



LUXURY HOMES OF TEXAS

The Custom Home Budget Guide

Understanding What a Luxury Custom Home Really Costs

Better Homes Begin With Better Decisions.

Built on Integrity. Guided by Vision. Inspired by Dreams.

A Note From Tim

One of the first questions homeowners ask about a custom home is also one of the hardest to answer responsibly: What is it going to cost?

The reason is simple. A true custom home is not a commodity. The property, architecture, structure, materials, systems, finishes, outdoor improvements, level of detail, and decisions made during the process all influence the final investment. Two homes with the same square footage can have dramatically different budgets.

This guide is designed to help you understand how a custom-home budget is built, what can make it move, and which questions matter before you rely on a number. It is not intended to give you a universal price per square foot. In fact, one of the most important lessons in custom building is knowing when a simple number is giving you false confidence.

The goal is clarity. A good budget should help you make decisions, understand trade-offs, and keep design ambition connected to financial reality as the project develops.

A useful budget is not the lowest number. It is the number that most accurately reflects what you intend to build.

— **Tim Lansford**

Luxury Homes of Texas

HOW TO USE THIS GUIDE

Use this guide before design gets too far ahead of the budget. Revisit it as the drawings, site information, selections, and trade pricing become more specific. The budget should become more accurate as the project becomes more defined.

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01 Why Custom Home Budgets Are Different

A production home can be priced from a repeatable product. A true custom home has to be priced from the specific project.

The budget for a one-of-one residence is shaped by a combination of design, property conditions, engineering, material choices, systems, labor, local requirements, and owner decisions. Until those variables are defined, any early number is an estimate built on assumptions.

That does not make early budgeting useless. It makes transparency about assumptions essential. A responsible early budget should tell you what is known, what is estimated, what is carried as an allowance, and what has not yet been resolved.

The Budget Is a Living Document

Early in design, the budget may be based on square footage, historical projects, conceptual drawings, and broad finish assumptions. As the plans develop, those assumptions should be replaced with quantities, selections, consultant information, and trade pricing. The budget should become more detailed and more reliable over time.

THE RIGHT QUESTION

Instead of asking only, “What will this house cost?” ask, “What assumptions are behind this number, and what information would make it more accurate?”

02 Why Cost Per Square Foot Can Mislead

Cost per square foot is useful as a rough reference. It becomes dangerous when it is treated as a complete budget.

The calculation itself is simple: divide the construction cost by the conditioned square footage. The problem is that custom homes contain major costs that do not scale neatly with conditioned area.

A home with large garages, extensive porches, complicated roofs, premium windows, specialty mechanical systems, significant outdoor living, difficult site work, or unusually high finish levels can carry a very different total cost than another home with the same conditioned square footage.

The Denominator Can Hide the Story

Even the definition of “square footage” can vary. Some conversations include only conditioned living space. Others blend in garages, porches, or other areas at different weighting. If two people are using different definitions, their cost-per-square-foot numbers are not comparable.

USE IT AS A SCREENING TOOL, NOT A CONTRACT

Cost per square foot can help test whether a concept is broadly aligned with a budget. It should not replace a project-specific estimate based on the actual design, site, and level of finish.

03 The Major Cost Drivers

A custom-home budget is influenced by much more than size.

Square footage matters, but complexity often matters just as much. A smaller home with difficult architecture and highly customized interiors can cost more than a larger home with a simpler structural and finish strategy.

The Biggest Variables Usually Include

- Site development and foundation requirements
- Architectural complexity and structural spans
- Roof geometry and exterior envelope
- Window and exterior door packages
- Mechanical, electrical, plumbing and specialty systems
- Cabinetry, millwork and built-ins
- Stone, tile, flooring and interior finish level
- Appliances, fixtures and decorative lighting
- Pools, outdoor living and landscape work
- Technology, security, audiovisual and automation
- Owner selections and changes made after pricing

The key is not to avoid high-cost features. It is to understand which features are creating the cost so you can decide whether they are worth it to you.

BUDGET FOLLOWS PRIORITY

A good budget conversation does not begin with cutting. It begins with understanding what matters most and making sure the investment is concentrated there.

04 The Property and Site Budget

The house is only one part of the project. The land can create a second budget of its own.

Site work is one of the most common areas where early assumptions prove incomplete. Clearing, demolition, grading, drainage, retaining walls, utility extensions, access, temporary construction facilities, difficult soils, foundation requirements, tree protection, and off-site improvements can all add meaningful cost.

A flat suburban lot with nearby utilities is fundamentally different from a sloped property with long drives, extensive retaining, private utilities, difficult access, or significant drainage work.

Evaluate the Site Before You Depend on the House Budget

Whenever possible, the builder should review the property before the design and budget become too fixed. Site-specific information allows the team to separate house cost from property-development cost and prevents the site from quietly consuming money intended for the home itself.

WHAT HOMEOWNERS OFTEN MISS

The lot price is not the total land cost. The better question is: What will it take to make this property ready to support the home we want to build?

05 Architecture and Structural Complexity

Architecture has a direct relationship to cost, but the relationship is not always obvious from the floor plan.

Long structural spans, large glass openings, cantilevers, complicated roof forms, unusual ceiling conditions, curved elements, specialty masonry, custom steel, and highly articulated exteriors can all increase engineering, material, labor, and coordination requirements.

None of those features are inherently a problem. They may be exactly what makes the home special. The mistake is treating them as if they have no budget consequence.

Design and Budget Should Develop Together

The strongest process allows the architect and builder to exchange information throughout design. When a detail materially affects cost, the owner should understand that while the design is still flexible enough to respond.

PROTECT THE DESIGN INTENT

Value engineering should not mean stripping character from the home. It should mean finding smarter ways to preserve what matters most while removing cost that does not improve the result.

06 Selections, Finishes and Allowances

Selections are where many early budgets either become more accurate or begin to drift.

Cabinetry, appliances, plumbing fixtures, lighting, flooring, tile, stone, hardware, fireplaces, specialty finishes, and decorative details can vary dramatically in price. If those items are not selected when the budget is prepared, the estimate may include allowances.

What an Allowance Really Is

An allowance is a placeholder for an item that has not yet been fully selected or priced. It is not a guaranteed price. If the actual selection costs more than the allowance, the budget increases. If it costs less, the difference should be reflected accordingly under the terms of the contract.

The problem is not allowances themselves. The problem is unrealistic allowances that make an early budget appear lower than the project is likely to cost.

ASK WHETHER THE ALLOWANCE FITS YOUR EXPECTATIONS

A \$5,000 lighting allowance and a \$50,000 lighting allowance tell very different stories. The right amount depends on the size of the home, quantity of fixtures, design direction, and the level of product you intend to select.

07 Soft Costs and Often-Missed Expenses

Not every project cost is a piece of lumber, concrete, glass, or labor.

Depending on the project, there may be architectural fees, engineering, surveys, geotechnical work, permits, impact fees, utility fees, design consultants, landscape architecture, interior design, testing, inspections, insurance-related costs, financing costs, and other professional services.

Some of these may sit inside the builder's budget and some may be contracted directly by the owner. What matters is that the owner understands the total project picture rather than focusing only on the construction contract.

Also Look Outside the House

Pools, landscaping, irrigation, outdoor kitchens, fencing, gates, driveways, detached structures, furnishings, window treatments, audiovisual systems, and move-in items can represent significant additional investment if they are not part of the initial construction budget.

CREATE A TOTAL PROJECT BUDGET

Separate the construction budget from the total project budget, but track both. That gives you a clearer picture of the full financial commitment before construction begins.

08 How a Budget Becomes More Accurate

Budget confidence should increase as uncertainty decreases.

Early conceptual pricing may be appropriate when the owner is deciding whether a project is feasible. As design progresses, the budget should be refreshed using better information. By the time the project is ready for construction, major assumptions should have been replaced by documented scope, selections, quantities, and current trade pricing wherever practical.

A Typical Progression

- Conceptual budget based on program, size, site and quality level
- Design-development budget based on evolving plans and systems
- Preconstruction budget incorporating trade input and selections
- Final construction pricing or contract basis, depending on delivery method

- Ongoing budget updates as approved changes occur

Each stage answers a different question. An early budget asks, “Is this direction financially plausible?” A later budget asks, “What does this specific project cost based on what we now know?”

MORE DETAIL SHOULD MEAN LESS GUESSING

If the drawings are getting more detailed but the budget is not, the project may be accumulating financial risk.

09 Contingency and Unknowns

A contingency is a financial planning tool for uncertainty, not a substitute for poor estimating.

Custom construction contains variables. Hidden site conditions, design development, market movement, product changes, unforeseen repairs, and other issues can arise even on well-planned projects. A contingency provides room to respond without immediately destabilizing the entire financial plan.

The appropriate amount depends on the project. A renovation with hidden existing conditions may warrant a different contingency from a new home on a thoroughly investigated site. The level of documentation also matters: more unresolved information generally means more uncertainty.

DO NOT SPEND CONTINGENCY ON DAY ONE

Treat contingency as protection for uncertainty, not as an invitation to add scope before construction has even started.

10 Change Orders and Owner Decisions

Change is normal on custom projects. Financial surprises do not have to be.

A change order should explain what is changing, why it is changing, the cost impact, and—when relevant—the effect on schedule or related work. The objective is to make the financial consequence visible before significant work proceeds.

Small Changes Can Have Large Ripples

Moving a wall can affect framing, electrical, HVAC, flooring, cabinetry, trim, and paint. Changing a fixture can affect rough-in, lead time, or cabinetry dimensions. The direct cost of an item is not always the full cost of the decision.

That is why changes should be evaluated in context rather than treated as isolated purchases.

TRACK APPROVED CHANGES AGAINST THE CURRENT BUDGET

A disciplined project should allow the owner to see the original budget, approved changes, current commitments, and remaining allowances or contingency with reasonable clarity.

11 Value Engineering Without Cheapening the Home

The best value engineering protects the parts of the project that matter most.

When a project needs to move toward a lower number, indiscriminate cuts can damage the architecture and leave the owner dissatisfied. A better approach is to identify where money is being spent, rank priorities, and look for alternatives with the design team.

Good Value Engineering Might Include

- Simplifying structural or roof complexity that adds cost without adding meaningful value
- Revisiting window sizes or configurations while preserving light and proportion
- Using premium materials strategically rather than everywhere
- Simplifying repetitive custom details
- Adjusting secondary spaces before reducing primary priorities
- Sequencing certain site or landscape improvements into later phases when appropriate

The objective is not to make the home cheaper. It is to make the investment more intentional.

CUT COST, NOT PURPOSE

If a feature is central to how the home will live or why the design is special, protect it. Look first for cost that does not materially improve the owner's experience.

12 Questions to Ask About Any Budget

A good budget should be understandable enough that you know what it is telling you—and what it is not.

- What scope is included in this number?
- What major items are excluded?
- Which numbers are allowances rather than firm selections or trade pricing?
- What assumptions are being made about the site?
- What level of finishes does the budget assume?
- Are design, engineering, permit, and consultant costs included or separate?
- What outdoor improvements are included?
- How is builder overhead and profit handled?

- Is contingency included, and who controls it?
- How current is the trade and material pricing?
- What could materially change this number before construction?
- How often will the budget be updated?
- How are approved changes tracked once construction begins?

LOOK FOR CLARITY, NOT CERTAINTY THAT DOES NOT EXIST

Early in the process, some numbers will still be estimates. What matters is whether the team is clear about what is known, what is assumed, and what remains unresolved.

13 Budget Readiness Checklist

Before you rely heavily on a custom-home budget, see how many of these questions you can answer.

Property

- ☐ We understand the major site conditions and likely site-development requirements.
- ☐ We know whether utilities, access, grading, drainage, demolition, or retaining work may materially affect cost.

Design

- ☐ We have a defined architectural direction and approximate program.
- ☐ The builder has reviewed the design early enough to provide construction input.
- ☐ Major structural or architectural complexities have been identified.

Selections

- ☐ We understand the assumed finish level.
- ☐ Major allowances are realistic for the products we expect to select.
- ☐ We know which selections could materially change the budget.

Financial Picture

- ☐ We are looking at the total project investment, not only the house construction number.
- ☐ We understand exclusions, soft costs, outdoor improvements, and owner-direct expenses.
- ☐ We have discussed contingency and how it will be handled.

Management

- ☐ We know how the budget will be updated as design develops.
- ☐ We understand how changes will be priced and approved.
- ☐ We know how often we will receive financial reporting during construction.

Where Do You Go From Here?

If you are early in the process, the next step is not necessarily getting a final price. It is getting enough information to establish a realistic financial framework for the project you actually want to build.

That may mean reviewing the property, clarifying the architectural program, involving the builder earlier, or developing a preliminary budget before design moves too far. Each step should reduce uncertainty and improve the quality of the decisions that follow.

The goal is not to remove creativity from custom building. It is to give creativity a financial structure strong enough to support it.

A better budget creates better decisions.

BEGIN A CONVERSATION

If you are planning a custom home and want to understand how the property, design, and priorities may translate into a realistic project budget, Luxury Homes of Texas would be glad to learn more about what you are considering.

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