

CONSTRUCTION COST COMMENTARY

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The hospitality industry has undoubtedly suffered the most severe negative impact from the incidents in May.

The common expectation has been that Thailand would encounter a slump and mass lay off would be imminent.

Once again, the country of Thailand shows good resilience.

Against all predictions, the Thailand economy and property market have reported improved performance.

Economic indicators, stock market indices, tourist arrivals, property transactions etc between the month of January and July all posed better figures than the same period last year with export volumes and values taking the lead.

A record price transaction for a piece of land at Wireless Road was reported in June.

It is believed that Thailand has been heading for a recovery, which was only abated by the political situation.

Also, the downturn last year was caused by the financial tsunami, which had a broader and longer implication compared to the political turmoil, which is more localised.

The most popular discussions in the aftermath of the May situation, which was unprecedented, have been insurance against terrorism attack and back up office.

With the political threat still lurking, these two agenda have been under serious considerations by many of the large organizations.

The cases are of less concern to small and medium organizations, who cannot afford such measures and have to handle the situation as and when it arises.

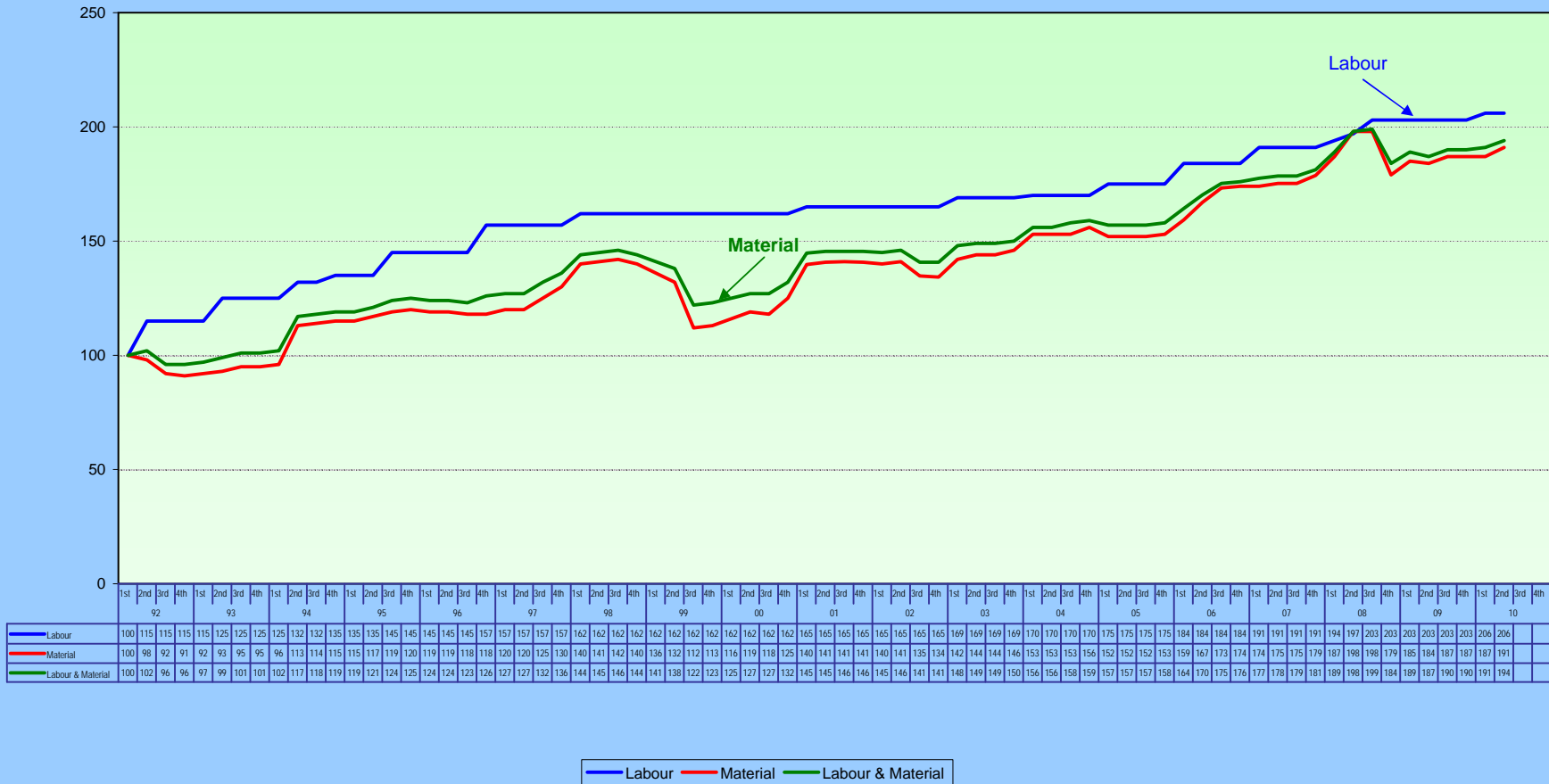
Experiences have been gained however and most companies have implemented contingency plans for such emergency.

In the coming months, property developments are expected to be concentrating on medium and low price range of products to meet domestic requirements.

In the first half of the year, we see gradual increase in the overall building costs, principally driven by the increase in rebar prices.

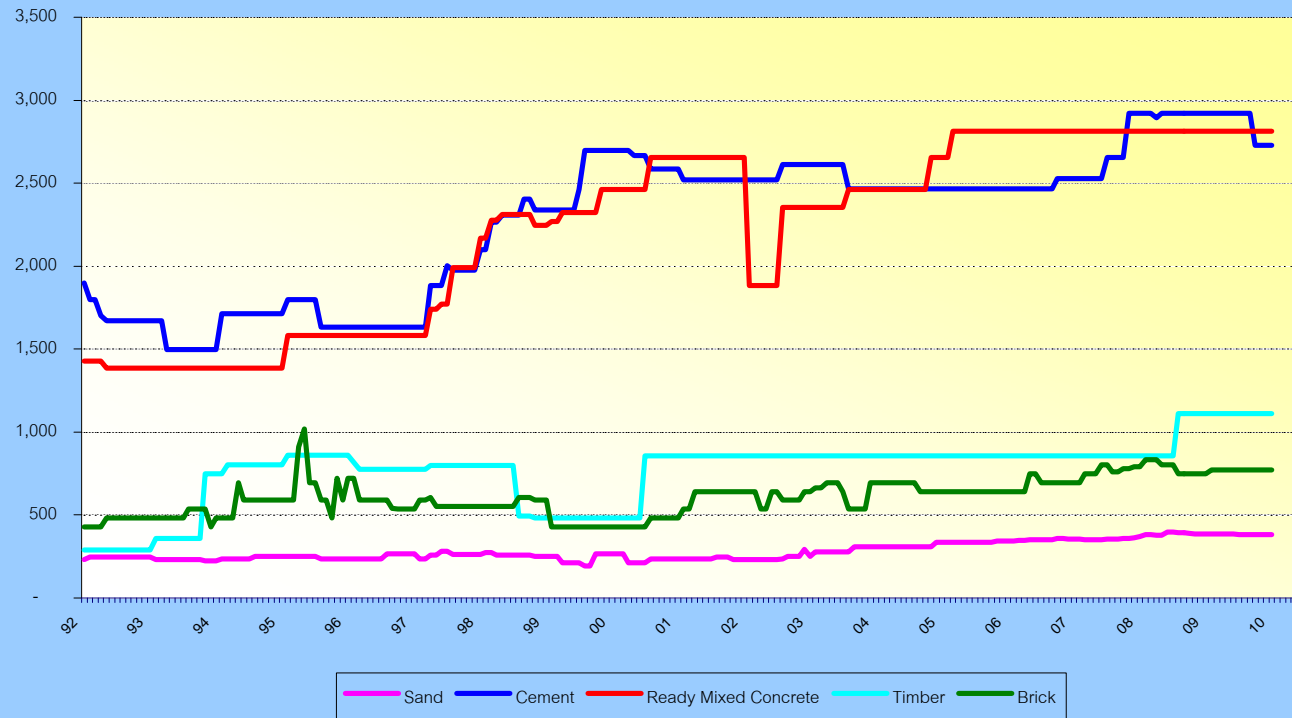
If this trend maintains, it is likely, by the end of the year the costs will return to the peak level experienced in second and third quarters of 2008.

Labour & Material Cost Indices



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

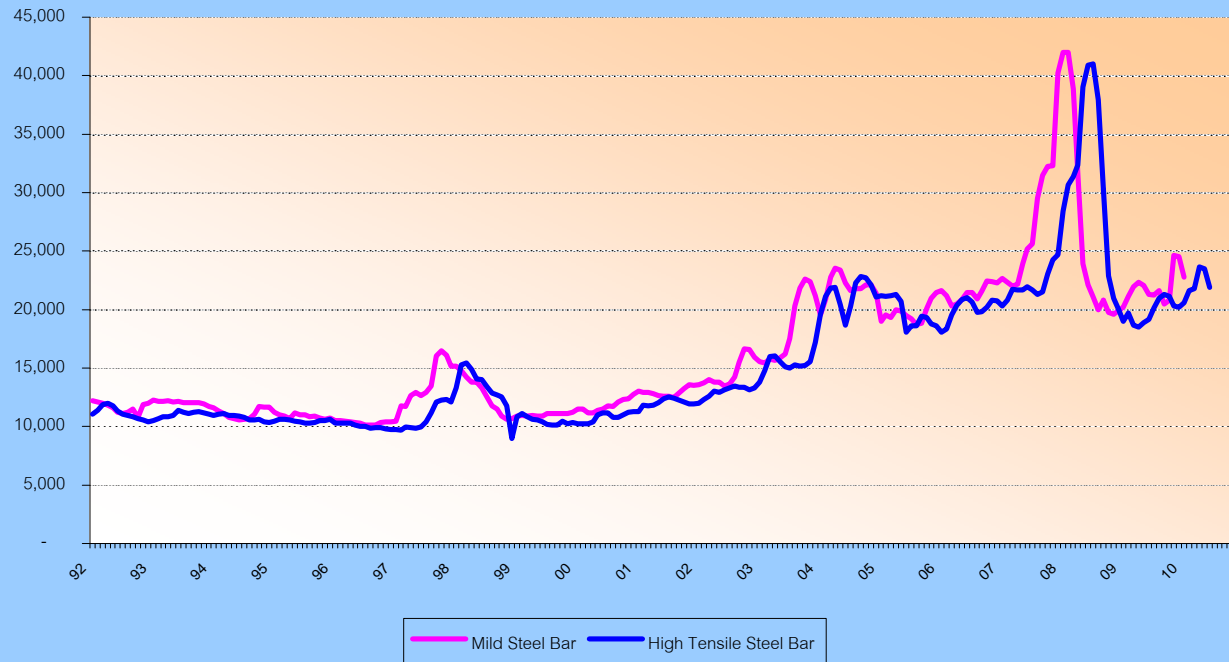
Materials Cost Trends



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

Steel Cost Trends



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	
Office		
High quality	25,000	- 30,000
Medium quality	20,000	- 25,000
Ordinary quality	18,000	- 20,000
Shopping centre		
High quality	22,000	- 26,000
Medium quality	18,000	- 22,000
Hotel (including FF&E)		
5 Star	48,000	- 52,000
3 Star	35,000	- 40,000
Residential condominium		
High quality	32,000	- 40,000
Medium quality	22,000	- 30,000
Low quality	18,000	- 22,000
Factory (low rise)	12,000	- 16,000
Car park		
Multi storey	9,000	- 12,000
Basement	12,000	- 16,000

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 are based on 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 walls and atrium voids.

CFA would generally be the same as the suspended concrete 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.