

# CONSTRUCTION COST COMMENTARY

## Quantity Surveyors Construction Cost Consultant

36/F, Skulthaisurawong Tower  
141/58 Surawong Road  
Suriyawong, Bangrak  
Bangkok 10500 Thailand  
Telephone : (662) 234-4933  
Facsimile : (662) 234-4934  
E-mail : rhlbthai@rhlb.co.th

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Thailand registered positive and healthy growth in the first quarter.

Tourist arrival has exceeded expectation. Most property developers have reported increase in both revenues and profit.

Political situation is still a concern but the conflicts have been less violent.

The disaster and aftermath occurred in Japan seems to benefit Thailand. Establishment of plants and factories in the country tend to accelerate. Thailand is a good choice for migration and one of the best alternatives as a travel destiny other than Japan.

The development of high end residential condominium will possibly slow down. The carry over from last year are fairly substantial and the pace of economic recovery in the developed countries are far below expectation.

Residential developments will be focused on middle and low end sectors, which target for local demand. The sizes of units will tend to be smaller to meet the affordability levels of purchasers.

Unit with a size of 30m<sup>2</sup> is once believed to be the smallest possible for a condo unit. A developer recently launched units with area of 22.5m<sup>2</sup>, which appeared to be well received.

Despite the outcry of potential over supply, the number of additional hotel rooms to be added to the market will not be abated.

There is a shift in the mix with tourist arrivals from China and India topping the largest percentage increase.

Retailers appear to be very optimistic and there are a number of large retail centres being under construction or planned, principally around the Bangna areas.

We maintain our positive view on the property and construction industry in the coming year.

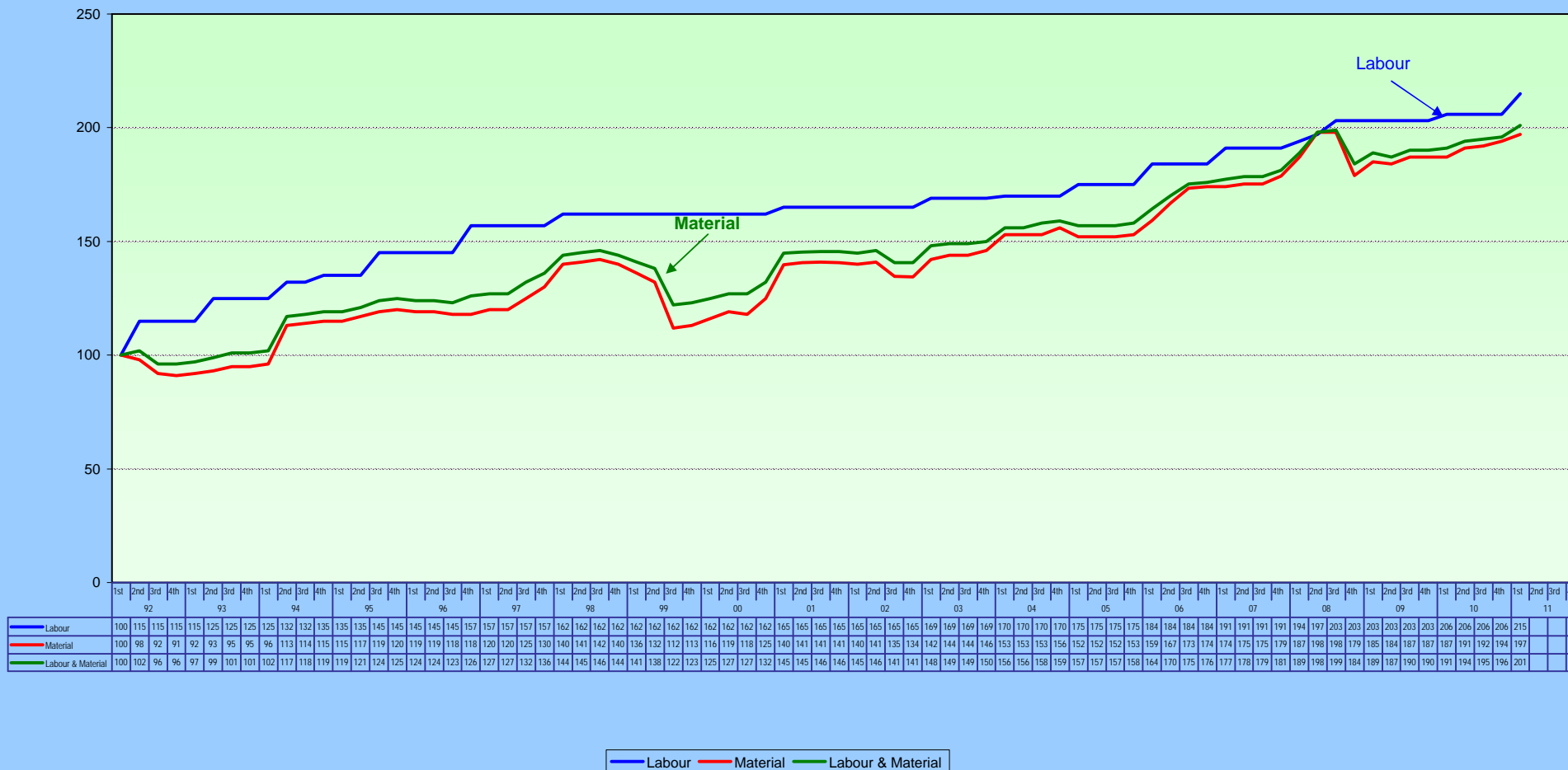
The common concern is on the building cost trend.

Minimum wage rates have been increased by about 7%, which have a repercussion effect.

Demand of building materials both locally and from overseas will put pressure on building material costs.

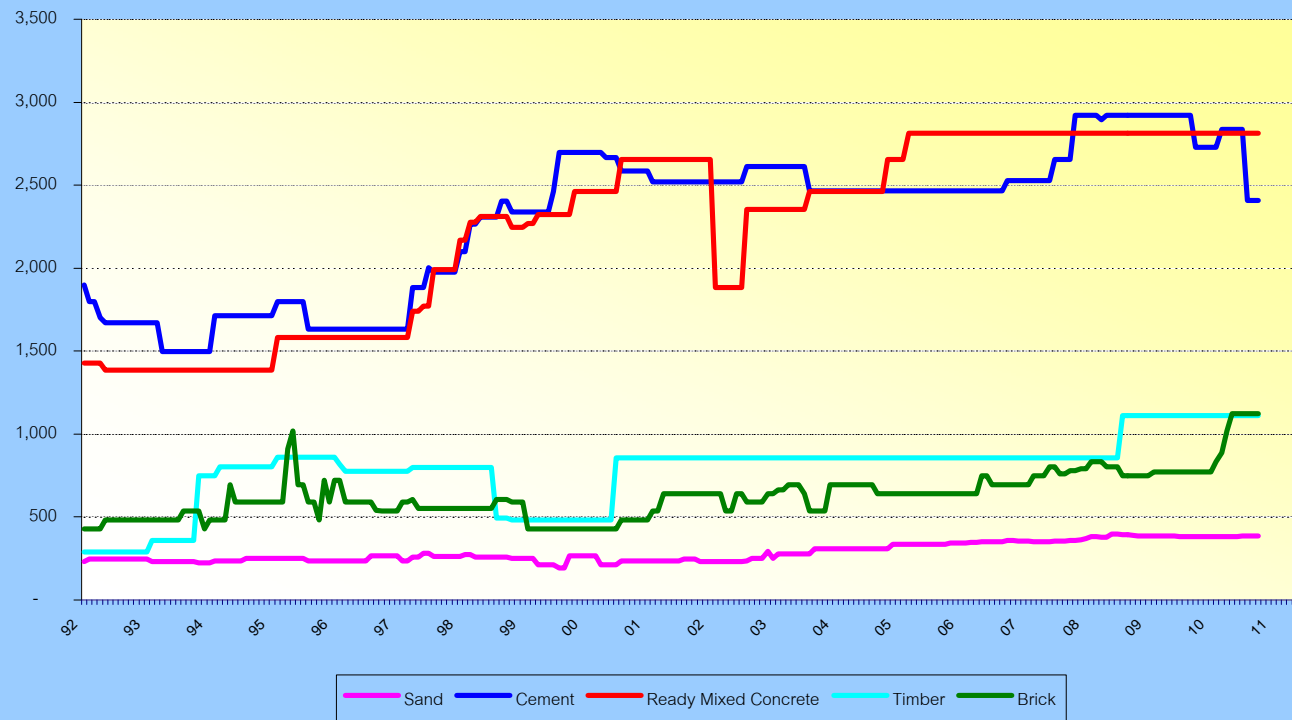
We project a 10-12% overall increase this year.

## Labour & Material Cost Indices



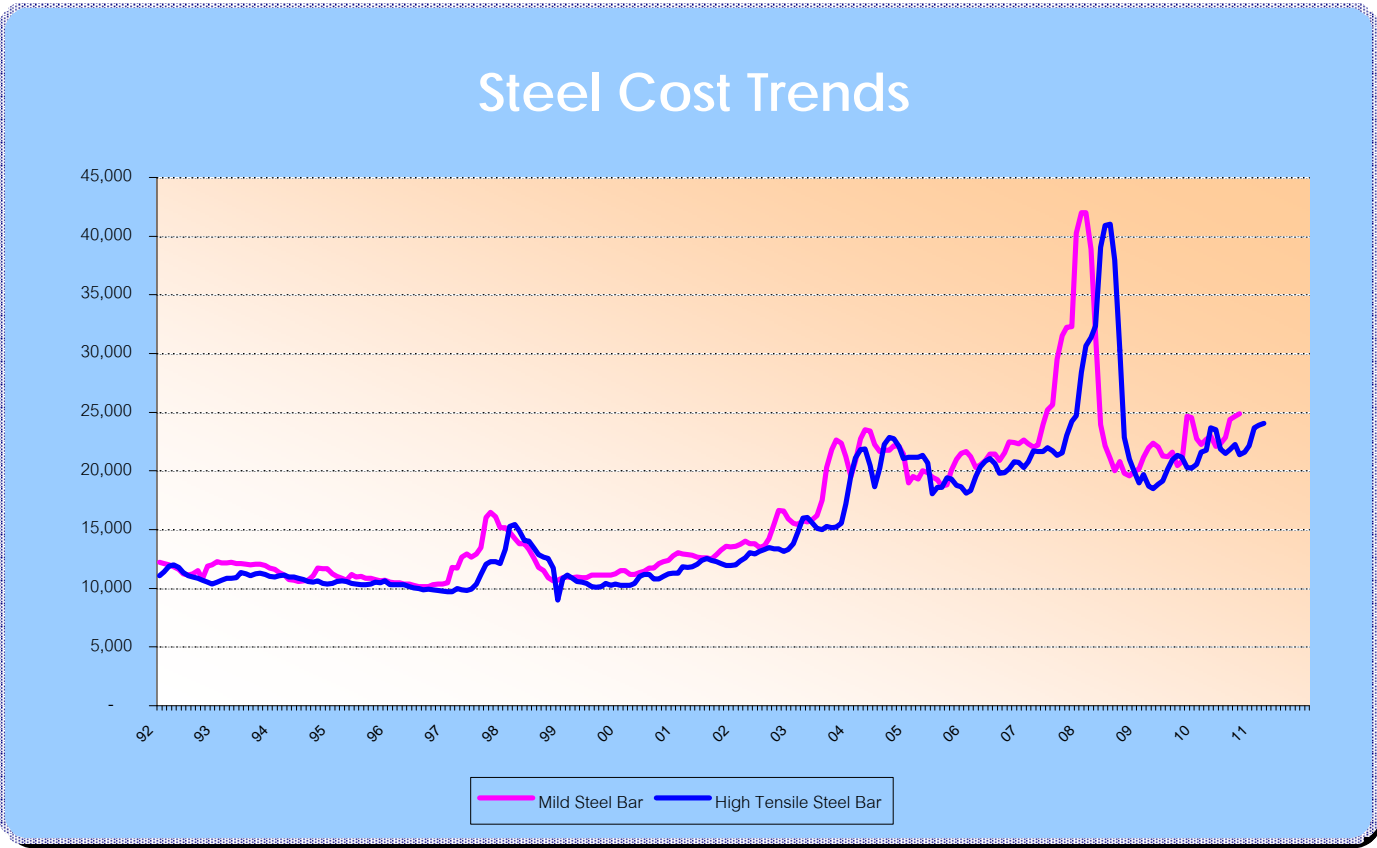
Notes : VAT rate between 3rd Quarter 1997 and 1st Quarter 1999 is 10%, the VAT rate is 7% otherwise.

## Materials Cost Trends



Sand (Baht per cu.m)  
 Cement (Baht per tonne)  
 Ready Mixed Concrete (Baht per cu.m)  
 Timber (Baht per cu.ft)  
 Brick (Baht per 1,000 pcs.)

Source : Ministry of Commerce



Mild Steel Bar (Baht per tonne)

High Tensile Steel bar (Baht per tonne)

Source : Ministry of Commerce

## Approximate Order of Construction Costs

	<u>Cost per m2 of CFA</u>	
	Baht	
<b>Office</b>		
High quality	25,500	- 30,500
Medium quality	20,500	- 25,500
Ordinary quality	18,500	- 20,500
<b>Shopping centre</b>		
High quality	22,500	- 26,500
Medium quality	18,500	- 22,500
<b>Hotel (including FF&amp;E)</b>		
5 Star	49,000	- 53,000
3 Star	36,000	- 41,000
<b>Residential condominium</b>		
High quality	32,500	- 40,500
Medium quality	22,500	- 30,500
Low quality	18,500	- 22,500
<b>Factory (low rise)</b>	12,500	- 16,500
<b>Car park</b>		
Multi storey	9,500	- 12,500
Basement	12,500	- 16,500

### Notes :

- (1) The construction costs indicated are based on prices obtained by competitive tendering for lump sum fixed price contracts with a normal contract period and normal site conditions and locations.
- (2) The costs are average square metre unit costs only not based on any specific drawings / designs. The costs are nothing more than a rough guide to the probable cost of a building. Figures outside the given ranges may be encountered.
- (3) The costs exclude furniture, fittings and equipment [FF&E] (except hotel), site formation and external works, financial and legal expenses, consultants' fees and reimbursables, value of land and price fluctuation between the prices at the date of this commentary and the time of calling tenders.
- (4) Construction Floor Areas [CFA] (for estimating and cost analysis purposes) are measured to the outside face of external walls (or in the absence of such walls, the external perimeter) of the building and include all lift shafts, stairwells and E&M rooms but exclude light wells and atrium voids.

CFA would generally be the same as the suspended slab areas of a building.

Gross Floor Area [GFA] for submission to building authority, which includes areas on grade and accessible roof areas, tends to be higher.