



Breakdown of Soft Costs in Construction Projects

Soft costs represent a significant portion of construction costs. These costs typically are associated with nontangible items, such as design work, real estate fees, inspection fees, project management, and taxes. Soft costs typically constitute about 20 percent of the total construction cost, while the remaining portion of the total costs is related to hard costs, such as for the building, site work, landscaping, and overhead.

1. Architectural and Design Fees

The architectural and design fee includes costs of feasibility studies, master planning, design work, and related costs incurred throughout the project. These costs often vary by the project size and tend to represent a smaller percentage of total soft costs on larger projects.

2. Inspection Fees

Inspection fees include the cost of building inspections and fees for permits paid to the local government. These fees must be paid to gain authorization for the project. They can be related to permitting applications, costs to file permits, occupancy permits, and related transactions. Other inspection fees are for the Appraisal of the property value and if you are doing renovations, there will be an initial inspection to establish the properties current condition. You will also have a fee per draw fee for every draw that you request.

3. Construction Equipment, Rentals, and Tools

Equipment costs categorized as soft costs can include equipment, supplies, and services that are not directly related to the final project delivery. This may include office equipment, office trailers, cellphones, radio communication systems, and staging area equipment.

4. Project Management

Project management costs include compensation for staff required to handle all construction-related documentation and drawings as well as security and safety staff, temporary staffing, runners, and all supporting staff, even when they are not located on-site. This is very important if you have rates that include the cost of principals and other management staff from a company's headquarters.

5. Local and State Taxes

Taxes on construction projects may be assessed by state and local agencies, depending on the amount of money being invested in the construction. Taxes based on material and labor rates can significantly increase the cost of the project if they are not managed properly.

6. Advertising and Public Relations

Marketing and advertising costs may include brochures and other marketing products, public relations, and general marketing campaigns. Projects may also use open houses and community-related activities to engage with neighbors and promote community discussion and buy-in.

7. Additional Works and Studies

Some initial testing and feasibility studies are considered soft costs, including:

- Additional cost estimates
- Surveys
- Traffic studies
- Geotechnical studies
- Testing consultants
- Professional services
- Health and safety consultants
- Environmental studies and assessments
- Homeowners or tenant startup fees
- Other startup and initial fees that are part of the project kickoff process