

What's Really Driving Volatility In Construction Cost Estimates

Written by: Michael Feeney, PE, Estimating Director, Connico, and Charles Cleary, Electrical Subject Matter Expert, Connico

We're living through a unique period in the history of technology where advancements in artificial intelligence are outpacing industry regulations and creating unclear expectations for how long proper cost estimating should take.

Across the construction industry and beyond, project teams are being pushed to commit to budgets earlier than ever. Meanwhile, owners and leaders want certainty, schedules demand speed, and in a volatile market, everyone is under pressure to move faster.

Skilled cost estimating takes time, and expecting precise estimates without acknowledging today's market realities is setting projects up for avoidable risk.

Construction projects, whether in aviation, infrastructure, or commercial development, represent major capital investments. Project stakeholders, understandably, want early assurance that dollars are being spent wisely and the resulting facilities will deliver long-term value. But too often preliminary estimates are interpreted as final answers rather than informed forecasts shaped by market conditions, timing, and risk.

In today's environment, that misunderstanding is becoming increasingly costly.

THE MYTH OF THE 'QUICK' ESTIMATE

A frequent misconception across the projects is that cost estimating is as simple as "copy-pasting" a recent project. For example: Reference a similar project's cost-per-square-foot;



adjust slightly for location, year and size; and submit. While benchmarks can be useful reference points, they are a poor substitute for project-specific analysis, especially in a market defined by labor shortages, material volatility, and a restrictive bidding environment.

In reality, high-quality estimating is neither quick nor formulaic. Even in the earliest project phases, when scope is still evolving and drawings are incomplete, clients often expect a level of precision that simply isn't possible without more information and deeper analysis. Accuracy at this stage depends less on formulas and more on professional judgment informed by experience, market research, and an understanding of how variables interact over time.

What separates a reliable early estimate from a misleading one is not speed. It's the quality of the estimating process and the estimator's ability to anticipate how varying components can affect a project's final cost.

WHAT'S REALLY DRIVING COST VARIANCE

Estimating is strategic forecasting. Behind every credible number is a network of assumptions about labor, materials, and market conditions that clients rarely see but have a strong influence on outcomes. Ignoring those dynamics up front can lead to significant budget gaps down the line.

Labor availability is a key variable to consider. A project that looks straightforward on paper can become far more expensive when competition or scarcity exists within regional labor pools. In markets like Los Angeles, where major large-scale projects and events, such as the Olympics, contend for equipment, material, and skilled trades workers, contractor costs rise and unforeseen premiums follow.

The cost of materials introduces similar uncertainty. Projects requiring specialty products, such as higher-grade binders that aren't regularly produced, and commodity-based materials like copper that fluctuate daily, make historical pricing unreliable almost overnight. The challenge goes beyond knowing today's price – it's understanding whether suppliers can meet project-specific requirements at scale and on schedule.

Then there's the bidder environment. Restrictive qualifications, specialized systems, or limited contractor availability can drastically reduce competition. Fewer bidders almost always translate to higher prices. A strategic estimate accounts for that reality by analyzing who is likely to bid, not just what the scope says.

These factors don't exist in silos. A delay in one trade can, and often does, affect others. One late material shipment or a minor ceiling-height change can trigger cost and schedule impacts across multiple trades. Accounting for those chain reactions is what turns estimating from a checklist into an art.

SETTING EXPECTATIONS

The reliability of an estimate is always tied to the quality and stability of the information it's based on.

Many estimating challenges can be traced to procedural

breakdowns. Incomplete or constantly changing drawings slow progress and introduce risk, while misaligned scopes or conflicting documents can lead to substantial estimate discrepancies. Clear communication and early alignment between owners, designers, and estimating teams are essential to avoid costly surprises later.


When details, like a finish plan or quantity of furnishings, aren't defined, estimators may rely on historical data or industry benchmarks to fill gaps. However, the more assumptions required, the wider the potential range of outcomes.

Cost estimating is intended to be a collaborative, multi-layered discipline designed to reduce uncertainty – not eliminate it. Bringing together discipline-specific experts to perform an estimate ensures that each trade is evaluated by professionals who uniquely understand its risks and cost drivers. And layered quality-control, including technical, cross-disciplinary, and executive reviews, adds another safeguard, challenging assumptions and validating results before numbers are finalized.

TURNING ESTIMATES INTO DECISION-MAKING TOOLS

A credible estimate reflects market reality, including timing, location, and constraints. A trusted team explains why costs look the way they do and what could move the number tomorrow.

When owners understand how all these dynamics interact, estimates stop creating false confidence and start enabling more strategic planning. They become tools for stress-testing assumptions, anticipating risk, and deciding on difficult trade-offs before construction begins.

In today's volatile market, relying on surface-level estimating is a liability. Projects stay viable when investment decisions are anchored in real-world conditions, not optimistic assumptions. 



About the Author

Michael Feeney, PE, is an estimating director at [Connico](#). He is a certified professional engineer and is focused on assisting in developing cost estimates, value integration, systems analyses, and field observation.

Charles Cleary is an electrical subject matter expert at [Connico](#). He has extensive experience in transportation, industrial, residential, and commercial construction cost estimating.

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