

# CONSTRUCTION COMMENTARY

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At the time of preparing this commentary, the Russian Ukraine war is far from over. There is respite in activities due to winter conditions. Measures have been adopted in many countries to abate the impact and price escalations were not as acute as that at the time when the war first broke out. However, even if the war ends within the first half of next year, damage has been done and it will take a few years to restore the situation to pre war level.

China took a sudden turn in her Covid policy on 7th December 2022. Number of cases has soared. Medical services and supplies are strained. The strategy, while belatedly, is welcomed by most. Unfortunately, preparatory works appeared to be not well planned and organized. The common consensus is that the situation will be maintained for the next six to nine months. Over time, production and economic activities will return to normal.

The process of diversification of manufacturing base from China has begun. Vietnam should have benefited the most. A case however happened in October, which toppled a conglomerate virtually overnight. Such incident casts doubt on the consistency of the country's system and would have the effect of deterring potential investments. Thailand appears to be a good alternative.

With the welcome policy adopted by the government, many foreign investors are making their moves, most of them being institutional organizations.

These investors demand enormous amount of paperwork even at pre selection stage for both consultants and contractors. They bring contracts which are standard in their countries or drafted by persons with limited understanding of the construction cultures and practices in Thailand. The conditions are inevitably onerous.

While some form of protocols or policies need to be followed, excessive documents and stringent contract conditions limit the selection of consultants and contractors and lead to higher price returns. After all, the success of a project does not depend on how well a contract is written but how well the contract is administered. Quality of services or works does not depend on paperwork or the size of the organization but the person or team from the organization deployed to the project.

Due to the Covid situation, meetings through internets become the standard. Electronic transmissions of documentations including that for tendering are also popular. Paper filings and hard copy transmittances are dispensed with on environmental reason.

A number of problems are observed with this popular practice.

Assimilation of the designs or bulk information cannot be through viewing of displays in a monitor. Eventually, hard copies need to be printed by the recipients, which simply transfers the onus of printing from one party to another and hence defeats the primal purpose.

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Amendments to documents become easy. Unfortunately, full documents are usually re-issued even with minor update and with no reference to or listing of the amendments, which is really a malpractice and easily leads to miscommunication and misunderstanding. Parties initiating the changes to documents are best placed to know the contents thereof and should have the duty to advise the revisions which have been implemented to reduce the inputs down the line.

With no paper file, retrieval of records and documentation requires disciplines from all parties involved to ensure that the proper search words have been included. However it is not uncommon for subject of an electronic transmission differing entirely from the contents therein. As observed, messages issued over two weeks tend to be forgotten and the originators are constantly called upon to distribute again the messages.

Thailand performs well in the second half of the year following the opening of the country.

All projections of economic indicators such as GDP growth, tourist arrivals, unemployment rates etc. have continuously been upgraded.

The Prime Minister welcomed at the Suvarnabhumi airport early December the 10th million tourist, the estimated arrival being only 6 to 8 million early of the year. Labour shortages particularly in hospitality industry were reported.

Despite negative factors such as global economy revival slow down, threat of geopolitics conflicts, interest rate hike, inflation, high household debts etc., we are optimistic with Thai economy including the property and construction market next year.

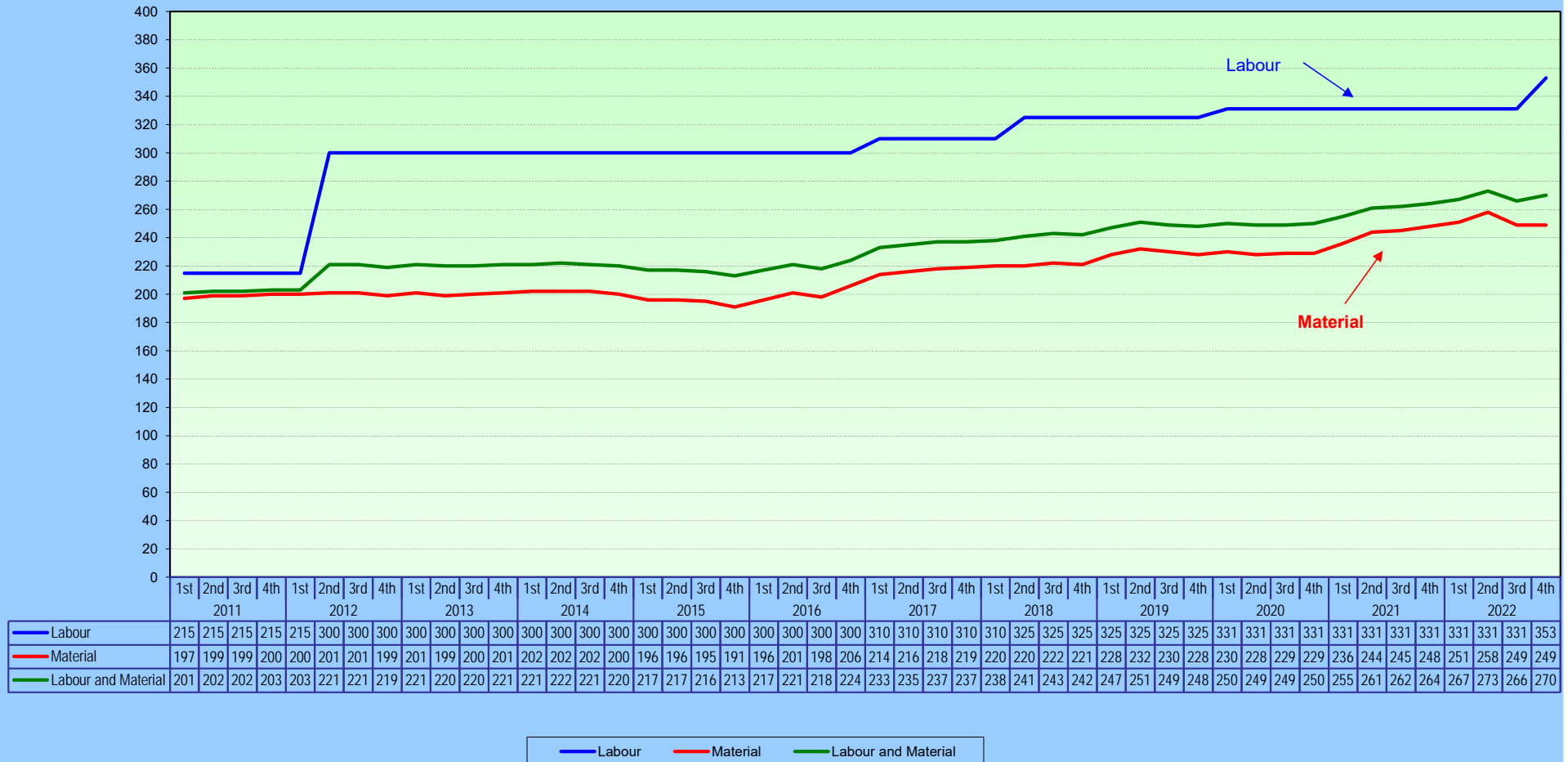
With the prevailing situation in Myanmar, laborers can easily be sourced from that country. Some foreign investments will be diverted from other countries. Private investments from China will increase.

Also, the economic slow down in China and the potential further depreciation of Yuan will make Chinese products attractive and help to offset the inflation pressure.

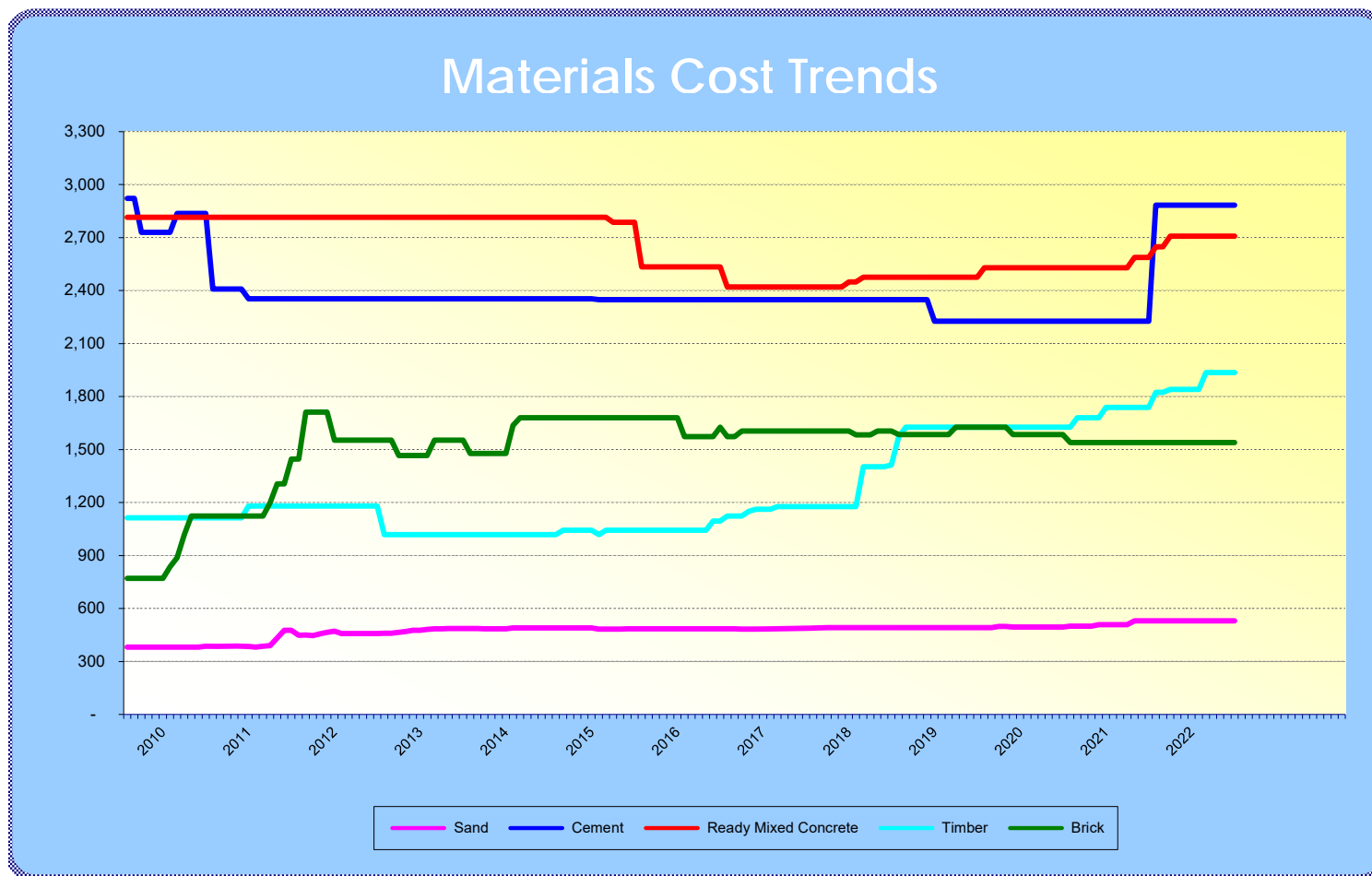
The Government's plan to promote the Eastern Economic Corridor [EEC] is gaining momentum. Many infrastructure projects are in place or under construction. An area of about 1,032 Rai (1,651,200 m<sup>2</sup>) was announced in August to be designated as an airport city, which is a free trade zone comprising all essential developments.

We project a stable price movement in the coming year with an annual increase of 1% to 3%.

## Labour & Material Cost Indices



- Notes :**
- (1) Base of index is at first quarter 1992.
  - (2) VAT rate is 7% except for the period between 3rd Quarter 1997 and 1st Quarter 1999, which is 10%.



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	33,500	- 38,500
Medium quality	28,500	- 33,000
Ordinary quality	25,500	- 28,500
<b>Shopping centre</b>		
High quality	29,000	- 33,000
Medium quality	25,000	- 29,000
<b>Hotel (including FF&amp;E)</b>		
5 Star	60,000	- 64,000
4 Star	56,000	- 60,000
3 Star	48,500	- 54,000
<b>Residential condominium</b>		
High quality	40,000	- 49,000
Medium quality	30,000	- 38,500
Low quality	25,000	- 29,000
<b>Factory (low rise)</b>	18,000	- 22,000
<b>Car park</b>		
Multi storey	15,000	- 18,000
Basement	19,000	- 23,000

### 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 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, furnishing and equipment [FF&E] (except hotel), site formation and external works, financial and legal expenses, consultants' fees and reimbursables, value of land and 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. Basement floor areas, if any, are also included.  
  
CFA would generally be the same as the suspended slab areas of a building.
- (5) Gross Floor Area [GFA] for submission to building authority, which includes areas on grade and accessible roof areas, tends to be higher.
- (6) CFA, with the exception of factory and car park, includes car parking areas which form an integral part of a development.

Unit construction costs as presented would be higher if parkings are on external areas or located in separate premises or mechanical parking systems are in use.