

Rushed Quotes Hide Profit Risk

The danger in a rushed quote isn't that the number might be a little off. The real problem is that you quietly accept risk without pricing it. And in residential building, margins are too thin for that to go unnoticed.

The margin reality

Residential building runs on tight margins. Industry benchmarks from HIA and Master Builders Australia consistently show that net profit margins for residential builders and remodellers sit in a narrow band — often between 6% and 12% of revenue after costs and overheads. That doesn't leave much room for unpriced scope, labour drift, or coordination effort that was never in the quote.

A 'small miss' on a \$500,000 job isn't a rounding issue. It's real money leaving the business.

A quote is a risk document

The best way to think about a quote is not as a sales tool — it's a risk document. It should clearly show what's included, what's assumed, what's excluded, and what remains uncertain. If those things are missing, you haven't removed the uncertainty. You've just hidden it.

Professional estimating standards — used by quantity surveyors and construction managers across Australia — require a 'basis of estimate' that documents scope, pricing assumptions, exclusions, and cost risks. The same discipline applies on a residential job, scaled down.

Five ways rushed quotes fail

- **Scope compression:** you price a partial understanding of the work as if it were complete.
- **Labour optimism:** supervision time, callbacks, and coordination hours get understated because they're less visible than materials.
- **Stale supplier pricing:** old budgets or unconfirmed quotes get used because 'we just need to get something out.'
- **Overhead blindness:** admin, warranty exposure, permit admin, and client comms effort are left out.
- **Contingency guessing:** a random percentage is added with no logic, or none is added at all.

Estimate tiering

The solution isn't endless pricing on every enquiry. It's being honest about what level of certainty you're offering. Every builder should have three quote states:

- **Budget range:** based on scope description and comparable jobs — useful for early conversations.

- **Developed quote:** based on available drawings, selected trades, and confirmed scope — suitable for most proposals.
- **Contract-ready price:** based on final drawings, confirmed selections, and signed-off scope.

Pretending every early quote is a final number is where profit starts disappearing.

Contingency discipline

Contingency is for residual uncertainty after you've done the work of defining the job. It's not a substitute for site review, trade coverage, or scope clarity. The healthiest approach is to name what your contingency covers and reduce it as uncertainty is removed.

Industry guidance typically suggests 5–10% contingency depending on project complexity and how much is still undefined. But the number matters less than the logic behind it.

Quick checklist: rushed quote risk scan

- What quote class is this: budget, developed, or contract-ready?
- What drawings, selections, and specifications are still missing?
- What labour assumptions am I using, and when were they last validated?
- Which supplier and sub prices are confirmed, and which are placeholders?
- What is excluded — and is that written clearly?
- What contingency is included, and what uncertainty does it cover?
- What owner decisions could change cost or schedule after award?
- If the client signs today, what could still make this price wrong?

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