

STEP

2

# WORKING OUT THE BUDGET FOR YOUR SHOP



**Now you've  
started looking  
for a tenancy for  
you to set up shop  
in (or possibly  
even found one),  
it's time to work  
out your budget.**

**You may have a rough idea in your head of how much you would like to spend, but before you put any money down, it's vital you check whether the amount you're picturing will be enough to cover everything you will need to open your store.**

The *Project Budget Worksheet* will help you set a realistic project budget (aka it will help you work out how much it will cost you to design and build your shop, getting it ready for opening day).



## TOP TIPS FOR WORKING OUT YOUR BUDGET

### #1: THE MORE DETAIL THE BETTER

Be as thorough as you can. The more detail you include in your project budget at this stage, the more accurate your budget will be (and the fewer nasty surprises you'll receive down the track).

### #2: DON'T GUESSTIMATE USING A SQM RATE

There used to be a maxim that it costs \$1,000 per square metre (sqm) of space to fit out a shop. That is not true these days: costs can range from \$1,000 to \$5,000 per sqm. While some shops with pre-existing fitouts that need minimal alterations can come in at \$1,000/sqm, this is rare. Don't make an assumption... you'll likely be in for a rude shock!

### #3: REVISIT YOUR BUDGET

Your budget will evolve as you work your way through the 10 steps of Setting Up Your Shop. We'll remind you to update your budget spreadsheet at important stages so that it replaces your estimates with the actual quotes and bills you receive along the way. Revisiting your budget regularly is the best way to ensure you stay on track.

#### GET HELP

If you're feeling overwhelmed by the details or need help with any aspect of setting up your shop, give us a call on 0424 113 116.

We can help you with your early stage planning and working out your project budget from only \$1,000 + GST.

# PROJECT BUDGET – WORKSHEET

## INSTRUCTIONS:



**Gather quotes (or estimate an amount) for each item in this worksheet. The more accurate you are at this stage, the more realistic your budget will be.**

For more tips and an explanation of key terms – read *2.2 Creating Your Budget – Advice* on page 19 of this guide.

Item	Budgeted Amount	Actual
<b>LEGAL &amp; LEASE FEES</b>		
1: Solicitors Fees		
2: Landlord Fees		
<b>DESIGN COSTS</b>		
3: Drawings / Interior Designer		
4: Building Certifier / Surveyor		
5: Engineers		
5A: Fire		
5B: Mechanical & HVAC		
5C: Electrical		
5D: Structural		
5E: Hydraulic		
5F: Plumbing		
<b>OTHER FEES</b>		
6: Project Management		
7: Regulatory Fees		
<b>SUBTOTAL</b>		



Item	Budgeted Amount	Actual
<b>SUBTOTAL FROM PREVIOUS PAGE</b>		
<b>FITOUT COSTS</b>		
8: Preliminaries		
9: Electrical & Communications		
10: Fire Services		
11: HVAC & Mechanical		
12: Hydraulics		
13: Building Control Systems		
14: Kitchen Exhaust		
15: Walls & Ceilings		
16: Painting		
17: Tiling		
18: Flooring		
19: Glazing		
20: Shopfront		
21: Joinery / Cabinetry / Stainless		
<b>(POSSIBLE) DIRECT COSTS</b>		
22: Signage		
23: Security System		
24: Displays & Racking		
25: Equipment		
26: Furniture		
<b>OTHER COSTS</b>		
27: Contingency		
28: Long service leave		
<b>TOTAL</b>		

## 2.2

# CREATING YOUR BUDGET – ADVICE FROM KARYN



*Karyn O'Brien, owner of Setting Up Shop and a retail fitout expert, talks you through making a realistic estimate of the costs you will face in opening a new store*

“

**This document is designed to demystify and explain each of the items in 2.1 Project Budget – Worksheet. I will walk you through the key items in your project budget and also some pitfalls to watch out for.**

Plus, to illustrate the kinds of costs you may be facing for your own fitout, I will talk you through a couple of example properties for a new café and how the requirements of each affect the potential fitout budget.

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### What kinds of budgets will you need?

There are two budgets you will need to open up your own shop:

1. The first is your annual **operational budget** where you work out how much it costs to run your business every day. This budget includes your rent costs, staff costs, stock, utilities, and all the other expenses you will have to pay, along with how much you will need to sell to pay those bills. As I am not an expert in your business, I will not tell you how to do that, but will stress that it's vital you work out your operational budget early on!
2. The other budget you need is your **project budget**. This budget covers how much it will cost you to design and build your shop. This is the budget I can help with, and is the one covered in this guide.

### Don't rely on a “square metre rate” – there's no such thing!

The cost per square metre for your fitout completely depends on the property you end up with and the specific requirements of your store. There's no such thing as a “standard” square metre rate. Take for example a café where you have two properties you could choose between – Shop A and Shop B – in the area you want to set up your shop.

**Shop A** was previously run as a café, but has closed down because of poor management. You know you can do a better job than the previous managers, so you are happy to take the space even though a previous business has failed there. The bonus for this property is that you can re-use most of the fitout – maybe you just need to add a bit more storage shelving, a new fridge and give it a fresh coat of paint. Update the signage as well, and away you go! This scenario definitely should cost you less than \$1,000 per square metre.



But now look at **Shop B** – it's a new shop, sitting under an apartment block around the corner from the Shop A. The developer has been a bit cheap, so the space has no shopfront, no air-conditioning and no grease trap. This property is definitely going to cost you a lot more than \$1,000 per square metre to fitout ... maybe even as much as \$5,000 per square metre!

## Your first step – work out your budget

So, given all the variables that can affect the cost of your shop fitout, the first important step in planning your store is creating a template of the potential costs you may face in opening your shop. Luckily, I've done that for you – see document *Project Budget Template* on page 17.

However, you might not need all of the items listed in the template. If we go with a property similar to Shop A in the scenario above, you definitely won't need most of them! But the only way to effectively compare your options is to take the time to find out which costs you may be facing.

Let's go back to our two shops example.

The first one, **Shop A**, is under an office building with lots of ready-made customers looking to grab their daily coffees, hold meetings, and have the café cater meetings as well. But the landlord is well aware of this and wants to charge you \$1,000 per square metre in rent. They also don't want to give you any incentive cash because you are taking over a preexisting fitout – they presume that with you not needing to spend much to move your business into the space, there's no need to give you incentive cash to spend.

Around the corner at **Shop B**, while the developer was cheap in the build, he is aware that he is asking you to do most of the fitout yourself and is looking to contribute \$50,000 to help

you install all the items he missed. He is also willing to give you six months' rent free after you open, and the rent is only \$650 per square metre. All of a sudden, your budget calculations involve much more than only what the fitout will cost you.

As you can see, the costs required for your fitout and any incentives your landlord may offer may vary. Plus all the costs to complete your fitout will vary depending on the size and complexity of your tenancy, the scope of the works, the quality you want and how quickly you need it.

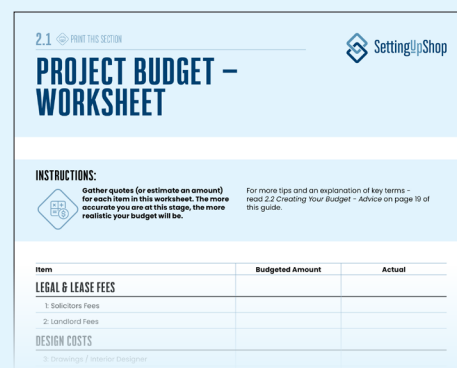
## Filling in Your Project Budget Template

As there's no standard square metre rate to use as an estimate, you will need to take some time and do some leg work to fill in your *Project Budget Template*.

We will go into more detail on most of the items in your budget template later in this guide as you will need to revise your budget a few times. But for now, let's draw up a budget that will prepare you for the costs you're likely to have to cover to open up your store.

There are lots of things you need to put in your budget before you even get to the building / fitout stage. I often hear from tenants who have picked a number in their head for the fitout, but they have not allowed for all the extra things that they need to do in order to actually get on site. The following list explains each of the line items in the worksheet to make sure the number you're imagining is realistic and covers everything you'll need to get to open day.

# KEY ITEMS FROM YOUR PROJECT BUDGET – GUIDE



## Legal & Lease

### 1: LEGAL & LEASE FEES

You will need to engage a solicitor to act on your behalf to review the lease and deal with the landlord's legal team. Rates will vary, and can escalate quickly as negotiations continue. Some solicitors offer a fixed fee, which is always a good option!

### 2: LANDLORD FEES

Survey fees are often charged by the landlord to confirm the size of the tenancy. Landlords may also charge to register the lease, and other costs, such as Design Review Fees or Tenancy Coordination fees. Discuss all of these with your solicitor.

## Design Costs

There are a few different people you will need to engage with in the design process. It may be possible to have your designer package these up and provide you with the services in a bundle, but they will charge you a management fee or margin on the other consultants' fees to do so.

### 3: DRAWINGS / INTERIOR DESIGNER

This is a cost you should not skimp on. If you are undertaking a full fitout, we highly recommend that you tender it, so you have several prices to choose from.

To do that properly, you need to have drawings – and not just a floor plan! We will go into the details of what your designer should include in their price in *Step 6 Finding A Designer*, but it is important to note that a more experienced designer will be able to design to your budget and will save you money.

### 4: BUILDING CERTIFIER / SURVEYOR

This is the person who checks to make sure your plans comply with the National Construction Code and other regulations making sure that any building work is fit for purpose from a structural, fire safety and accessibility point of view.

They will issue a certificate allowing you to start building works, and then inspect afterwards and issue the final certificate.

### 5: ENGINEERS

You may not need engineers, especially if you have a simple fitout with few walls. Check your Fitout Guide (see *Step 3 Reviewing Your Lease & Offer* for more about these documents) to see if you have to provide engineering designs for landlord approval. You may be able to simply provide the contractor's drawings.

Many engineering firms are multi-disciplinary, and you may be able to get a quote for all of the engineering services you need bundled together. This may not get you much of a price reduction, but it will save you time in chasing up several different people, as most firms will allocate one person to be your contact.

It can also be beneficial to use the base building engineers as they will be familiar with the building already, saving you time and therefore money.

### 5A: FIRE SERVICES

Most fire services can be designed by the contractor who will carry out the work, for example sprinkler changes. But if you need to have the Fire Engineering Plan revised, it is definitely better to go with the base building engineer because they are so familiar with the building.



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## **5B: MECHANICAL/HVAC ENGINEER**

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Mechanical engineers look after the air-conditioning and kitchen exhaust systems. Again, simple fitouts with no exhaust can usually get away without having an engineer.

It is highly recommended for food tenancies, however. And be careful – not all mechanical engineers can design a good kitchen exhaust system – make sure yours has experience to suit.

Another term you might see used is HVAC – this stands for Heating Ventilation and Air Conditioning. It's basically the same thing as mechanical, and the people who will design your systems are Mechanical Engineers.

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## **5C: ELECTRICAL ENGINEER**

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If you have a complicated Fitout, and especially if you are a Food and Beverage (F&B) operator, you may need an Electrical Engineer. They will make sure that no circuits are overloaded, that you have sufficient power supply coming into your tenancy, and that specialised areas are designed to work most efficiently.

For simple Fitouts, electrical engineers are not required, and if your landlord suggests they are, you should question this.

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## **5D: STRUCTURAL ENGINEER**

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The easiest way to figure out if you need a structural engineer is to think about whether anything in your fitout could fall down and hurt someone. This could be a heavy ceiling feature, a mezzanine, or a free-standing wall. You may also need a structural engineer if you are making holes in any of the base build (e.g. for plumbing).

Some landlords will look for structural certification of your signage, in case it falls down – I recommend putting that onto your signage contractor to provide as many of them have relationships with engineers.

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## **5E: HYDRAULIC ENGINEER**

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Most councils will want hydraulic plans to sign off on your fitout. The Hydraulic Engineer looks after designing the water supply, drainage, and gas systems to suit your requirements.

In some cases, a simple sink for tea, coffee and handwashing will not need a hydraulic engineer, but check with your local Council.

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## **Other Fees**

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### **6: PROJECT MANAGEMENT**

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The reason for this guide is to give you the information to run your project well, but you can always hire a project manager to do it for you. Retail Project Managers can be hard to find, and you must make sure that they have experience in your type of tenancy. If you need any help with Project Management, get in touch with Setting Up Your Shop. We have decades of project management experience taking the hassles out of getting shops big and small to open day.

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### **7: REGULATORY FEES**

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This is a broad area that covers fees you need to pay under local, state and national laws. For example, your local council's Hydraulic Approval fees, Food Design Approval fees, Food Business Licence fees, Liquor Licence fees, and so on. Many of these will generally only apply if you are a food business, but did you know that gyms also need special approvals? You will need to check out which laws you need to comply with. Check out our list of useful resources on page 104.

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## **Fitout Costs (all the things that would be in the shopfitter's quote)**

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Perhaps by now, you've realised you're spending a lot of your budget on things you didn't realise you needed before you read this guide. So, there's less of the budget you had imagined left for the fitout itself.

As we've already demonstrated for you, square metre rates is not a realistic way to budget your fitout costs at this stage. To determine more realistic fitout costs, you should talk to your shopfitter (and possibly also your designer).

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### **8: PRELIMINARIES**

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These are costs associated with running the job – aka costs that the builder incurs that aren't directly attributable to any particular trade, such as creating a safety plan and making sure it's managed properly, adding a light and desk and printer on site if a supervisor needs that to print plans etc.

Some companies will break these out into individual items such as parking, plant hire (scissor lifts etc.), amenities for staff (a printer, fridge for lunches), rubbish removal, and so on. But many companies will just show one figure that covers all of that. You can certainly ask for a breakdown.

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## 9: ELECTRICAL & COMMUNICATIONS

This covers the power and data cabling and fit off. The electrician will run all of the cables and then complete the fit off. They usually supply the lights also. However, if you have some special light fittings, the builder may buy them.

Your electrician will work out all of the circuits for you so that nothing is overloaded, and they can make recommendations for specialised items like lighting controls (for example, Dali systems) and sound systems.

But you may need a specialist data / communications cabler if you have very complex needs. An example of this might be for a bar or restaurant where you want to be able to have settings to control music and lighting for different times of the day.

## 10: FIRE SERVICES

This covers any amendments to the fire services, such as sprinklers, fire hose reels, etc. It is often a requirement for you to use the contractor who looks after the building for your fire services as changes to the fire systems affect the safety of everyone in the building. The benefit of using the contractor who looks after the building is that they are already familiar with the systems.

You may see rates for this work in your Fitout Guide if you are going into a big shopping centre, and they may do this work as part of your Cat 1 costs. Be wary of using these rates to try to work out the full price until you have your drawings complete, as there will be additional costs such as drain downs that you will need to include if you are altering the location etc. of sprinklers, not just the number of heads for your sprinklers.

Always ask your Shopfitter to take a look at that for you, and even if the works are done by your landlord, ask your shopfitter to coordinate the fit off works.

## 11: MECHANICAL/HVAC

The mechanical contractor will make change to your air-conditioning system. This will include everything from moving the fan coil unit itself through to adding in ductwork, diffusers, or even a supplementary system if the existing unit will not be enough for your fitout.

Again, this might be part of your Cat 1 costs, but your shopfitter will need to coordinate the fit off.

## What's a shopfitter?

A shopfitter is a specialist builder who is skilled in building and installing (aka "fitting out") retail shops, cafés, restaurants and stores. A shopfitter can give you a more accurate estimate because they know how much items in your fitout actually cost as they build them every day. See *Step 8 Finding A Shopfitter* for more on how to find the right shopfitter.

Some shopfitters specialise in design and construction and you can tell them how much you want to spend and they will go away and design and build your fitout for that amount – or tell you it can't be done for that price (which painful as that may be to hear, can be valuable information at this stage).

So, it's best you contact a few different shopfitters to get a few prices. Some people get nervous that if you tell the shopfitter or designer what budget you have that they will then mark your fitout costs up and spend it all. And while there are dodgy people out there, typically a good, experienced shopfitter can give you a clearer picture of what they can achieve for you if you give them an accurate budget.

It can be a hard one to get a solid quote at this stage because you don't have all the information from your designer that your shopfitter will need to quote (such as plans/drawings and fixtures and fittings, finishes or even engineering plans) see *Step 7 Getting Your Plans In Place* for more information about these different kinds of plans. So, the goal at this stage is to get a rough estimate to help you set a realistic budget.

## Warning, there may be compromises ahead

Be prepared to revisit your budget at key points throughout the process (this guide will help you do so) and also to reengineer your design and value manage your design so that you can keep your budget as close to this preliminary budget as possible.

To help you work tightly to your budget it's ideal for you to engage a shopfitter early in the process. This is called "early contractor engagement", and *Setting Up Your Shop* strongly recommends this.



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## 12: HYDRAULICS

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Hydraulics, or plumbing, can be messy. Some big shopping centres may want you to use their plumber for anything under the slab, but you can use your own plumber within the tenancy. If that's the case, they would charge you for the under slab works as part of your Cat 1 works.

I always prefer to have just one contractor work on a system, so would push to use the one contractor for all the work – it avoids any finger pointing between contractors if anything goes wrong later.

Your plumbing price will also include supplying items like sinks, toilets, showers and so on, as plumbers usually provide all of those items as part of their scope.

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## 13: BUILDING CONTROL SYSTEMS

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Building Control Systems are typically found in mixed-use buildings such as office buildings with retail on the ground floor. There is usually a building management system, or BMS, which the Building Manager can use to control all of the building services remotely, such as changing the air-conditioning temperatures or checking how the lifts are running.

While retail tenancies are not usually completely controlled by these systems, they do need to interface with them in case of an emergency. For example, if you're a food tenancy on the ground floor and there is a fire in your kitchen, the BMS might shut off your air-conditioning and kitchen exhaust fans and then set off fire alarms in the rest of building. And if you have a shared kitchen exhaust fan that covers several tenancies, the BMS system will usually turn the fan up or down depending on how many tenancies have their kitchens up and running.

Again, you will usually have to use the base building contractor for this work.

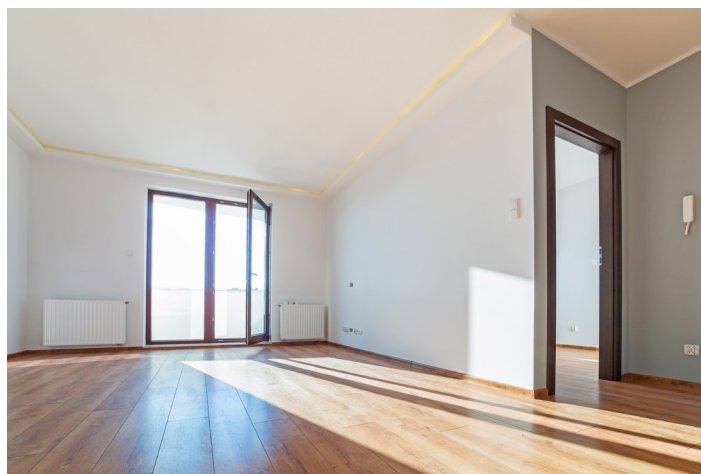
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## 14: KITCHEN EXHAUST

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Your kitchen exhaust system is made up of several systems, and different contractors are responsible different parts of the system. There is the hood, which sits above your cook line. That is usually made by a specialist or a stainless-steel contractor. You definitely want this done by your shopfitter because it's one of the first things that needs to go in, and there is often a decent lead (aka wait) time for it.

The hood is connected to the kitchen exhaust ductwork, which has a fan on the end of it. That fan is usually on the roof and should be provided by the base building, but is not always. Your mechanical contractor will be able to provide the connection between the hood and the duct with the fan on the end of it.



Then you also need a make-up air system. This can make or break your kitchen exhaust system and is why you should engage an engineer. Back in the day, the make up air was often from a window left open, but that's not a very efficient way to do things! Some hoods have built in make-up slots, but it can also be delivered through a separate diffuser in the ceiling.

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## 15: WALLS & CEILINGS

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This is the amount it will cost to build the walls and ceiling. The more complex the design (e.g. curves, lots of changes in height, ceiling features and bulkheads) the more your fitout will cost. Something to think about here is if you need extra soundproofing (e.g. in a treatment room or office), or impact resistance (e.g. in a corridor), that will mean a change in the type of plasterboard used (meaning it will be more expensive!).

Some shopfitters may break these costs into Carpentry and Plastering instead of walls and ceilings – that usually depends on the complexity of your fitout.

This figure should also include any skirting.

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## 16: PAINTING

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This one is fairly self-explanatory. But that said, there are differences in the quality of painting and the number of coats used, so make sure that this is specified by your designer and included in your tender.

Any specialised finishes will obviously be more expensive. For example, there are specialised paints that will rust – you use one paint for the base, then once the desired level of rustiness is achieved, the base coat is sealed so it doesn't continue to change! This effect is very cool, but more expensive than a basic coat of white paint.

Your painting square metre rates are based on the size of the area to be painted, not the square meterage of the tenancy. Make sure to calculate correctly – length of the wall multiplied by the height of the wall. And you need to include any bulkheads and ceiling features as well.

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## 17: TILING

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This could be wall or floor tiling. Tiling can make or break a fitout – bad tiling looks terrible and is tricky to fix.

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## 18: FLOORING

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Your flooring could be vinyl, carpet, tiles, or polished concrete. You may see square metre rates here, but make sure they include laying or installation as well as the material itself.

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## 19: GLAZING

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This can be the glazing in the shopfront or any other internal glazing, such as in an office or to allow visibility into a kitchen.

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## 20: SHOPFRONT

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There are two kinds of shopfront – an external and an internal. An external shopfront separates the inside of your shop from the outside world. An internal shopfront separates the inside of your tenancy from a shopping centre mall.

There can be a lot of cost associated with either one of these. External shopfronts need to be structurally sound, weather-proof, secure, and look appealing. For an internal one, appealing is usually the most important aspect, as the landlord wants the mall environment to look fantastic for all customers. This is where you will need to check out your *Fitout Guide* carefully for any shopfront or fitout requirements. The landlord is likely to want a door that can be hidden away in a cupboard when you are open, and a high level of finishes as well as incorporated signage. Internal shopfronts will also need to be structurally sound.

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## 21: JOINERY / CABINETRY / STAINLESS

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Joinery / cabinetry usually needs to be fixed into place and have power and data cabling run through it, so it's important to have that completed by your shopfitter rather than try to do it afterwards.

It can be worth having your shopfitter look after the stainless work themselves rather than buying it directly – mainly because they will have to make sure it all fits and then complete any silicone work to finish it off.

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## **(Possible) Direct Costs**

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Some elements of your fitout can be contracted directly, though you should always think about what you might need to have your shopfitter do to help finish these off.

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## 22: SIGNAGE

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Many retailers engage specialist signage contractors directly so they don't have to pay a margin on the cost to the shopfitter. This works well as long as your shopfitter has provided something to hang the signage on and power if it needs to light up.

Make sure your signage is shown on your plans and that the shopfitter allows for support for the signage contractor to fix into. It is worth having your signage contractor speak directly to the shopfitter to confirm that everything is in place before they come to site.

I once worked on a shopping centre where the architect had shown signage zones on a plasterboard bulkhead that angled out into the mall above the shopfronts. When the first signage contractor came to site he pointed out that his sign would just fall off as the plasterboard was not strong enough to hold it up. They ended up having to tie all of the signage back to the roof structure!

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## 23: SECURITY SYSTEM

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Anyone installing a security system needs to be licensed to do so, and your shopfitter's electrician may not be. If you are installing any security systems, the cabling work will be easier earlier in the fitout rather than at the end when all the walls are up and there is a finished fitout to be damaged.

There are two ways to handle this:

1. tell your shopfitter in the tendering that his electrician needs to do the security cabling and they have to find a suitably licensed provider, or
2. tell your shopfitter that you have arranged your own direct contractor who will be coming in during the fitout to install their cables.

Because you will need this completed early in the build period, make sure you talk to your designer about where you want cameras or other security devices placed as well.

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## 24: DISPLAYS & RACKING

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Specialty shops often use a lot of standalone displays and racking systems, which gives maximum flexibility for displaying different kinds of products as well the ability to change the layout of the shop as required.

Some of these can just be delivered by the supplier and moved around by staff, but you may need your shopfitter to install some items, in particular the wall strips for some racking systems.

Again, think about what you want to see here early in the piece so your designer can include details on the plans, and your shopfitter can price the installation. It can also be handy to have these delivered at the end of the build so your shopfitter can allow to remove any packaging for you!





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## 25: EQUIPMENT

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There is no point paying the margin on buying equipment through your shopfitter, but you must make sure they know all the details about what you have ordered. Equipment sizes and specifications can vary considerably and that can have a massive impact on your fitout if all of a sudden your dishwasher doesn't fit in the allocated space!

Lots of equipment also needs to be installed by a tradesperson, so you will need to build that into your tender as well.

And don't forget to make sure you order the right sort of equipment for your gas type – there are different connectors for natural and LPG.

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## 26: FURNITURE

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As with the other direct items, no point in paying the margin. But furniture comes with lots of packaging, so get your builder to take delivery, unpack, place items and dispose of rubbish!

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## Other Costs

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### 27: CONTINGENCY

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You should always allow a contingency – a buffer for the unforeseen things that pop up during the build. The standard amount is 10%, but at this early stage I would be allowing up to 25%. As you lock things down during the process you can reduce this bit by bit.

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### 28: LONG SERVICE LEAVE

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Portable long service leave is paid leave given to workers for their service to the industry, rather than for continuous service to one employer. Each state has a scheme which allows workers in the construction industry and other service industries to continue earning long service leave benefits even if they change employers or move interstate.

In some states there is a levy paid by the person contracting the building work, in others it is paid by the company employing the tradespeople. For more information, check out our list of useful resources on page 104.

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