The Insider’s Guide to Custom Homes

Episode 8: The Construction Budget (What It Includes: Prelim, Progress, Contracts, Construction Updates)

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Welcome to *The Insider’s Guide to Custom Homes*. I’m Rick Bell, founder of Landmark Custom Homes. After four decades building custom and semi-custom homes across South Florida, I created this show to help you navigate the journey — from dream to design, all the way to move-in day. Whether you're building a cozy retreat or a 10,000-square-foot legacy estate, this podcast is your roadmap to building smart. In each episode, we break down the process — from assembling your dream team to choosing the right materials, managing timelines, and protecting your investment. No fluff, no jargon — just real-world experience and straight talk to help you stay in control.

Over the years, I’ve seen it all — the highs, the hiccups, and the unexpected in custom homebuilding. This show is where I share those lessons to help you build smarter, avoid costly mistakes, and turn your vision into reality with confidence.

[Today’s Episode: The Construction Budget (What It Includes: Prelim, Progress, Contracts, Construction Updates)]

In episode 2 we discussed the concept of Design to Budget which is the process used to keep your team focused on what you expect to spend when designing your home. But how do we create this budget? Is it based on wishful thinking by the owner? How do we arrive at a reasonable number as our target?

The process we use at Landmark Custom Homes has worked well to keep our owners informed and on track, allowing them to make good value decisions during the homes design and throughout construction.

In our very first meeting with potential clients, we ask them to openly discuss what they intend to spend when describing what they want to build. We explain our philosophy on transparency. Building a custom home should be a collaborative effort between your builder, your architect and other designers on your team. Some clients are guarded at first and fear that telling the builder the real number they expect to spend may tempt the builder to spend more than they

would otherwise. This could not be further from the truth. A quality builder with a good reputation is your ally. Most custom home builders will present a budget based on the costs derived from what you want as an Owner. It is the builder's job to keep you in sync with your budget throughout the home building process.

Once your builder has a general idea of the size and scope of your project he should generate a preliminary budget. The builder will typically use a combination of historic costs based on his experience mixed with a few preliminary quotes from suppliers on items such as appliances and plumbing fixtures. Several allowances may be included to provide a cost target for tile, countertops, cabinets, etc. A preliminary budget summary should be presented to the owner along with detailed backup showing how the builder established the numbers.

With the preliminary budget in hand, you are ready to meet with the architect to start the iterative Design to Budget process. This document is your financial blueprint for building your custom home and should be shared with the design team to keep their design realistic. With each version of your drawings from preliminary to permit documents, the budget should be updated and presented to you, keeping you informed of any significant changes and what caused the change.

As the drawings move from concept to a more detailed design, your builder can then send out for more accurate pricing on items such as the roof, framing and sheetrock, exterior cladding. The hard bidding of the job occurs once the architect and engineers complete the construction documents known as the CDs. These are the plans used to permit your home and have sufficient detail to request bid numbers from the subcontractors and suppliers your builder may use to construct your custom home. Bids or proposals are submitted by the trade partners and should then be reviewed to ensure there are no scope gaps or missing details the trade should be responsible for. Once these bid numbers are reviewed and compiled your contractor should present these to you for a final review and if acceptable obtain your approval to begin contracting the work. Oftentimes, key elements are not defined prior to the start of construction such as cabinet design and selections. In these circumstances, the builder may maintain the allowance "place holder" until the selections are complete. Again, having a target budget will allow your designers and trade partners to work within your target goal and do their part to prevent budget creep. I often blow my budget police whistle when I see an owner scaling out of budget with selections that significantly exceed what they stated they wanted to spend. At this point, it is entirely up to you as the owner to decide if and how much you may be willing to spend beyond your original goal. Many times, owners are tempted by high end

features displayed prominently in showrooms. I refer to this as the “big eye” syndrome. It is the builder’s job to inform you and they can warn you when this happens, but it is your job to control your spending so you get through the build feeling comfortable that you can afford what you purchased.

Having good cost controls and managing your budget with your team adds tremendous value during your build. The tools are available for you to make value decisions and with your involvement, you can build an amazing home a sleep soundly knowing knowing you got what you wanted at a price you can afford.

I truly hope you benefit from the information provided in this episode and I look forward to discussing many more topics to help you navigate your custom home build.

In future episodes, we’ll dive deeper into essentials like the construction budget, managing contingencies, and how to handle change orders effectively.

If you found this episode helpful, please subscribe and share it with someone thinking about building.

I’m Rick Bell — and this is The Insider’s Guide to Custom Homes.

Let’s build your masterpiece — the Landmark way.

Stay tuned — and enjoy the journey.