

CONSTRUCTION COST COMMENTARY

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As we have projected in the last commentary, the costs of building materials and labours are moving upwards and are close to the peak levels in second and third quarters 2008, before the financial tsunami.

Tenders in the last 2 quarters however have remained very competitive, suggesting that contractors' values of work in progress have been dwindling and they are prepared to secure jobs with a lower margin.

Developers appear to be optimistic on the prospect of the market and many projects are being planned, which include a number of office developments, possibly influenced by the government's implementation of a new tax incentive packages for regional operating headquarters (ROH) in the country. The number of new office building developments launched since 1997 has been very limited.

Also, with the situations in United States and Europe, funds need to locate a haven to protect their momentary values. Asia is a favourable choice and Thailand, with good fundamentals and despite its political uncertainty, will benefit.

Investments in real estate and property developments are bound to be increased in the forthcoming year.

Demand for building materials and labour will be high and we would expect the building cost index surpasses the 210 mark from the current figure of 196.

Tender prices would pose a higher rate of increase.

Many have agreed that the Thai market has fully recovered from the civil unrest early in the year.

Some concerns have even been raised that a bubble burst is looming although there are differences in opinion on when the burst would actually happen.

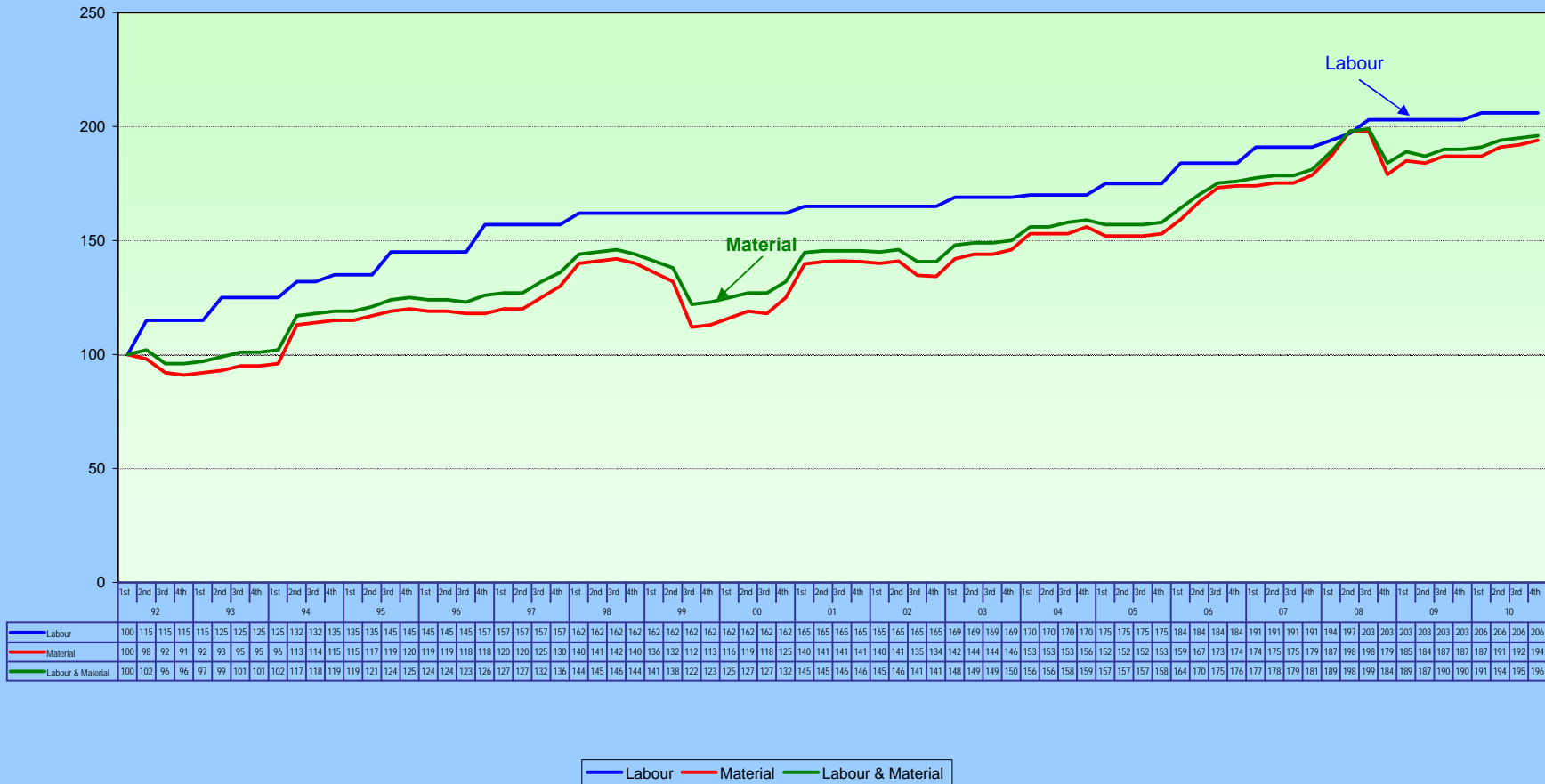
The concerns are possibly supported by the number of projects that have been launched over the last few months and the number of projects to be put up to the market in future.

We are positive on the property and construction industry in the year of 2011.

There are factors such as political instability, higher interest rates and stronger value of Baht which may abate the impact.

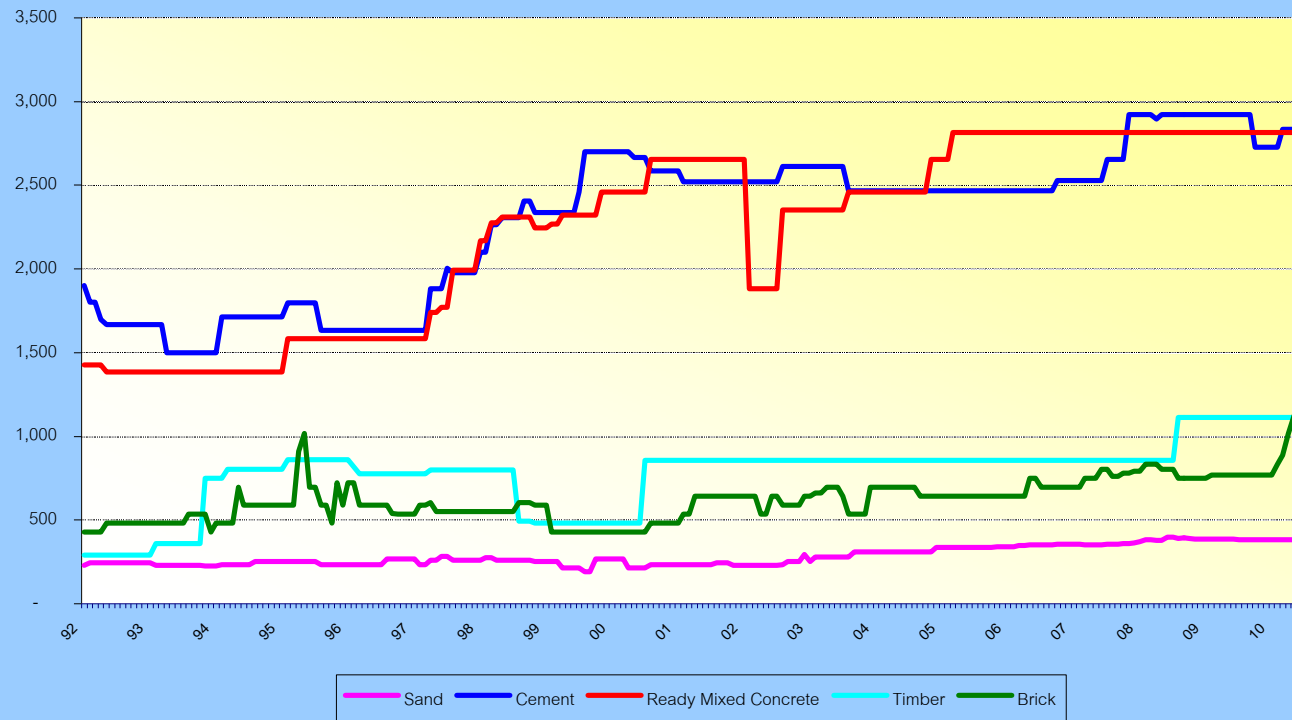
Overall, we see an upward trend in the industry in the year of 2011, which would possibly continue at least towards the first and second quarters of 2012.

Labour & Material Cost Indices



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

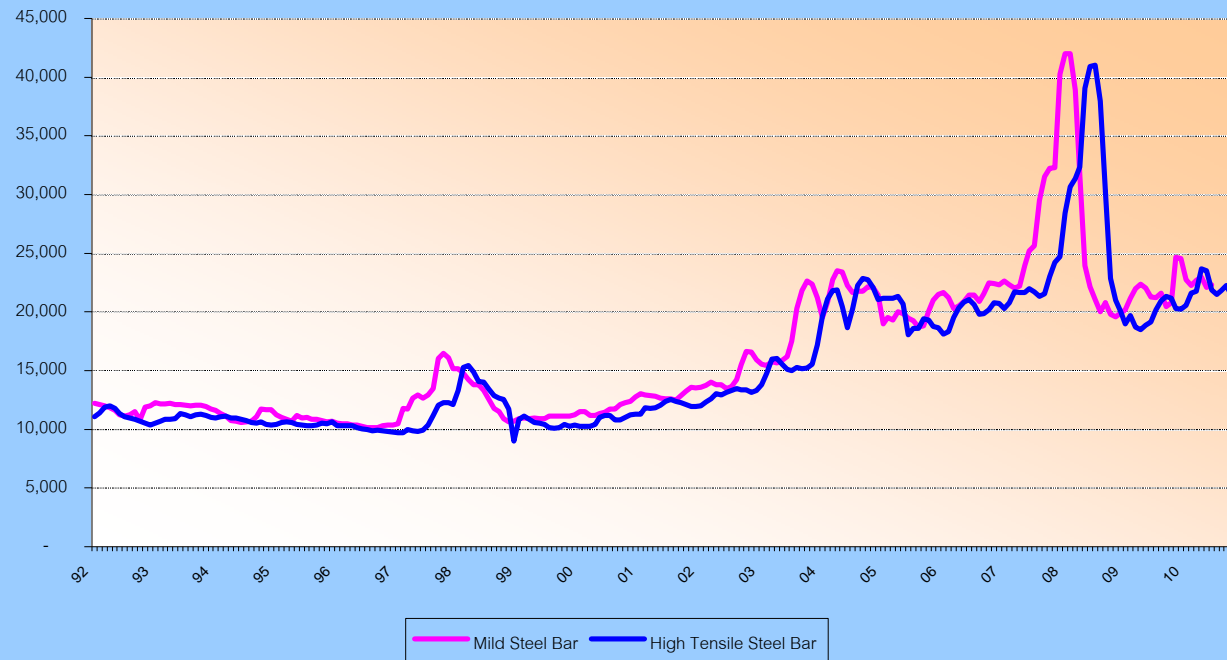
Materials Cost Trends



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.