |
| 4 More overall transparency                          | 4 You do not know final cost until the end              | 4 No issues regarding inefficient time & mistakes |   |
| 5 No change orders to deal with                      | 5 There are invoices due even after move-in             | 5 Guaranteed profit                               |   |
| 6 More hands on project involvement                  | 6 Builder mark's up EVERYTHING                          |   |   |
| 7 Generally less builder mark-up                     | 7 Much more paper work for homeowner                    |   |   |
| 8 Build does not need to pad price for what-if fact. | 8 Construction financing is a bit more difficult        |   |   |
|  | 9 Builder has incentive to push the job cost higher     |   |   |
|  | 10 Builder has incentive to push upgrades on you        |   |   |

## COST PLUS with a FIXED MANAGEMENT FEE (PROJECT MANAGEMENT)

| Homeowner Pro's  | Con's for homeowner                              | Pro's for builder                        | Con's for builder                       |
|--|--|--|---|
| 1 You do not need to make all selections up-front      | 1 You do not know final cost until the end       | 1 NO risk of losing money                | 1 Much more paper work for builder      |
| 2 You have much more direct control over cost          | 2 There are invoices due even after move-in      | 2 No issue with future materials price's | 2 No change order mark-up possibilities |
| 3 You get to see ALL hard cost to the project          | 3 Much more paper work for homeowner             | 3 No issues with future Labour price's   | 3 More accountability                   |
| 4 More overall transparency                            | 4 Construction financing is a bit more difficult | 4 Guaranteed FIXED profit                | 4 Needs to offer better quality         |
| 5 No change orders to deal with                        |  |  |   |
| 6 More hands on project involvement by owner           |  |  |   |
| 7 Generally less builder mark-up than fixed price      |  |  |   |
| 8 Build does not need to "pad price" for what-if fact. |  |  |   |
| 9 Builder has NO incentive to push job cost higher     |  |  |   |
| 10 Builder has NO incentive to push upgrades           |  |  |   |
| 11 Builder has NO need to offer a low-ball budget      |  |  |   |
| 12 Builder's flat fee is fixed (based on budget)       |  |  |   |