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For clients who have already completed the design of the home or home addition I believe the following article points the way toward a successful project. With our Design and Build Program, where we work with the client from design through construction, we in reality are following the suggestions of this article.

Information Sharing

Many of you have asked if you can share the Dickson Development newsletter with friends, family and colleagues. The answer is an unequivocal yes, *please do!* Simply [email us](#) the names and email addresses of everyone you know who would benefit from our newsletter and we will send them a personal invitation to join the mailing list and we'll buy you a cup of Starbucks coffee for each new recipient! You may also forward this newsletter to anyone you think may find it useful. Upon receipt, they simply select the "Click here to

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 from which to select. Today's professional builder is not only skilled in construction and client relations, but also highly-competent in terms of his or her business expertise.

This new and more professional breed of builder 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, other than cost, from the competing builders was equal. This thought process assumed that 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 creating confusion and misunderstanding.

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

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--Richard Dickson

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 and how they fit with the homebuyer. These are two critical considerations considering how closely builder and client 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 based on what the buyers can afford, 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. That's 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 has strong advantages over the three-bid rule. This approach reflects the new age of new home construction to the benefit of every homebuyer.

Warm regards,

Richard

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