

CONSTRUCTION COMMENTARY

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At the time of preparing this commentary, the Bangkok shutdown campaign is still in process. There is no clear sign on when and how this turmoil will end. The only certainty is that the country has suffered.

The property market in Thailand in 2013 is considered as one of the best in years. All sectors have registered growth in both values and quantum.

Condominium represents the main stream of supply in residential sector as there has been change in living style. There was about 28,000 units completed and registered in 2013. The number was less than that planned due to delay in completion though.

A total area of about 150,000 m² were added to the retail stock. 70% of such were in community malls, the development of which was popular few years back.

There was limited number of office developments completed last year. The demand for office space has increased steadily. Consequently both occupancy rate and office rental have increased.

The number of tourist arrivals was close to the original target of 26.2 million despite the set back caused by the political situation since November last year. Overall occupancy rate has increased with room rates adjusted slightly upwards as competition remains severe.

The overall building material and costs have been stable.

The number of projects put up to tender however have increased and hence tender prices have increased accordingly. A 5% to 10% escalation in tender prices is reported.

The performance of the property market in the year 2014 will undoubtedly depend on the political situation.

The government's 2 trillion infrastructure projects are bound to be delayed, if not stalled. Other investment decisions are also likely to be deferred or shelved.

This will help to alleviate the pressure of demand on materials and labour in the construction industry and hence abate the rate of cost increase, which we project at 3% to 5% in the forthcoming year.

In this article, we would like to comment on the meeting philosophy we observed or experienced in Thailand.

For meetings to be effective, there should be advanced preparation, proper record and subsequent follow up.

An agenda or checklist should be compiled to define and streamline the topics to be reviewed.

Meetings should be under control to avoid meetings within meetings and with one item to be discussed at a time.

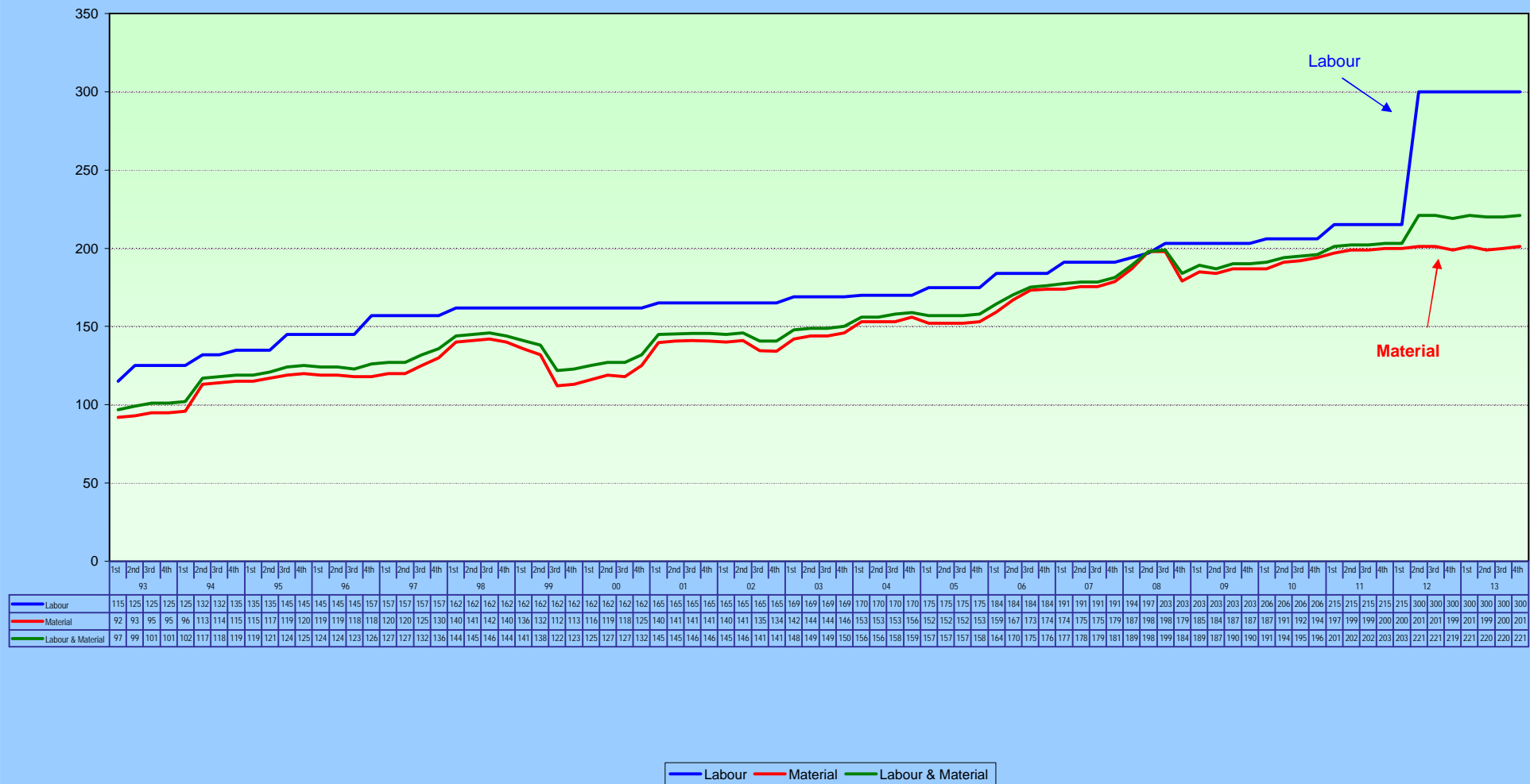
Unfortunately, the criteria above are generally lacking.

Punctuality is also a problem. It is not uncommon for meetings to start later than scheduled with each of the attendants arriving sporadically.

Worst of all, discussions are reconvened if the late comer is high in the echelon, which is usually the case.

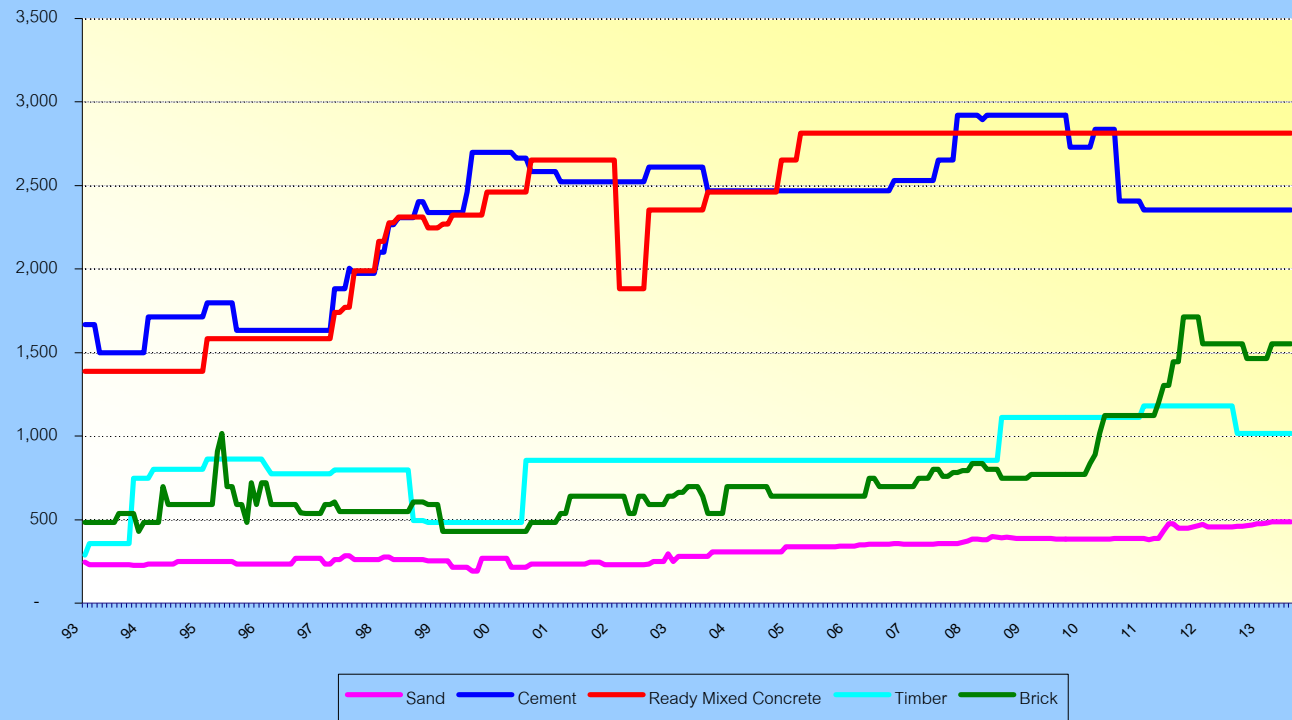
Travelling time for meeting generally tends to be long and meetings should be conducted efficiently with a clear objective to make good use of the time spent.

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%.

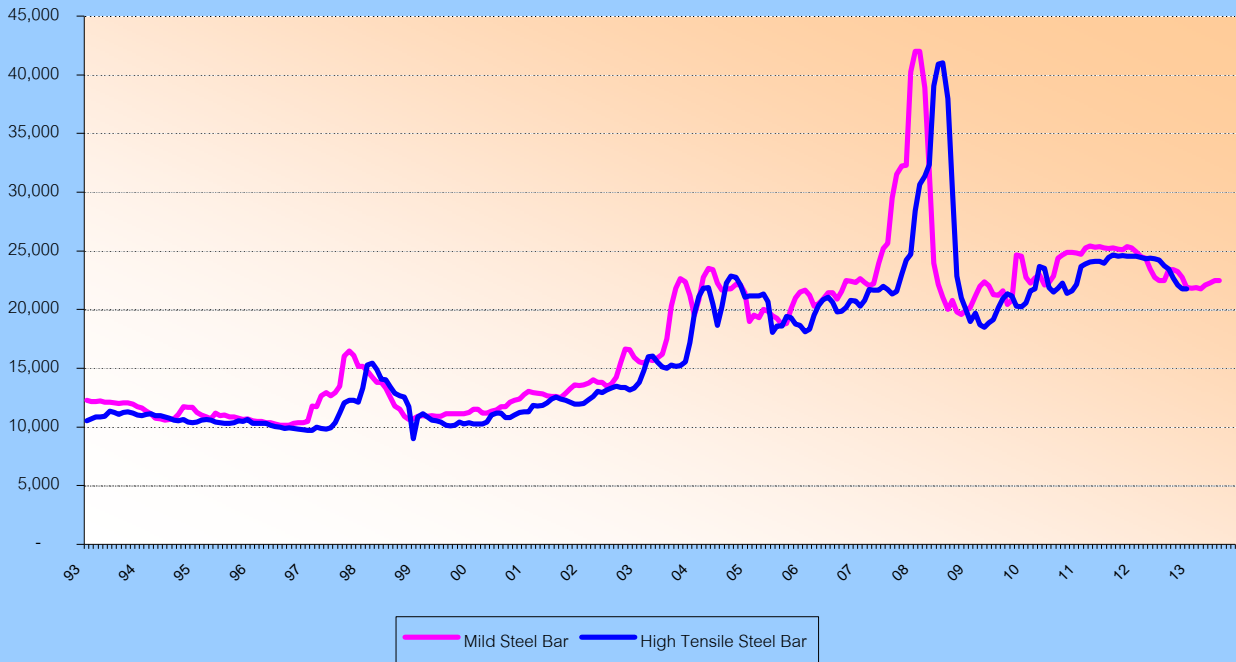
Materials Cost Trends



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	27,500	- 32,500
Medium quality	22,500	- 27,500
Ordinary quality	20,500	- 22,500
Shopping centre		
High quality	24,500	- 28,500
Medium quality	20,500	- 24,500
Hotel (including FF&E)		
5 Star	52,500	- 56,500
3 Star	39,500	- 44,500
Residential condominium		
High quality	34,500	- 42,500
Medium quality	24,500	- 32,500
Low quality	20,500	- 24,500
Factory (low rise)	14,500	- 18,500
Car park		
Multi storey	11,500	- 14,500
Basement	15,500	- 19,500

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, 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.

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