

# Managing Construction and Development Costs

## Cost Overruns

- **Quantity Surveyor/Project Monitor oversight/review**
- **Fixed price contracts**
- **Subtrade review**

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## Cost Overruns (ct'd)

- **Healthy contingency**
- **Demonstrated financial strength of Borrower**
- **Borrower experience on similar projects**

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## Market Risk

- **Presales/Preleasing**
- **Extension clauses, minimum deposits, limit on investor sales/bulk purchasers**
- **Engage retail mortgage partners to help Borrower achieve presales**
- **Prior track record on projects vis-à-vis market acceptance**

## Small vs. Large Projects

**Smaller projects may sometimes actually have higher risks than larger projects:**

- **Developers may have less experience, less financial resources & lower level of financial controls/reporting**
- **Smaller size of projects may affect cost effectiveness of controls (QS oversight, reporting requirements)**