

Quantity surveying

Lower priced building projects could be putting clients at risk

Like many parts of the world, the South African built environment and construction industry is still in a slump. Economic pressure has led to a number of contractors relooking their pricing strategies to see how they can offer services at a lower price than their competitors.

While this is a clever marketing strategy, it may expose clients to certain risks, says Henry van de Wall, member of the Association of Quantity Surveyors of South Africa (ASAQS), and chairperson of its North West chapter.

"Some contractors may be able to absorb the cost of taking on projects that don't necessarily yield a profit," he says. There are many ways that these contractors can lower their rates. A lower price could be offered if they are able to get material discounts from their suppliers, or if they are, for example,

willing to cut their profit margins in certain areas.

"While this can make good business sense in the current economic climate, it does open clients to certain risks," warns Van de Wall.

Clients being left with uncompleted buildings and legal costs

One of the risks is that a contractor could be offering discounted rates to a number of clients and just scraping by or barely making a profit. If one or a number of his clients then defaults on payments, the contractor's business may not be able to absorb the financial repercussions and be able to complete the work that he has committed to on other projects. In this case, a client's building could be left uncompleted or the project could be delayed due to cash flow problems, or even worse – bankruptcy.

"While hiring a professional quantity surveyor is often seen as something that only commercial clients should invest in, it is becoming more important than ever to obtain professional input regarding a contractor's prices," says Van de Wall. "This initial addition to the project costs will assist a great deal in protecting the larger investment."

Besides getting a market related estimate to confirm the tendered prices from a contractor, a quantity surveyor can also provide crucial clarity about the quality of materials and the scope of work that the client and contractor have agreed on.

Avoiding unnecessary surprises in your Bill of Quantities

Even with relatively straightforward building projects, the ASAQS has seen many disputes arising from contractors who are trying to bill for 'extra work' on building items that any client would rightfully deem to be included as a compulsory part of a building project.

"A quantity surveyor can give clients the estimate, Bill of Quantities and professional guidance they need to protect themselves," says Van de Wall. Quantity surveyors aren't only appointed to protect clients. Many contractors are also creating allowances for quantity surveying services in their own projects, which is the responsible way to proceed with building projects."

Contractors are able to negotiate with quantity surveyors regarding fees so that they can still offer competitive rates to clients. The contractors then receive the benefit of being able to offer this professional estimation as a perk to clients, so it's a win-win for all the parties who are involved in a project.

"With this attitude, a quality surveyor isn't seen as a referee, but rather an independent consultant and enabler who can provide the quality checks that both contractors and clients need to rest assured they are getting a valuable, financially suitable and sustainable building," concludes Van de Wall.



Unfinished building

