

CONSTRUCTION COMMENTARY

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The worst flood in half a century is over despite some parts of the country are still under water at the time of writing this commentary.

The economic loss is estimated at about 1.36 trillion Baht. It was suggested that the loss would have been double if central Bangkok had been allowed to be inundated. The government policy to keep central Bangkok dry was however controversial.

The gainers during the flood have been the rentals of apartments and serviced apartments for temporary stays. The loss of tourists business for hotels was compensated by increase in local demand. Hotels in Pattaya, Hua-Hin and other destinations accessible by car from Bangkok reported high occupancies when the status was the most serious.

In the aftermath of the situation, many proposals for future flood prevention projects were put forward but no definite plan has been confirmed as of today.

Various measures were introduced by the government to assist companies and households in rehabilitation works, which include direct subsidy, import duty relaxation for building materials, work permission of foreign experts etc.

The most significant of all could be the postponement of the increase of minimum wage rate to 1st April 2012.

There was speculation that the effective date would be deferred further.

It was believed that demand for condominiums, particularly for those located close to mass transit (BTS and MRT), which proved to have been in continuous operation during the crisis, will be increased.

Developers are advertising "flood free" for their projects.

The incorporation of flood aversion measures such as higher formed site level, location of essential equipments at second levels, dyke construction, pump capacities are also emphasized.

From now towards the first/second quarters of year 2012, resources in the construction industry will be diverted to flood rehabilitation with industrial sectors taking the priority.

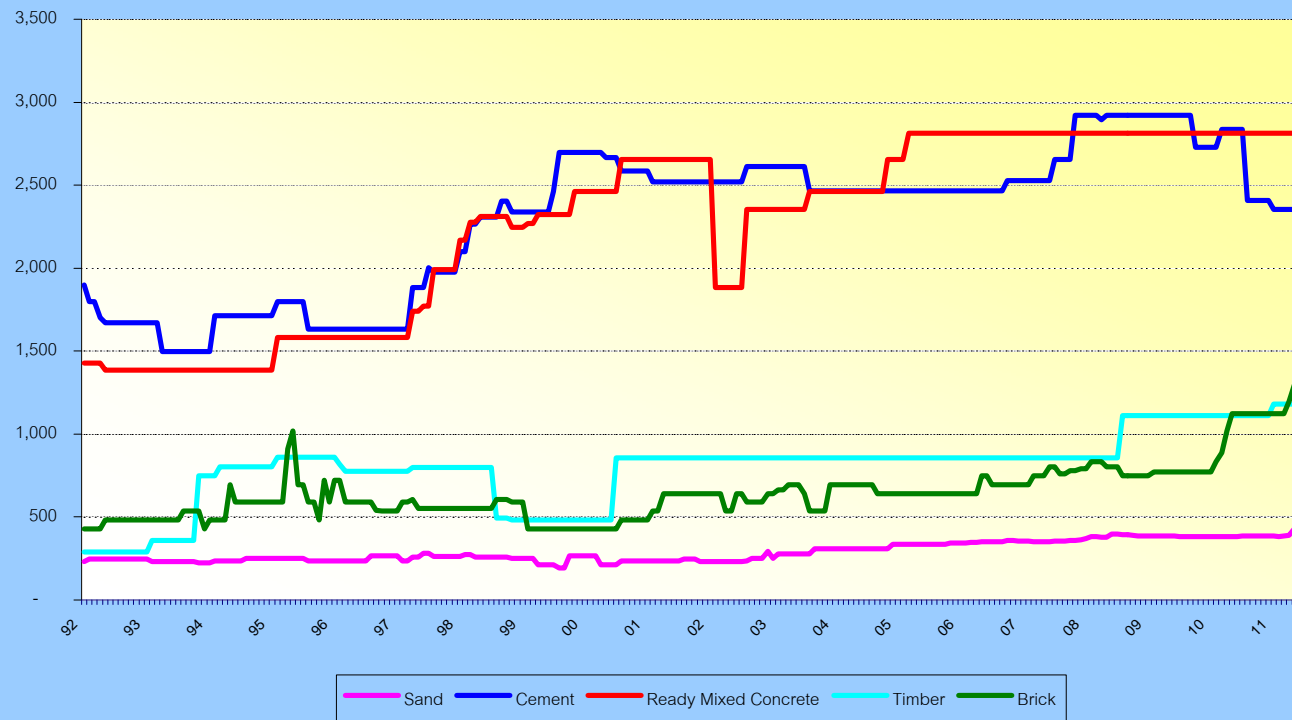
Sales of furniture and white goods will be increased.

Despite the expectation of a global recession next year, it is considered that Thailand can stand up to the situation with all sectors generally driving towards equilibrium.

The crucial factors determining the outcome will be political stability and the demonstration from the government to restore the confidence of investment.

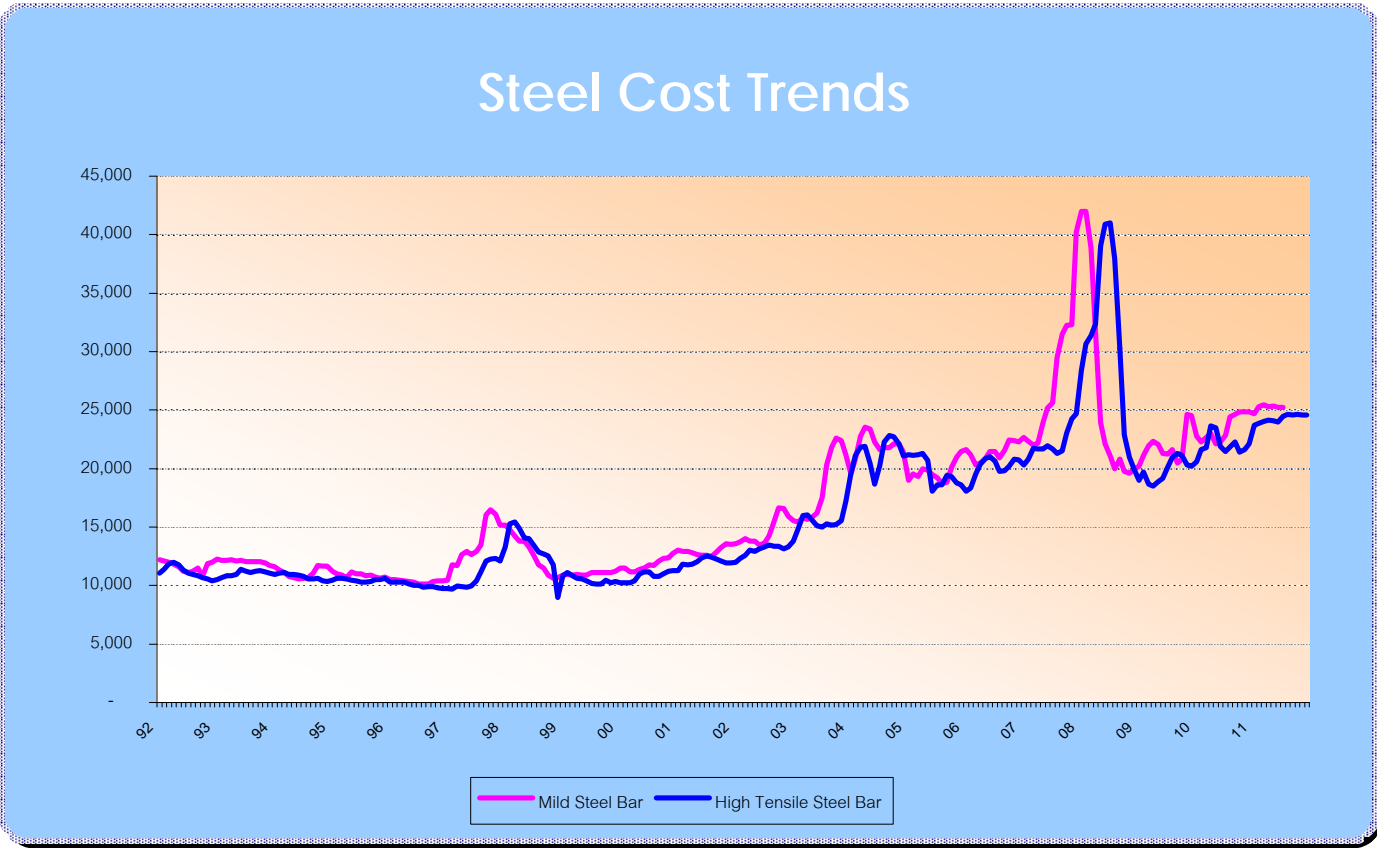
The overall building costs next year will be expected to rise by about 8% - 10% with more acute increase experienced in the first half of the year.

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 GFA</u>	
	Baht	
Office		
High quality	26,000	- 31,000
Medium quality	21,000	- 26,000
Ordinary quality	19,000	- 21,000
Shopping centre		
High quality	23,000	- 27,000
Medium quality	19,000	- 23,000
Hotel (including FF&E)		
5 Star	50,000	- 54,000
3 Star	37,000	- 42,000
Residential condominium		
High quality	33,000	- 41,000
Medium quality	23,000	- 31,000
Low quality	19,000	- 23,000
Factory (low rise)	13,000	- 17,000
Car park		
Multi storey	10,000	- 13,000
Basement	13,000	- 17,000

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, 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.