



## **ICSC European Retail Property School**

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# Project Cost Management

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the Scandic Berlin - Potsdamer Platz

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## Learning Objectives

- Understand importance of project cost management
- Understand cost management principles
- Discuss cost estimates & methods of preparation
- Understand processes to:
  - Resource Planning
  - Cost Estimating
  - Cost Budgeting
  - Cost control
  - Change control
- Understand benefits

Understand relationship between cost and income



## What is cost management

Project Cost management is:

- Ensuring the project meets objectives in terms of financial performance
- Placing responsibility on those in charge of any aspect of project scope (managers, designers, contractors)
- To perform within established budgets
- Take appropriate management action

Despite the title – not all about costs

*i. -What is it ? A.*



## What does PCM Encompass ?

As with time management:

- Manage limited resources



- Function of project management that includes:
  - Resource planning
  - Cost estimating
  - Cost budgeting
  - Cost Control
  - Change Control

*i. -What is it ? A.*



## Challenges

Key challenges include:

- Wish list exceeds budget
- Over - optimism can cloud judgment
- Poor planning results in over-runs
- Unexpected events ruin budgets
- Estimates are only as good as the information provided



Income over estimated or under provided.

*i. -What is it ? A.*



## Further Complications

### Solutions:

- Find effective alternatives (Not as simple as turning off the cash-flow)
- Be realistic in what is affordable
- Management of Risks
- Prevent delay in decisions (can result in more cost)
- Manage politics



*i. -What is it ? A.*



# Overall Project Cost Overview

There must be basis for comparison

Estimating and convert to budget

Only future costs can be controlled

- Monitor expenditure as work proceeds
- Modify actions if findings not satisfactory



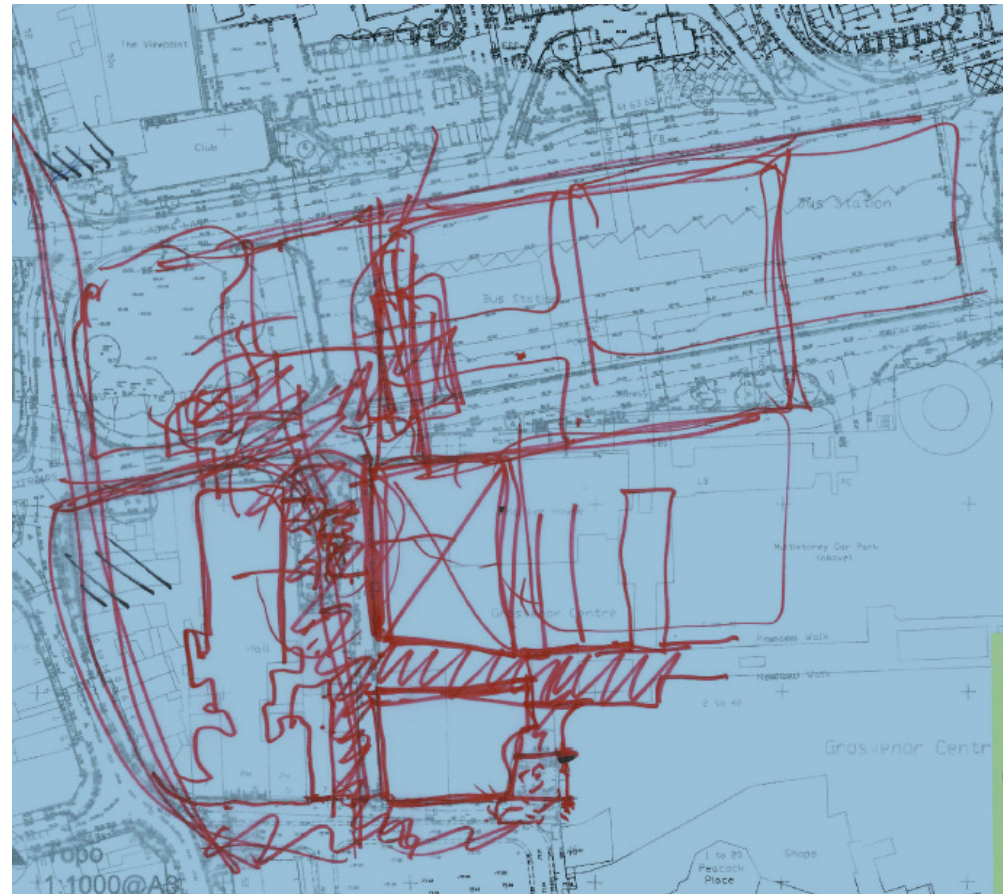
**Do not forget income - It is about returns**

*i. -What is it ? A.*



## Preparing a budget

- Soft Costs
- Hard Costs
- Contingency



*i. -What is it ? A.*





## Questions – Study Task 1.

Which best describes soft costs ?

1. The undefined / unexpected costs
2. The groundworks / landscaping
3. Costs not associated to bricks and mortar
4. Professional fees

*i. -What is it ? A.*



## Soft Costs.

The costs not directly related to construction

- Land cost
- Professional team fees
- Licenses and Permits
- Planning contributions
- Internal office expenses
- Finance charges
- Insurances
- Tenant Contributions
- Rent Free allowances

*i. -What is it ? A.*



# Typical Fees.

## Fees

- Design Team
- Legal Fees
- ✓ Property,
- ✓ Leasing,
- ✓ Agreements
- Marketing & PR
- Planning Advisors
- Leasing
- Surveys
- Contingency

Consultant	Fee. % of Construction Value	
	%	Original Budget £
<b>Core Design Team</b>		
Architect	3.60%	2,080,716
Architect2		-
Standard Detailing Designer	0.35%	202,292
Services Engineer	1.55%	895,864
Structural & Civil Engineer	1.75%	1,011,459
Fire Engineer	0.40%	231,191
Traffic Engineer	0.15%	86,696
Access Consultant	0.20%	115,595
Acoustics	0.40%	231,191
Landscape Architect	0.25%	144,494
Signage	0.08%	46,238
Wind Engineer- site wide (studies & testing)	0.10%	57,798
BMU & Envelope Maintenance Consultant	0.12%	69,357
Environmental Consultant	0.10%	57,798
Sustainability Consultant	0.15%	86,696
Daylight / Sunlight Studies	0.09%	52,018
Daylight & Windows Design	0.09%	52,018
Waste Management Consultant	0.07%	40,458
Façade Engineer	0.18%	104,036
Vertical Transportation	0.25%	144,494
Cost Consultant	0.25%	144,494
Cost Planner	0.25%	144,494
Building Control - Regulations & Inspection	0.20%	115,595
Approved CfSH Assessor	0.40%	231,191
CDM	0.15%	86,696
Geotechnical	0.18%	104,036
Other miscellaneous	0.80%	462,381
	<b>12.11%</b>	<b>6,999,297</b>



## Questions – Study Task 2.

What answer best describes hard costs

1. Construction costs excluding contingencies
2. Construction costs excluding profits
3. Construction costs excluding overheads
4. Construction costs excluding professional fees

*i. -What is it ? A.*



## A2 – Hard Costs

The costs directly related to construction  
(Typically included in construction contract)

- Demolitions
- Environmental remediation
- Landscaping
- Construction costs (Materials and installation)
- Overheads (Office costs, phones, accommodation etc)
- Escalation
- Provisional sums
- Profits
- Contingency

*i. -What is it ? A.*



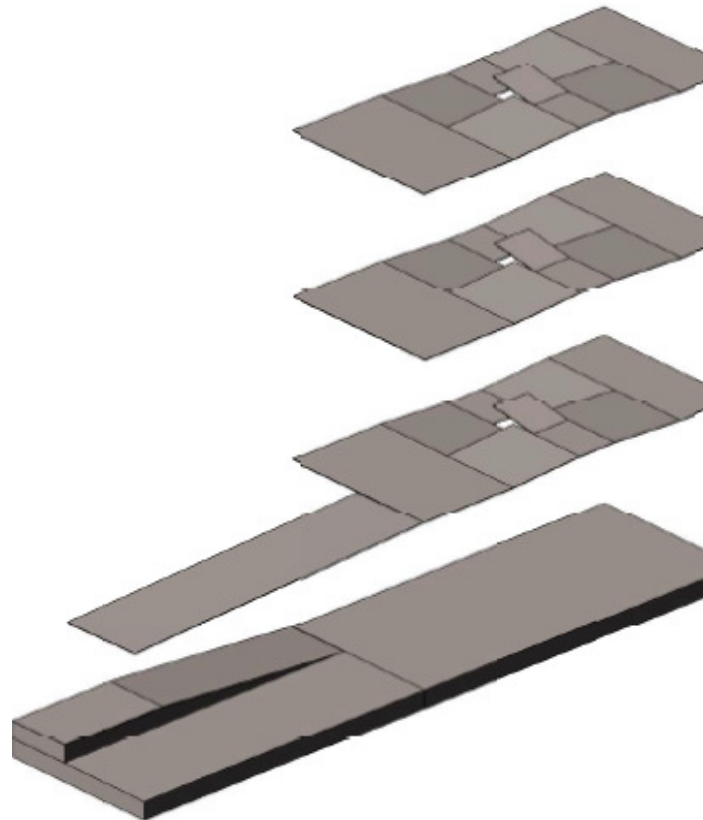
## A2 – Hard Costs





# Typical Construction Cost Plan

ELEMENTAL BUDGET COST PLAN				
PROJECT: Dover Car Park Opt 12a - Phase 2		BASIC OPTION		
GROSS FLOOR AREA M <sup>2</sup> : 5304		Date Prepared: 22/04/2013		
Number of Storeys: 4		Base Date: 2Q 2013		
Car Parking Spaces		146		
Element	Cost per Space £	Cost £/m <sup>2</sup> G.I.F.A	Total Element Cost £	Percentage of Overall Costs
<b>1 Substructure Total</b>	2,940	81	429,222	15.8%
<b>2 Superstructure</b>				
2 A Frame	4,031	111	588,534	21.6%
2 B Upper Floors	incl	incl	incl	incl
2 C Roof	434	12	63,294	2.3%
2 D Stairs	120	3	17,500	0.6%
2 E External Walls	1,716	47	250,565	9.2%
2 F Windows and External Doors	incl	incl	incl	incl
2 G Internal Walls and Partitions	4	0	570	0.0%
2 H Internal Doors	12	0	1,800	0.1%
<b>Superstructure Total</b>	<b>6,317</b>	<b>174</b>	<b>922,263</b>	<b>33.9%</b>
<b>3 Internal Finishes</b>				
3 A Internal Wall Finishes	8	0	1,200	0.0%
3 B Internal Floor Finishes	94	3	13,772	0.5%
3 C Internal Ceiling Finishes				
<b>Internal Finishings Total</b>	<b>103</b>	<b>3</b>	<b>14,972</b>	<b>0.6%</b>
<b>4 Fittings and Furnishings Total</b>	<b>802</b>	<b>22</b>	<b>117,159</b>	<b>4.3%</b>
<b>5 Services Total</b>	<b>2,060</b>	<b>57</b>	<b>300,713</b>	<b>11.1%</b>
Building Sub Total	12,221	336	1,784,329	65.6%
<b>6 External Works Total</b>	<b>499</b>	<b>14</b>	<b>72,866</b>	<b>2.7%</b>
6 A- D Site, Drainage, External Services, Minor Building Works and Demolitions				
<b>Construction Cost Excluding Preliminaries and Contingency</b>	<b>12,721</b>	<b>350</b>	<b>1,857,195</b>	<b>68.3%</b>
Preliminaries (15%) and Overheads and Profit (7%)	2,799	77	408,583	15%
<b>Sub Total</b>	<b>15,519</b>	<b>427</b>	<b>2,265,778</b>	<b>83.3%</b>
Contingency ( 20% at GRIP 0)	3,104	85	453,156	16.7%
<b>Total Construction Cost Excluding Fees &amp; VAT</b>	<b>18,623</b>	<b>513</b>	<b>2,718,934</b>	<b>100%</b>



Option 19 VCM Stacking Model



# Typical Construction Cost Plan.

## Cost estimate summary

The order of cost estimate we have compiled is summarised below and can be seen in more detail in the attached document:

Option 11 - Phase 1	£
Car park	5,336,706
Railway Sidings Relocation	N/A
Contractor preliminaries 15%	800,506
Contractor overheads and profit @ 7%	373,569
Contingency @ 20%	1,302,156
<b>Sub-total</b>	<b>7,812,900</b>
Option 11 - Phase 2	£
Car park extension	1,006,264
Railway Sidings Relocation	958,900
Contractor preliminaries 15%	294,775
Contractor overheads and profit @ 7%	137,561
Contingency @ 20%	479,500
<b>Sub-total</b>	<b>2,877,000</b>
<b>Construction total</b>	<b>10,689,900</b>

Option 12 - Phase 1	£
Car park	4,508,417
Railway Sidings Relocation	958,900
Contractor preliminaries 15%	820,098
Contractor overheads and profit @ 7%	382,712
Contingency @ 20%	1,334,025
<b>Sub-total</b>	<b>8,004,200</b>
Option 12 - Phase 2	£
Car park extension	1,857,196
Railway Sidings Relocation	N/A
Contractor preliminaries 15%	278,579
Contractor overheads and profit @ 7%	130,004
Contingency @ 20%	453,156
<b>Sub-total</b>	<b>2,718,900</b>
<b>Construction total</b>	<b>10,723,100</b>

Cost per m2 - Builders Work Only	£
Phase 1 - 11,592m2	460
Phase 2 - 2,167m2	907
Overall - 13,759m2	531

Cost per parking space - Builders Work Only	£
Phase 1 - 342	15,604
Phase 2 - 180	10,918
Overall - 522	13,988

Cost per m2 - Excluding Contingency	£
Phase 1 - 11,592m2	562
Phase 2 - 2,167m2	1,106
Overall - 13,759m2	647

Cost per parking space - Excluding Contingency	£
Phase 1 - 342	19,037
Phase 2 - 180	13,319
Overall - 522	17,066

Cost per m2 - Builders Work Only	£
Phase 1 - 8,124m2	673
Phase 2 - 5304m2	350
Overall - 13,428m2	545

Cost per parking space - Builders Work Only	£
Phase 1 - 346	15,400
Phase 2 - 160	11,607
Overall - 504	14,533

Cost per m2 - Excluding Contingency	£
Phase 1 - 8,124m2	821
Phase 2 - 5,304m2	427
Overall - 13,428m2	665

Cost per parking space - Excluding Contingency	£
Phase 1 - 346	19,278
Phase 2 - 160	14,161
Overall - 504	17,730





# Contingencies



*i. -What is it ? A.*

# Contingencies

## Allowances for unforeseen costs

- Design Development
- Escalation
- Programme (Schedule) adjustments
- Unknown site conditions
- Unexpected third party costs
- Unallocated allowances



*i. -What is it ? A.*



## Management Tool

Management Tool for:

1. Developer
2. Architecture and Engineering (A/E, Design Team)
3. Contractor
4. Tenant
5. Leasing

*i. -What is it ? B.*



## II – Why is Cost Management Important ?

- A. Cost Modelling/Budget Development
- B. Financial Feasibility/Return on Investment (ROI)
- C. Risk Mitigation/Budget Management
- D. Financing
  - Internal
  - External

*ii. –Why is it important? A.*



## Cost Model / Budget

What is cost plan vs cost report

- A cost plan is about setting a financial plan
- A cost report is about monitoring performance against the plan

*ii. –Why is it important? A.*

## Financial Feasibility / ROI

### Why do projects get built ?

- Demand creates an opportunity
- Opportunity can provide a return on Investment
- Declining values require intervention
- Competition forces refurbishment
- End of life – Maintenance
- Political reasons



*ii. –Why is it important? B.*



## Feasibility Evaluation

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- Is the project worth doing ?
- Is there a better solution ?
- What will make it more efficient ?
- Recognize that there are intangible benefits to good design. (Not pure numbers game)



*ii. –Why is it important? B.*



# Feasibility Evaluation

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Not all projects work.



Need to:

- Reduce cost
- Increase income

### Outline Appraisal

#### Income

	sq.ft	rate	Rent	Yield	Capitalised Rent
Retail - A3 unit 1	4365	£20.00	£87,300.00	6.5	£1,343,076.92
Retail - A3 unit 2	4430	£20.00	£88,600.00	6.5	£1,363,076.92
Retail - A3 unit 3	2780	£25.00	£69,500.00	6.5	£1,069,230.77
Retail - A3 unit 4	3525	£22.50	£79,312.50	6.5	£1,220,192.31
Retail - MSU UG	13215	£13.00	£171,795.00	6.5	£2,643,000.00
Retail - MSU FF	16090	£13.00	£209,170.00	6.5	£3,218,000.00
Retail - A3 Café	2160	£25.00	£54,000.00	6.5	£830,769.23
Cinema	20750	£16.00	£332,000.00	6.5	£5,107,692.31

#### Total Rental Income

£1,091,677.50

#### Capitalised Rent

£16,795,038.46

#### Gross Development Value

£16,795,038.46

#### Costs

Land Acquisition + CPO + Fees	£515,000.00
Cost Price Inflation	£232,000.00
Construction Cost Plan	£11,600,000.00
Build Contingency	£1,160,000.00
s105	£10,000.00
Professional Fees	£2,088,000.00
Letting	£163,751.63
Incentives	£1,891,677.50
Voids	£0.00
Finance Costs	£883,021.46

#### Total Costs

£18,543,450.58

#### Profit

-£1,748,412.12

#### Profit on Cost

-9%

#### Additional Upside

Existing Asset Uplift in Value

#### Update Profit on cost

-9%

#### Profit on GDV%

-10%

ii. –Why is it important? B.





# Risk Mitigation / Budget Management

## Quantitative Risk Assessment

1.1	Extended retail revenue interrupted during the relocation of tenants	Unsatisfactory loss of income to NR	○	Design development and phasing NR to advise on loss of revenue quantum	5	4	20	High	23-Nov	CS A (NR)		70%	£	-
1.2	Proposed signage strategy not approved by retailers, part of the quick win strategy	Delay to project programme	○	Stakeholder management and Additional scope to retail areas to gain approval	1	1	1	Low	23-Nov	A SA	25,000	10%	£	2,500
1.3	Proposed signage strategy not approved by LU/TIL part of the quick win strategy way finding and means of escape	Delay to project programme	○	Stakeholder management. Additional scope to LU to gain approval	4	3	12	Medium	23-Nov	A SA	25,000	50%	£	12,500
1.4	Critical programme items affected by activates associated with the 2012 Olympics; no works during O2012 - march to sept	Delay to project programme	○	Consultation aligns with network strategy; investigate possible areas of work, discuss with NR re some possible works - get key dates to go ahead	3	3	9	Medium	17-Nov	CS	10,000	50%	£	5,000
1.5	Other events having effect on works	Delay to project programme	○	discuss further with NR	3	3	9	Medium	17-Nov	CS		50%	£	-
1.6	Removal of TIL information unit (KIOSK) is not yet agreed by all relevant parties	Delay to project programme/ abortive option development	○	Stakeholder management, allowance to remove and resite within cost plan.	1	2	2	Low	24-Oct	CS A		30%	£	-
1.7	Whole life cost of works are not covered by the uplift in retail revenue provision	Insufficient business case for project	○	Additional fees for additional study	5	1	5	Low	06-Oct	CS	20,000	10%	£	2,000
1.8	Out of hours working required is significantly more than cost plan	Increased costs and time. Allowance within cost plan as follows; Zone 1 - 15%, Zone 2 - 50%, Zone 3- 15%, Zone 4 - 15%, Zone 5- 50%, mixed package 15-50% Potential increase to by	○	Meet with stakeholders to determine extent of out of hours working	3	2	6	Low	17-Nov	CS	325,000	30%	£	97,500

ii. –Why is it important? C.



## Sources of Finance

### 1. Internal

Organisations may use development as an opportunity to deploy and invest available funds to get a return. (Pension funds, investment funds etc) This offer a high risk yet potentially high gain return.

### 2. External

Another option is to borrow in order to gain Leverage. Investors may lend as it is a low risk income.

*ii. –Why is it important? D.*



## Leverage

This is where an organisation uses a small amount of their own finance and borrows the remainder to invest in a larger project. The risk is high, yet it allows much higher gains on the original investment value. They are due to repay the loan irrespective of the performance of the development

*ii. –Why is it important? D.*



## Financing

Example on developing \$5mil project

Utilize \$1million own funds

Borrow \$ 4Million over 10 years at 7.5%

Cost to borrow @ 7.5% compound per anum = \$1.7m

Escalated value in 10 years - \$10.3m (7.5% compound growth)

Less costs (\$1m + \$4m + \$1.7m) = \$6.7m

= \$3.6m profit growth on original \$1m investment.

This reduces to less than \$600k at 5% and will suffer a loss in project achieves less than 4%

*ii. –Why is it important? D.*



## III – Budget Development

### A . - Owner / Developer Vision

1. Anchor
2. Type of project
3. Tenant Mix
4. Size of Project
5. Developers requirements
6. Demand & Opportunity

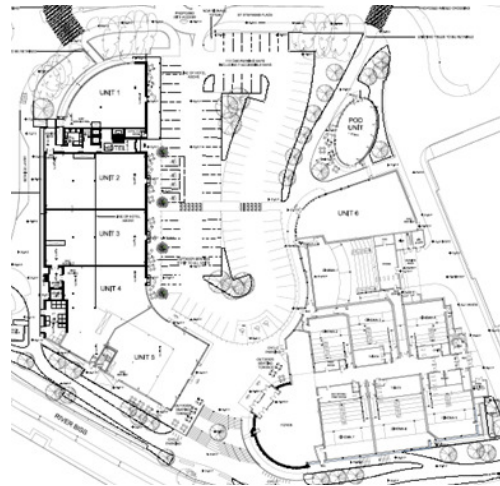


*iii. –Why is it important? A.*



# Project Vision

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*iii. –Budget Development A.*



# Tenant Vision

## Tenant Vision



*iii. –Budget Development B.*



## IV – Construction Budget Development

- A. Scope of work
- B. Competitive Bid Records
- C. Historical costs Index
- D. Inflation / Escalation
- E. Opportunity / Risks
  - 1. Value Engineering
  - 2. Systems Analysis
  - 3. “Constructability” review





## Scope of Work

Determine what is going to be built

- Hard Costs
- Soft Costs

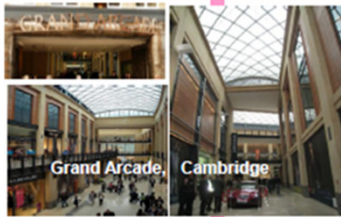
Consider

- Standard of materials
- Where and when it is to be built
- What competitive market is like



# Quality Benchmark

## Mixed Use Development / Shopping Centre Quality Rating - UK only



Grand Arcade, Cambridge  
average cladding > £750/sqm trade  
construction cost > £1,400/sqm



Westgate, Oxford  
average cladding > £680/sqm trade  
construction cost > £1,700/sqm



Prindesshay, Exeter  
average cladding > £425/sqm trade  
construction cost > £1,300/sqm



Shires, Leicester  
average cladding > £850/sqm trade  
construction cost > £1,500/sqm



Cabot Circus, Bristol  
average cladding > £700/sqm trade  
construction cost > £1,400/sqm



Northern Quarter Portsmouth  
average cladding > £500/sqm trade  
Construction cost > £1,700/sqm



Chapelfield, Norwich  
average cladding > £410/sqm trade  
Construction cost > £1,250/sqm



Clapham Junction  
average cladding > £720/sqm trade  
Construction cost > £2,500/sqm



County Square, Ashford  
average cladding > £630/sqm trade  
Construction cost > £1,500/sqm



Preston Tithebarn  
Target average cladding at circa £410/sqm trade



# Competitive Bid Records

*iv. –Construction Budget Development B.*



## Historical Cost Index

Cost estimating teams will keep benchmark records of similar schemes against which to make comparisons.

These will provide a rough guide to how the market is pricing

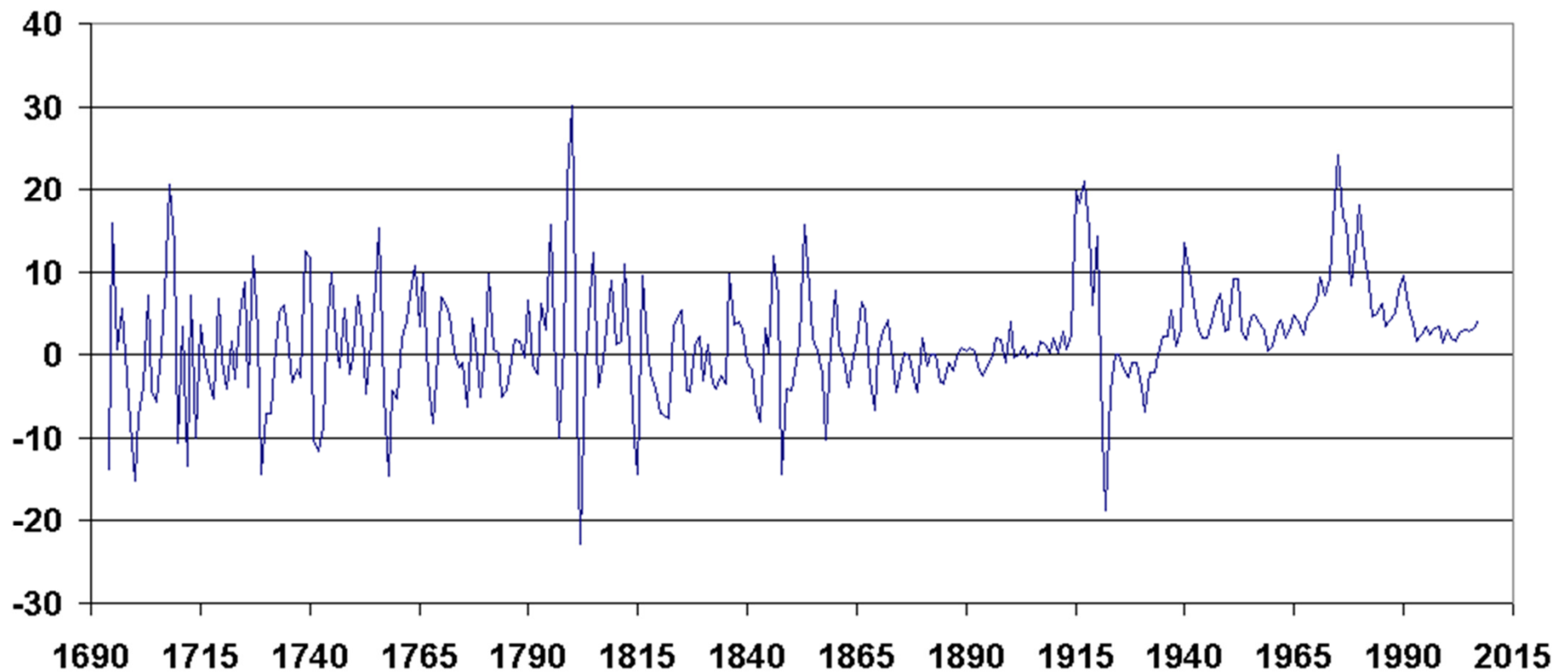
It will indicate what forms of contracting are most efficient



## Inflation / Escalation

- This is a forecast of what inflation will be doing over the life of the project. On large projects with long gestation and construction periods, this will be a significant element of cost.
- Estimates will divide this into pre-contract and post contract escalation.
- Pre-contract escalation will provide a view on what tender (bid) prices will be at the point of bidding.
- Post contract escalation will provide a view on how prices will escalate through the duration of the construction.

## UK Inflation 1694-2007



— UK Inflation Rate. Source: Lawrence H. Officer and Samuel H. Williamson "Annual Inflation Rates in the United States, 1775 - 2007, and United Kingdom, 1265 - 2007," MeasuringWorth, 2008. URL <http://www.measuringworth.com/inflation/>



# Uk Inflation

Year	Additional resources: jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	ann
2014	1.9%	1.7%	1.6%										
2013	2.7%	2.8%	2.8%	2.4%	2.7%	2.9%	2.8%	2.7%	2.7%	2.2%	2.1%	2%	2.5%
2012	3.6%	3.4%	3.5%	3%	2.8%	2.4%	2.6%	2.5%	2.2%	2.6%	2.6%	2.7%	2.8%
2011	4%	4.3%	4.1%	4.5%	4.5%	4.2%	4.5%	4.5%	5.2%	5%	4.8%	4.2%	4.5%
2010	3.4%	3%	3.4%	3.7%	3.3%	3.2%	3.1%	3.1%	3%	3.1%	3.2%	3.7%	3.3%
2009	3%	3.1%	2.9%	2.3%	2.2%	1.8%	1.7%	1.5%	1.1%	1.5%	1.9%	2.8%	2.2%
2008	2.2%	2.5%	2.4%	3%	3.3%	3.8%	4.4%	4.8%	5.2%	4.5%	4.1%	3.1%	3.6%
2007	2.7%	2.8%	3.1%	2.8%	2.5%	2.4%	1.9%	1.7%	1.7%	2%	2.1%	2.1%	2.3%
2006	1.9%	2.1%	1.8%	2%	2.2%	2.5%	2.4%	2.5%	2.4%	2.5%	2.7%	3%	2.3%
2005	1.6%	1.6%	2%	1.9%	1.9%	1.9%	2.4%	2.3%	2.4%	2.3%	2.1%	1.9%	2%
2004	1.4%	1.3%	1.1%	1.1%	1.4%	1.7%	1.3%	1.3%	1.1%	1.2%	1.4%	1.6%	1.3%



# Opportunity / Risks

Nr	Element	Saving Proposal	Comments	Proposal	Category			Recommended by Design Team (Y/N)	Impacts/ Comments	Owner
					A Approved	B Further Consideration	C Rejected			
1	Demolitions	Review the extent of demolition required to units SU11 / SU12 under the existing service ramp.		TBC		TBC		Y	Subject to review and confirmation by the Structural Engineer	Structural Engineer
2	Demolitions	Re-use existing structures (foundations / ground slabs) where possible		TBC		TBC		Y	Subject to review and confirmation by the Structural Engineer	Structural Engineer
3	Substructure	Re-use demolition materials for backfilling / hardcore on site		TBC		TBC		Y	Subject to review and confirmation by the Structural Engineer	Structural Engineer
4	Substructure	Review current piling proposals (sizes, number, depth, strength, etc)		TBC		TBC		Y	Subject to review and confirmation by the Structural Engineer	Structural Engineer
5	Superstructure	Review extent of proposed new service yard		TBC		TBC		Y	Subject to review and confirmation by the Structural Engineer	Structural Engineer
6	External Walls	Build units SU2 to SU12 to a reduced height, assume 0.5m	Rejected	(40,000)			(40,000)	N	Subject to review and confirmation by the Architect / Tenant Advisor	Architect
7	External Walls	Exclude first floor to units SU2 to SU12, i.e. build external facades only to ground floor height	Rejected	(350,000)			(350,000)	N	Subject to review and confirmation by the Client	Project Manager
8	External Walls	Omit all glazing allowed for first floor shopfronts to internal mall, in lieu of solid walls	Included in Cost Model	(70,000)	(70,000)			Y	Incorporated in Cost Model and design	Architect
9	External Walls	Review building height generally with tenant advisors and reduce if possible		TBC			TBC	Y	Subject to review and confirmation by the Client	Project Manager
10	External Walls	Framed glazing system to feature entrance in lieu of frameless glazing system.		(55,000)		(55,000)		Y	Subject to review and confirmation by the Architect	Architect
11	External Walls	EO saving for omitting double height glazed entrance (retain shutter)		(110,000)		(110,000)		N	Subject to review and confirmation by the Client	Project Manager
12	External Walls	Reduce current provision of £250,000 for enhancing existing Mall entrances to £100,000	Rejected	(190,000)			(190,000)	Y	Subject to review and confirmation by the Client	Project Manager
13	External Walls	Framed glazing system to shopfronts to Terminus Road in lieu of frameless glazing system.	Included in Cost Model	(95,000)	(95,000)			Y	Incorporated in Cost Model and design	Architect
14	Roof	Introduce single ply ETFE roof for Shopping Mall in lieu of glazed roof	Included in Cost Model	(845,000)	(845,000)			Y	Incorporated in Cost Model and design	Architect
15	Roof	Extra over saving to reduce extent of mall roof (assuming it is ETFE) to 50% of current area	Rejected	(375,000)			(375,000)	N	Subject to review and confirmation by the Client	Project Manager
16	Roof	Extra over saving to omit Shopping Mall roof altogether	Rejected	(375,000)			(375,000)	N	Subject to review and confirmation by the Client	Project Manager

## iv. –Construction Budget Development E.

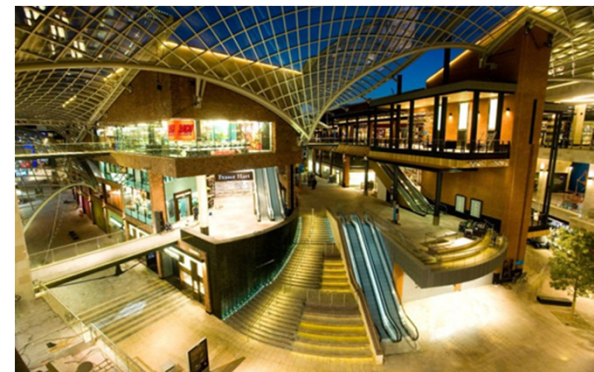




## Opportunity / Risks

### Systems Analysis

- Evaluate the options



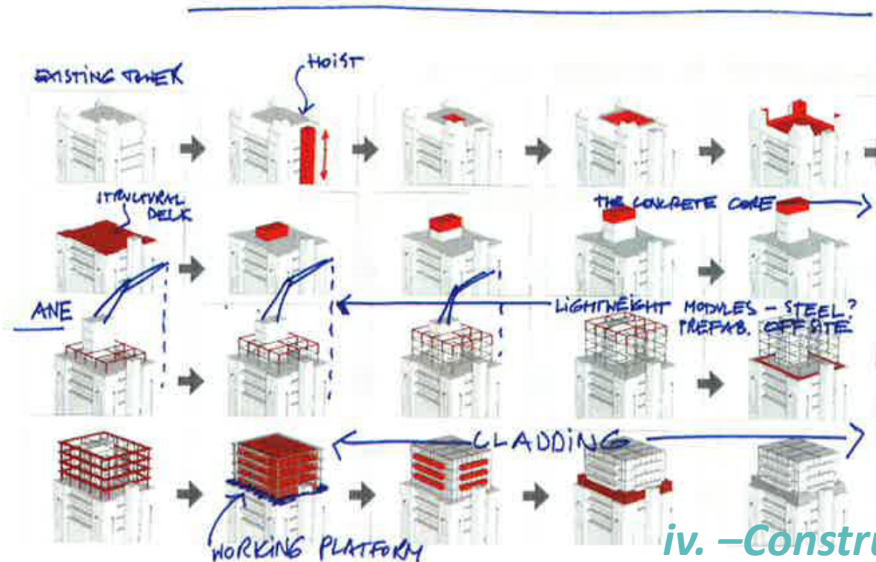
*iv. –Construction Budget Development E.*

# Opportunity / Risks

## 1. Constructability review

A review of how the project is built can highlight opportunities in terms of both time and cost.

This could include alternative methods of construction, such as foundation systems, cladding materials, or even sequencing



*iv. – Construction Budget Development E.*



## V. – Ongoing Cost Management

# Forecasting

1. Monthly Reporting

2. Budget vs. Actual Cost Comparison

3. Estimated Cost to Complete  
Actual plus Committed plus Pending



*v. –On-going Cost Management. A.*



# Monthly Reporting

	SH Grand Gateway	SH Plaza 66	BJ China World	TJ Galaxy	TOTAL
<b>Previous Budget</b>	1,126,113.99	1,611,633.19	1,963,075.74	1,963,075.74	6,663,898.66
<b>Current Budget</b>	<b>1,328,042.13</b>	<b>1,893,113.52</b>	<b>2,151,341.80</b>	<b>2,486,463.18</b>	<b>7,858,960.61</b>
<b>Committed Costs</b>	<b>1,230,751.08</b>	<b>1,704,356.27</b>	<b>1,964,515.00</b>	<b>2,247,889.28</b>	<b>7,147,511.61</b>
<b>GC</b>					
Approved Change Order	8,979.90	5,979.90	5,979.90	979.90	21,919.60
Anticipated Change Order	17,000.00	28,811.46	80,267.04	78,136.50	204,215.00
Remaining Contingency	71,311.15	125,965.89	100,579.86	131,457.50	429,314.40
<b>Others</b>					
Anticipated Purchase Order	-	28,000.00	-	28,000.00	56,000.00
<b>Estimated Final Cost</b>	<b>1,328,042.13</b>	<b>1,893,113.52</b>	<b>2,151,341.80</b>	<b>2,486,463.18</b>	<b>7,858,960.61</b>

## Committed Cost Status

	SH Grand Gateway	SH Plaza 66	BJ China World	TJ Galaxy	TOTAL
<b>A. Consultants</b>	107,073.36	107,073.36	107,073.36	107,073.36	<b>428,293.44</b>
<b>B. Construction</b>	648,607.00	1,071,715.00	1,245,512.00	1,403,826.00	<b>4,369,660.00</b>
<b>C. Direct Contract</b>	139,850.94	139,850.94	139,850.94	139,850.94	<b>559,403.76</b>
<b>D. Direct Supplies</b>	260,457.11	342,619.97	416,070.67	529,354.35	<b>1,548,502.10</b>
<b>E. Sundry Expense</b>	74,762.67	43,097.00	56,008.03	67,784.63	<b>241,652.31</b>
<b>Store TOTAL</b>	<b>1,230,751.08</b>	<b>1,704,356.27</b>	<b>1,964,515.00</b>	<b>2,247,889.28</b>	<b>7,147,511.61</b>



# Monthly Reporting

European Retail Property School

DATE ISSUED: 14/10/2012

CATEGORY	BUDGET		ACTUAL COST					Payment Status				
	Previous Budget as of 5 Oct	Current Budget as of 16 Oct	Estimated Cost	Contract Amount	Approved VO	Anticipated VO	Anticipated / Final Contract Sum	Payment Paid	Payment Committed	Outstanding Payment	Retention on hold	
	A	B	C	D	E	F	G=C+D+E+F	H	I	J	K	
<b>A. CONSULTANTS</b>												
A.1	PM & QS - Sweett											
A.2	Architect - MRA		107,073		107,073							
<b>B. CONSTRUCTION</b>												
B.1	General Contractor		1,403,826.00	-	1,403,826.00	5,979.90	80,267.04	1,490,072.94	281,000.00			
B.2	Contingency (15%)		210,573.90	210,573.90		5,979.90	80,267.04	124,326.96				
<b>C. DIRECT CONTRACT</b>												
C.1	Security Systems - Tyco ADT		139,850.94		139,850.94			139,850.94				
C.2	IT Systems - Bally							-				
<b>D. DIRECT SUPPLY</b>												
D.1	Paint		146,626.25	-	146,626.25			146,626.25				
D.2	Fabric		43,706.00	-	43,706.00			43,706.00				
D.3	LED		203,478.56	-	203,478.56			203,478.56				
D.4	Key Product		26,137.50	-	26,137.50			26,137.50				
D.5	Chandelier		75,581.04	-	75,581.04			75,581.04				
D.6	Leather		33,825.00	-	33,825.00			33,825.00				
<b>E. SUNDRY EXPENSE</b>												
<b>E1 Hoarding Design &amp; Installation</b>												
E1.1	Hoarding Graphic Design		480.00	-	480.00			480.00				
E1.2	Hoarding Installation & Graphic		8,931.00	-	8,931.00			8,931.00				
<b>E2 Freight &amp; Transportation</b>												
E2.1	Paint		29,704.62	-	29,704.62			29,704.62				
E2.2	Fabric		6,252.50	-	6,252.50			6,252.50				
E2.3	LED		-	-	-			-				
E2.4	Key Product		5,796.41	-	5,796.41			5,796.41				
E2.5	Chandelier		4,914.45	-	4,914.45			4,914.45				
E2.6	Leather		1,206.47	-	1,206.47			1,206.47				
<b>E3 Agent Fees &amp; Tax</b>												
E3.1	Paint		-	-	-			-				
E3.2	Fabric		-	-	-			-				
E3.3	LED		-	-	-			-				
E3.4	Key Product		4,771.27	-	4,771.27			4,771.27				
E3.5	Chandelier		28,000.00	28,000.00	-			28,000.00				
E3.6	Leather		5,727.91	-	5,727.91			5,727.91				
<b>TOTAL CONSTRUCTION COST</b>		<b>1,963,075.74</b>	<b>2,486,463.18</b>	<b>238,573.90</b>	<b>2,247,889.28</b>	-	-	<b>2,379,389.82</b>	<b>281,000.00</b>	-	-	-



# Monthly Reporting

European Retail Property School

Financial Statement Nr 10  
10 June 2013

## 1. General Summary

### 1.1 Authorised Expenditure

Original Contract Sum	11,850,000
Additional Allocations	0
<b>Authorised Expenditure</b>	<b>11,850,000</b>

### 1.2 Contract Value Estimated To Date

	Omit (£)	Add (£)
Contract Sum		11,850,000
Employer's Agent Instructions	262,188	352,753
Change Requests	0	80,000
Potential Costs / Commercial Risks	0	126,683
	262,188	12,409,436
		(262,188)
<b>Estimated Final Account as at 10 June 2013</b>		<b>12,147,248</b>
Contract Contingency		0
Authorised Expenditure		11,850,000
<b>Estimated Variance Final Account v Authorised Expenditure</b>		<b>297,248</b>

### 1.3 Tenant Contributions

<b>Estimated Final Account as at 10 June 2013</b>	<b>12,147,248</b>
Recoveries from Tenant (including direct cost/ fees)	(84,809)
<b>Estimated Cost with Tenant Contribution</b>	<b>12,062,439</b>
<b>Estimated Variance with Tenant Contribution v Authorised Expenditure</b>	<b>212,439</b>

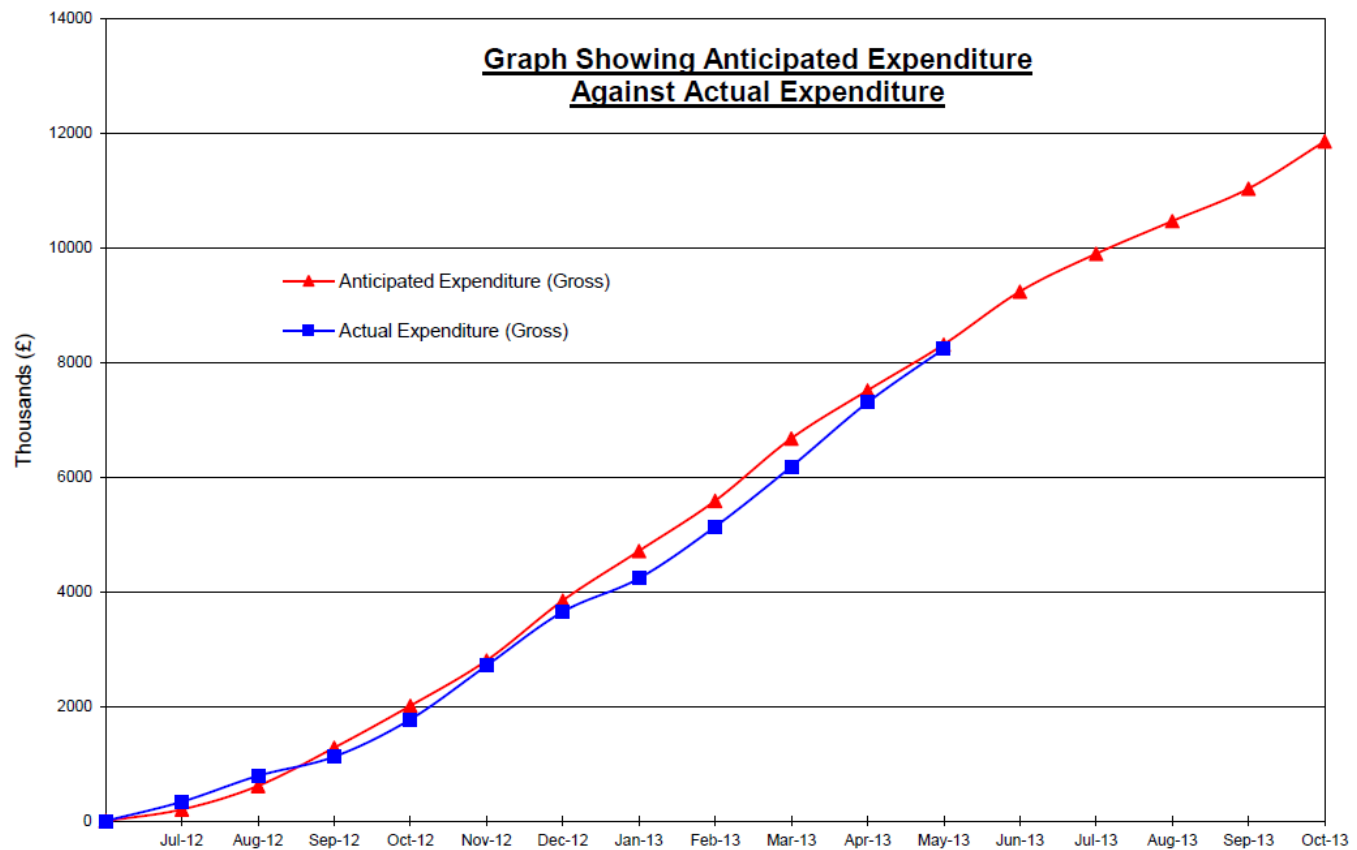




# Monthly Reporting

## 1.5 Financial Information

<u>Cashflow</u>	<u>£</u>
Value of Work Certified to Date (gross)	8,232,827
Expected Cashflow To Date (gross)	<u>8,308,218</u>
<b>Variance on Cashflow</b>	<b>(75,391)</b>





## Change Order Management

### **Change order management is critical in keeping track of probable end cost.**

Projects endure changes and these must be controlled to ensure:

- The viability is not effected
- Best value is maintained
- Corrective action can be taken
- Opportunities can be explored



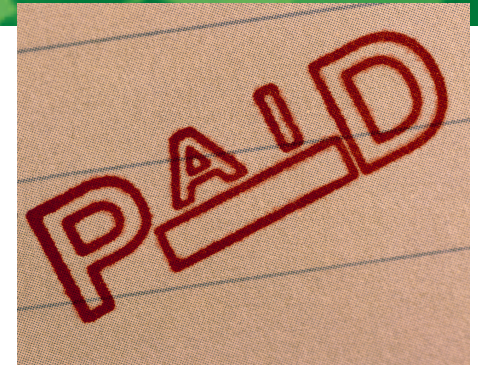




# Payment Application Process

## Payments are made in installments:

1. Contractor submits payment claim
2. Cost engineer / consultant will evaluate and verify
3. Cost engineer will prepare payment recommendation
4. Contract administrator will evaluate that claimed works are complete to required standard. (Avoid over certification)
5. Contract administrator will issue payment certificate
6. Payment certificate and invoice is presented to employer for payment within durations stipulated in contract.



Final payment is subject to a retention



# Payment Application Process

## Retention:

Part of the contract sum is retained at completion, to provide for rectification of patent or latent defects.

This retention is paid, usually one year after completion. (When defect period expires)

## Contractors Contingency:



*v. –On-going Cost Management. C.*



# Case Study

## European Retail Property School

### Project 1

Leisure Lead Scheme  
Development Commercial Appraisal

Name:	Leisure Lead Scheme						Units as per architects		As Per Cost Plan / sq ft		As per Architects / sq ft	
	Budget / Forecast Version:						TBC	Resi - NIA	272,071	Resi - NIA	TBC	
Preparation Date:							TBC	Resi - GEA	357,988	Resi - GEA	TBC	
Budget / Forecast Version:							TBC	Efficiency	76%	Efficiency	TBC	
							TBC	Retail - GEA	6,159	Retail - GEA	TBC	
							TBC			Bin Area - GEA	TBC	
							TBC			Car Park & Plant	TBC	
	Budgeted Cost to Date £'000	Cost to Date £'000	Variance £'000	Prev CA	Current CA	Variance	Budget £ / sq ft	Forecast £ / sq ft	Narrative			
<b>Revenue</b>												
Cinema			-	96,952,201	92,192,500	(4,759,701)	555	527	Valuations are based on latest info available for Swills on plot N03. Adjusted for variances in site mix and values.			
Gym			-	13,353,730	13,118,728	(235,002)	137	135	Based on latest revenue assumptions available from First Thames			
MSU 1			-	1,938,000	2,772,417	834,417	350	500	Assumes a face rental rate of 323 £/sqm at a 6% initial yield			
MSU 2			-	2,370,190	2,289,250	(80,940)			0.55 spaces per unit totalling 168. Sale price of £17,400 per unit			
<b>Total</b>				<b>114,614,121</b>	<b>110,372,895</b>	<b>(4,241,226)</b>	<b>413</b>	<b>398</b>				
<b>Ground Rent Income</b>				<b>797,848</b>	<b>797,848</b>		<b>3</b>	<b>3</b>	Rental income earned for 1 year post LOCOG handback then sold at initial yield 6%.			
<b>Housing Grant</b>				<b>10,559,838</b>	<b>10,559,838</b>		<b>109</b>	<b>109</b>	Receivable from the Housing Corporation for intermediate (£45,963/unit) and social (£128,869/unit).			
<b>Other Revenue</b>												
<b>Total Revenue</b>				<b>125,971,807</b>	<b>121,730,582</b>	<b>(4,241,226)</b>	<b>454</b>	<b>438</b>				
<b>Construction Costs</b>												
Preliminaries Phase 1			-	(8,385,855)	(9,043,515)	(657,660)			15% of total construction costs (including assumed 5% contingency) based on RG cost model dated 23/04/08			
Construction Costs Phase 1			-	(50,681,467)	(54,619,936)	(3,938,469)			Construction costs based on RG cost model dated 23/04/08, targeted by 5% (contingency) plus 85% of fit out costs			
Preliminaries Phase 2			-						Preliminaries for phase 2 of fit out post games - costs to be determined			
Construction Costs Phase 2			-	(2,428,950)	(2,855,859)	(226,709)			15% of fit out costs as per RG cost model dated 23/04/08			
Construction Management Fee			-	(2,571,662)	(2,773,345)				Assumed 4% (to be negotiated) of total construction costs including preliminaries (phase 1 & 2) plus assumed 5% contingency			
Construction Upgrade Works			-						Permanent upgrade specifications to be reimbursed by the ODA			
Preliminaries Phase 2			-						Temporary Works for the games to be reimbursed by the ODA			
Construction Management Fee			-						CM fee on upgrade and temporary works to be reimbursed by the ODA			
<b>Total</b>				<b>(64,067,934)</b>	<b>(69,092,454)</b>	<b>(5,024,520)</b>	<b>(222)</b>	<b>(249)</b>				
<b>Development Costs</b>												
Professional Fees			-	(6,999,297)	(6,999,297)				As per budgets set by ID currently used for negotiations with the consultants			
Third Party Fees			-						None identified as yet			
Development Partner / Project Management			-	(1,738,444)	(1,738,444)				2.8% of total construction costs, to cover costs for those individuals that support the delivery team.			
Planning & Building Regulation Fees			-	(65,000)	(65,000)				Planning Fees paid for reserved matters application			
Service Charge Voids (Unsold GEA Basis)			-	(493,500)	(493,500)				Assumes average delay to sale of 6 months			
Non-Recoverable VAT			-	(172,725)	(172,725)				VAT non recoverable on white goods/carpets etc. Current assumption is £3,000 per unit			
Council Tax			-	(388,000)	(388,000)				Assumes average delay to sale of 6 months			
Warranties and Inspection Costs			-	(296,100)	(296,100)				Includes NHBC, HPIs and energy rating certs, £900 per unit			
Other			-									
<b>Total</b>				<b>(10,153,066)</b>	<b>(10,153,066)</b>							
<b>Maintenance and Handover</b>												
Post PC and Pre LOCOG			-	(964,315)	(964,315)				As per budgets set by ID currently used for negotiations with the consultants			
Post LOCOG handback			-						Payable for 2 years from the date of the insurance certificate (NHBC start date)			
<b>Maintenance and Handover</b>				<b>(964,315)</b>	<b>(964,315)</b>				£1,500 per unit for 2 years post games			
<b>Sales &amp; Marketing</b>												
Marketing Materials			-									
Advertising & PR			-									
Marketing Suite			-									
Market Research			-									
Other Marketing			-									
Sales & Letting Legals			-	(3,420,163)	(3,289,960)	130,202						
Sales & Letting Commission			-									
<b>Total</b>				<b>(3,420,163)</b>	<b>(3,289,960)</b>	<b>130,202</b>	<b>(12)</b>	<b>(12)</b>	Total sales costs are currently 3.25% of revenue			
<b>Legal Fees</b>												
<b>Total Development Costs</b>				<b>(78,605,478)</b>	<b>(83,499,756)</b>	<b>(4,894,278)</b>	<b>(274)</b>	<b>(301)</b>				
<b>Contingency</b>				<b>(2,785,285)</b>	<b>(3,014,505)</b>	<b>(219,220)</b>	<b>(10)</b>	<b>(11)</b>				
<b>Net Cashflow</b>				<b>44,571,044</b>	<b>35,216,281</b>	<b>(9,354,763)</b>						



## Conclusions

European Retail Property School

1. Understand importance of project cost management
2. Understand cost management principles
3. Cost estimates & methods of preparation
4. Understand processes to:
  - Resource Planning
  - Cost Estimating
  - Cost Budgeting
  - Cost control
  - Change control
  - Understand benefits

Understand relationship between cost and income



## Important: Video / Movies

# Class Evaluation:

Please remember to complete the class evaluation by using your smartphone or tablet.

Class Evaluations Link:

[survey.icsc.org/2014ERPS](http://survey.icsc.org/2014ERPS)

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17-21 February, 2014

**SESSION:**

**INSTRUCTOR(S):**

Please rate the following by circling the appropriate number.

SESSION:	Excellent	Good	Fair	Poor	
1. Satisfaction with the program overall.	5	4	3	2	1
2. Session increased my knowledge.	5	4	3	2	1
3. Content was timely and relevant.	5	4	3	2	1
4. Session and materials were organized.	5	4	3	2	1

**INSTRUCTOR(S):**

INSTRUCTOR(S):	Excellent	Good	Fair	Poor	
1. Satisfaction with the instructor overall.	5	4	3	2	1
2. Instructor demonstrated a strong command of the information.	5	4	3	2	1
3. Instructor was enthusiastic, professional and kept me engaged in the learning.	5	4	3	2	1
4. Instructor provided practical and relevant examples?	4	3	2	1	

**COMMENTS:**

1. What issues, challenges or trends are you dealing with now that could be recommended for future education sessions?  
\_\_\_\_\_
2. What is the most valuable takeaway you gained from the session?  
\_\_\_\_\_
3. What enhancement would you recommend for the session?  
\_\_\_\_\_
4. Additional comments?  
\_\_\_\_\_

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