



## Building Success 101

*Q: What should I consider when evaluating homebuilding companies?*

A: First, narrow your list of potential builders based on their direct experience with the type of house you want, such as a first-time, move-up, condo, or luxury home. Next, meet with each potential builder and be ready with questions that are important to you about their building process, communication skills, change order procedures, and past work ... and then make sure to get satisfactory answers. Also be prepared with a budget (or perhaps a pre-approved loan amount) and a solid idea of what you want, if not actual blueprints, and

## Homebuilding Myths: The Three-Bid Rule

As the housing industry becomes more sophisticated and conscientious about achieving genuine and lasting homebuyer satisfaction, the level of professionalism among builders continues to reach new heights.

As a result, potential clients searching for a builder to create their dream home have a much deeper pool of talent that is not only skilled in construction and client relations, but also highly-competent in terms of their business expertise.

This new and more professional breed of builders deserves to be evaluated by home buyers in a new way. Namely by dropping the age-old practice of collecting three bids for the work in favor of a more business-like approach to a very important decision.

In theory, the three-bid rule was thought to work because it assumed everything else but the cost estimates (or bids) from the three competing builders as being equal; as if each builder had assessed and calculated the scope of work, blueprints, and specifications in the exact same way.

In reality, however, such assumptions are dangerous and rarely, if ever, accurate. Every builder and contractor, professional or not, analyzes a new-home project and estimates its associated costs differently; as a result, the three bids are not apples-to-apples comparisons. The differences can be subtle, but they exist. And those differences render an unequal playing field for competitive bidding, once construction starts.

Even if all three contractors based their bids on precisely the same interpretation of the project, the three-bid rule still reduces each builder to a number rather than considering his or her various skills, experience, personality, record of success, and ability to do the work. For this reason, an increasing number of the best homebuilders simply refuse to bid competitively, opting out of such opportunities because they know they are being evaluated only in terms of a cost estimate rather than whether they are the best builder for the job.

The professional builder prefers a different approach to contractor selection: the negotiated contract. In that scenario, a homebuilder is selected based on his or her abilities and personality fit with the homebuyer -- two critical considerations considering how closely they will interact with each other during the construction of a new home.

The negotiated contract also takes the guesswork out of the project's cost. The budget is shared up-front with each of the builders being considered (usually two or three) based on what the buyers can afford,

share that information with each builder. Finally, look for a builder you like on a personal level; do your personalities seem to gel, or are you uncomfortable? It's okay to go with your gut, as long as the company has the right skill set and track record to do the work.

not what the builder (and his stable of trade contractors) thinks it will cost. Sharing the budget not only removes assumptions and judging a builder's worth based on price alone, but also builds trust and enables honest communication about actual costs and, if necessary, choices that need to be made to match the project's scope with the homebuyer's budget ... the "negotiated" part of the contract process.

As important, the negotiated contract process is far superior to the three-bid rule in matching personalities between the homebuyer and the builder, and between projects and a building company's skills and experience. By first narrowing and then selecting one homebuilder based on everything *but* the cost of the project, buyers help ensure that the project will remain on budget and schedule and result in a finished home that meets (or ideally exceeds) their expectations.

As the homebuilding industry continues to evolve into an increasingly professional business, it requires new and more effective models for conducting that business. The negotiated contract's obvious upgrades from the three-bid rule reflect the new age of new home construction to the benefit of every homebuyer.

Warm regards,

*Richard*

Richard Dickson  
**Dickson Development Corporation**  
666 Plainsboro Road, Suite 1300  
Plainsboro, NJ 08536  
**(609) 799 0220 - phone**



[info@dicksondevelopment.com](mailto:info@dicksondevelopment.com)  
[www.dicksondevelopment.com](http://www.dicksondevelopment.com)

c. 2006 All rights reserved.

[Click here to subscribe](#) to this newsletter.  
[Click here to unsubscribe](#) from this newsletter.

