



CYNERGENCE

HOME REMODELING

002 REMODELING BUDGET

Discover how to define and managed
Your remodeling budget before starting
a project.

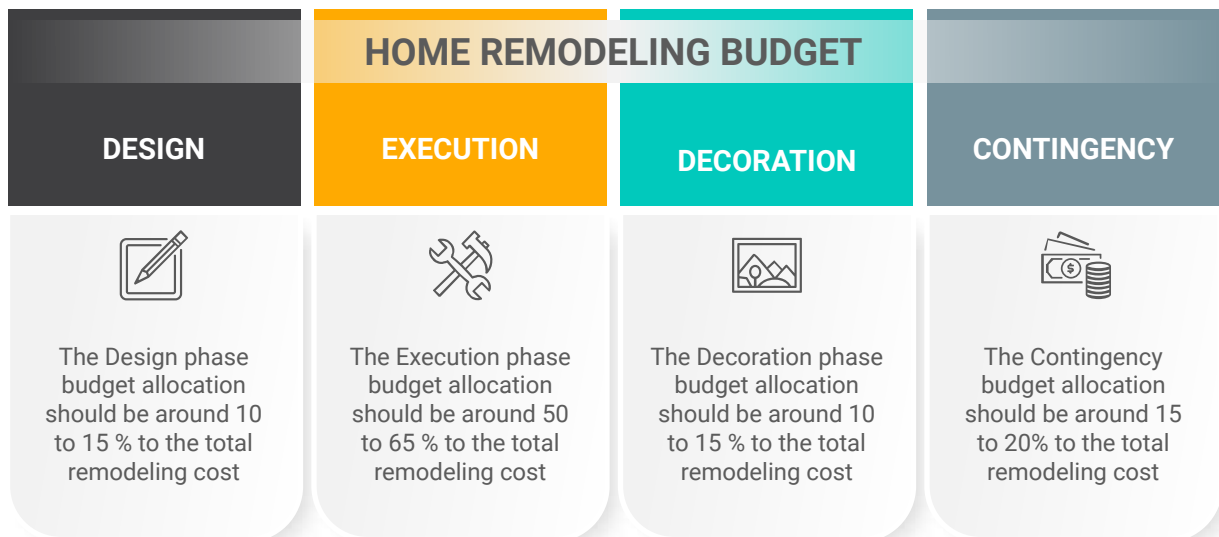
Remodeling budget

Essential Budget Management

BUDGET STRUCTURE

Before starting any home remodeling project, it's essential to consider your budget and your remodeling priorities. Not all remodeling projects are created equal when it comes to return on investment (ROI). The key is to make sure you know that you are investing in the biggest (in many cases) asset you own, your home. If your budget is on the lower end, it is wise to evaluate what is most important to you and set aside the rest for another project down the road. The goal is to define an budget which balances investment vs value.

Once you have defined your remodeling budget, it is essential to allocate funds across all project phases: Design, Construction, and Decoration. Given that remodeling of existing homes often encounter unexpected challenges, you must take part of your total budget and set it aside as a contingency fund, to cover unforeseen expenses. Proper financial planning of your project will ensure that it runs smoothly and remains financially sound.



The percentage mentioned above may vary depending on the specific context of your remodeling project, the age or state of your home, and your objectives.

Common mistakes to avoid

- Misalignment of your remodeling goals and your budget.
- Establish your budget only after receiving a quote for a contractor.
- Not setting a contingency budget.

Recommendations

- Determine the current value of your home and compare it to similar homes in your neighborhood.
- Validate your budget allocations and assumptions with a trusted remodeling professional.
- Clearly define your remodeling objectives .
- Stick to your budget and keep your goals clear during all the project's phase.

Industry Practices

- A deposit or initial payment is made before the project begins. Deposits range from 10 to 50% depending on the region and local regulations.

Remodeling budget

Navigating Interior Design Costs













DESIGN COST

There's a lot of conflicting information online regarding the cost of interior design services, what they are and why it is essential. The cost of the design phase primarily depends on two key factors: the reputation and experience of the interior designer, and the project's scope. In Charlotte, North Carolina, for properties valued between \$750K and \$2M, the average rate for a Senior Interior Designer typically ranges between \$125 and \$175 per hour. More exclusive or well-known principal designers can charge up to \$350 per hour.

Interior designers can use a few different pricing models to set their fees, although Hourly Fee is the most common.

- Hourly Fee: this model compensates the designer based on the actual hours spent working on the project.
- Flat Fee: a fixed, predetermined amount that covers all services, including conceptual development, layout design, technical specifications, and installation guidelines and requirement.
- Price-Per-Square-Foot: this approach is commonly used for large and complex remodeling projects.

Design activities required for a remodeling project

 Client consultation	 Material and finish selection	 Construction requirement
 Current floor plan	 Modification and adjustment	 Coordination with contractors
 Research	 Budget estimate at 30% of precision	 Post design follow-up
 Design concept	 Elevation and rendering	 Change and plan adjustment

Common mistakes to avoid

- Limiting design activities to the design phase, in an attempt to keep costs lower.
- If using an Hourly Fee contract, not setting clear guardrails on progress and hours spent.
- If using a Flat Fee, skipping over or not clearly defining the statement of work and all its inclusions and exclusions.

Recommendations

- If opting for a Flat Fee, ensure it includes a minimum of two (2) major and minor corrections and a minimum of visits or time allocated to the construction phase. Make sure the designs include instructions and requirements to the contractors for each part of the design.
- If the interior design firm is different from the construction firm, allocate time for the designer to be involved during the execution phase. This collaboration is crucial to ensure that the general contractor and designer work cohesively, preventing miscommunications and errors.

Industry practices

- Design costs are typically paid upfront.

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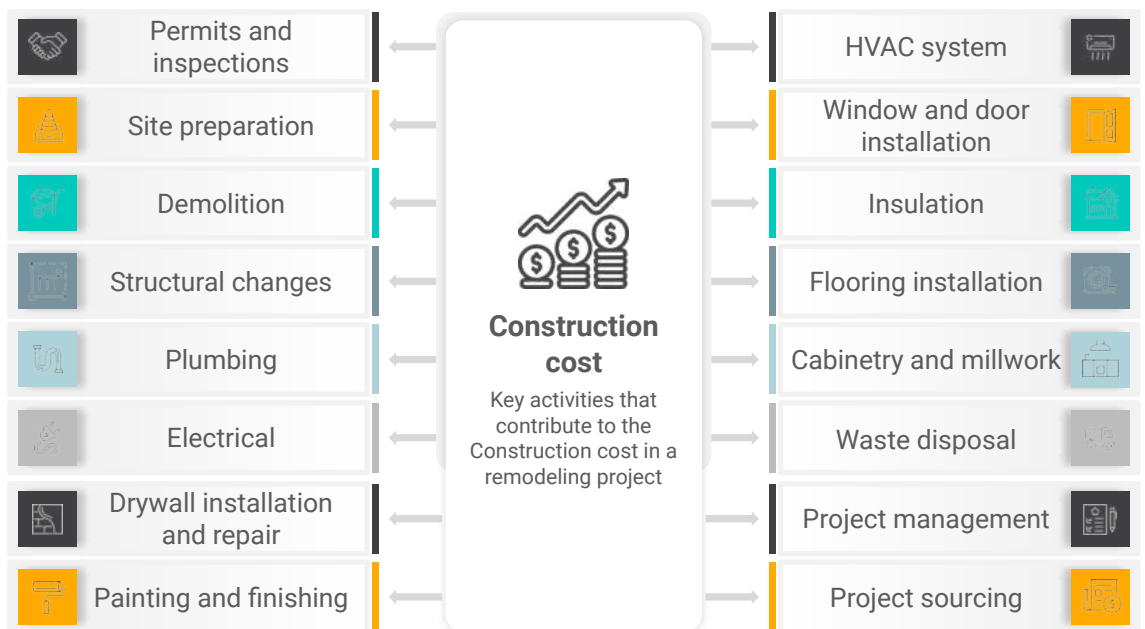
How to Approach Construction Costs

CONSTRUCTION COST

Construction costs are associated to the Execution phase. In Remodeling, the construction cost can be subject to change due to unforeseen or later discovered issues, often once the demolition phase has started. These are quite common in remodeling projects as they are not new builds, the remodel is often on older homes. Price fluctuation of materials or supply chain issues can also affect construction costs.

In remodeling construction, the labor versus materials breakdown tends to vary depending on the project type, and its complexity. However, a common industry standard range is:

- Labor : 40% to 50% of the construction cost
- Materials: 50% to 60% of the construction cost. This includes everything from building materials, to finishes.



Common mistakes to avoid

- Paying upfront the entire construction phase.
- No breakdown of construction costs provided in the quote.
- Payments are not tied to construction milestones.

Recommendations

- Set and link payments to defined construction milestones.
- Verify that all construction milestones are defined based on real activity completion (e.g: Framing, Plumbing, Electricity, Painting, etc.)
- All additional costs must be justified, documented as a what is called a “change order”, and submitted for your approval in advance of the work.

Industry practices

- Payments are usually linked to pre-established construction milestones (specific or set of deliverables). They are a type of progress billing.

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Understanding Decoration Costs

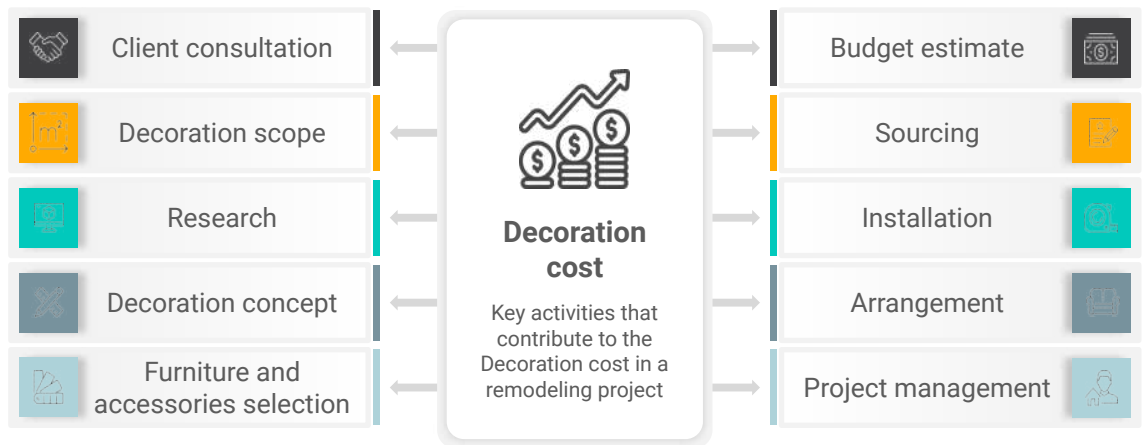
DECORATION COST

Home decoration costs are built around two primary components: the decorator's fee and the cost of furnishings and accessories.

These cost structures can also vary but are similar to Interior Design fee structures. The most common methods are:

- **Flat Fee:** A fixed amount is agreed upon before the project begins. This is ideal for larger projects and provides you with cost certainty upfront. They can range from \$1,000 to \$50,000 or more depending on the decorator or stylist's experience and reputation or the furnishings, lighting or accessories selected.
- **Hourly Rate:** ranges from \$75 to \$250 per hour, based on the decorator's experience and reputation and the project type.

Typically, the biggest part of the budget in the decoration phase are selected furniture, accessories, and other materials or objects.



Common mistakes to avoid

- Forgetting the decoration cost in the remodeling project budget.
- Not Involving the Interior Designer in the decoration phase.
- Submitting custom orders late in the process, incurring delays in the completion of your project, or simply having to select another, maybe less desirable option.

Recommendations

- Interior Designers include decoration in their service offering, which provides a more cohesive end result, simplifies the overall process and often reduces the overall cost.
- Establish a budget that covers both the decorator's fees and the cost of furnishings and accessories.
- Avoid custom furnitures if you have a limited budget.

Industry practices

- Decorating phase require deposits upfront, including decorators' services, furnitures, and accessories.

Remodeling budget

The Importance of Managing the Budget and Payments

CONTINGENCY BUDGET

A contingency budget is a must in remodeling projects to handle unexpected expenses, such as unforeseen site conditions, design or even your own desired changes along the way. It acts as a financial buffer, ensuring the project remains on track without overshooting the budget. This budget should be readily accessible within 24 hours to address any urgent needs without disrupting project timelines. However, it is essential to note that contingency funds are separate from the initial project budget and should only be used when unforeseen challenges arise.

A contingency fund should not be used for regular pre-planned remodeling expenses. This precaution prevents you from overspending and safeguards your investment.



* Use contingency fund if:

- *Permits or inspections required additional efforts.*
- *Design must be changes due to structural issues or challenges.*

Common mistakes to avoid

- Use contingency fund to pay regular and pre-planned project expense.
- Insufficient contingency budget allocation can result in running out of contingency before your project is completed as planned, and having to put the project or parts of the project on hold until funds become available.

Recommendations

- Set an appropriate Contingency Percentage (15 to 20% of the total cost of your project).
- Place your contingency funds in a saving account with the high interest rate and keep separate from the rest of the project funds.
- Limit its usage of to unforeseen issues only.

Industry practices

Typically, a contingency budget ranges from 15% to 20% of the total project cost.



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HOME DESIGN & REMODELING



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