

CONSTRUCTION COMMENTARY

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The year of 2021 turned out to be another bad year for the majority. The pandemic has been present for a period of time beyond most expectation.

While the Covid-19 was believed to have been contained and fade off, an Omicron variant arose in late November 2021, which initially stormed the Western world. The spread came to Asia recently. The daily cases registered in Thailand have once soared to 9,500. The trend is upwards and it would not be long that the record in third wave of outbreak in April last year will be broken.

The government is stepping up restrictions to curb the contagion, which includes restoring the quarantine requirement, limitation of operation hours of some businesses etc. Such would have an effect of putting back further the recovery projection from 2023 to 2024. There is every reason for companies to re-consider their strategy and defer their development plans accordingly. The number of company closures will be increased.

The gross domestic growth (GDP) in the year 2021 is estimated to be 1.2%, which is as expected. Omicron only took effect in late months of the year and did not affect the country until close to the end of the year.

All sectors of the property market, with the exception of single detached houses and warehouses, recorded down turn in both values and turnovers. Developers and landlords have to make concessions to attract or retain customers. Many projects are currently hibernated.

The demand of single detached houses is from end users, who have taken advantage of the situation to secure the best buy.

The reason for warehousing demand remaining strong was due to increase in e-commerce and on line business activities.

Land prices were still rising, though at a rate below 5 years' average.

Despite the scenario, some private projects are undeterred. The owners of these developments have the visions that the current situation is not permanent and their projects will then be completed timely for the recovery. A quasi completed development bears no value. However it is observed that most of these owners are cash rich and do not rely entirely on financial arrangement or pre-sales to support the construction of their projects. Also, some of these projects are on leasehold land, the value of which will diminish as time.

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A number of measures have been introduced by the government to alleviate the economy. Those which are directly pertaining to the property market include the relaxation of loan to value (LTV) ratio, reduced mortgage taxes, etc. The one which carries the most impact is considered to be the commencement of a number of infrastructure projects, which would have the highest multiplier effects.

General inflation rate in 2021 stood at 1.2%. The increase in construction material prices however is higher. An annual increase of about 6% was registered, which is principally due to change in metal and fuel prices.

The projection for the coming year is far from optimistic, even if the virus can be contained within the year as World Health Organization (WHO) has once predicted.

The tension between Chinese and US governments has not been abated, if not escalated, following the election of the new US presidency. Many experts in international affairs did not rule out the possibility of a direct physical conflict in Asia.

Supply chains have been disrupted and international shipments have yet to be restored to normality. The situation will linger as the pandemic prolongs. Despite weak demands, costs will still be pushed up, which adversely affect the feasibilities of many projects.

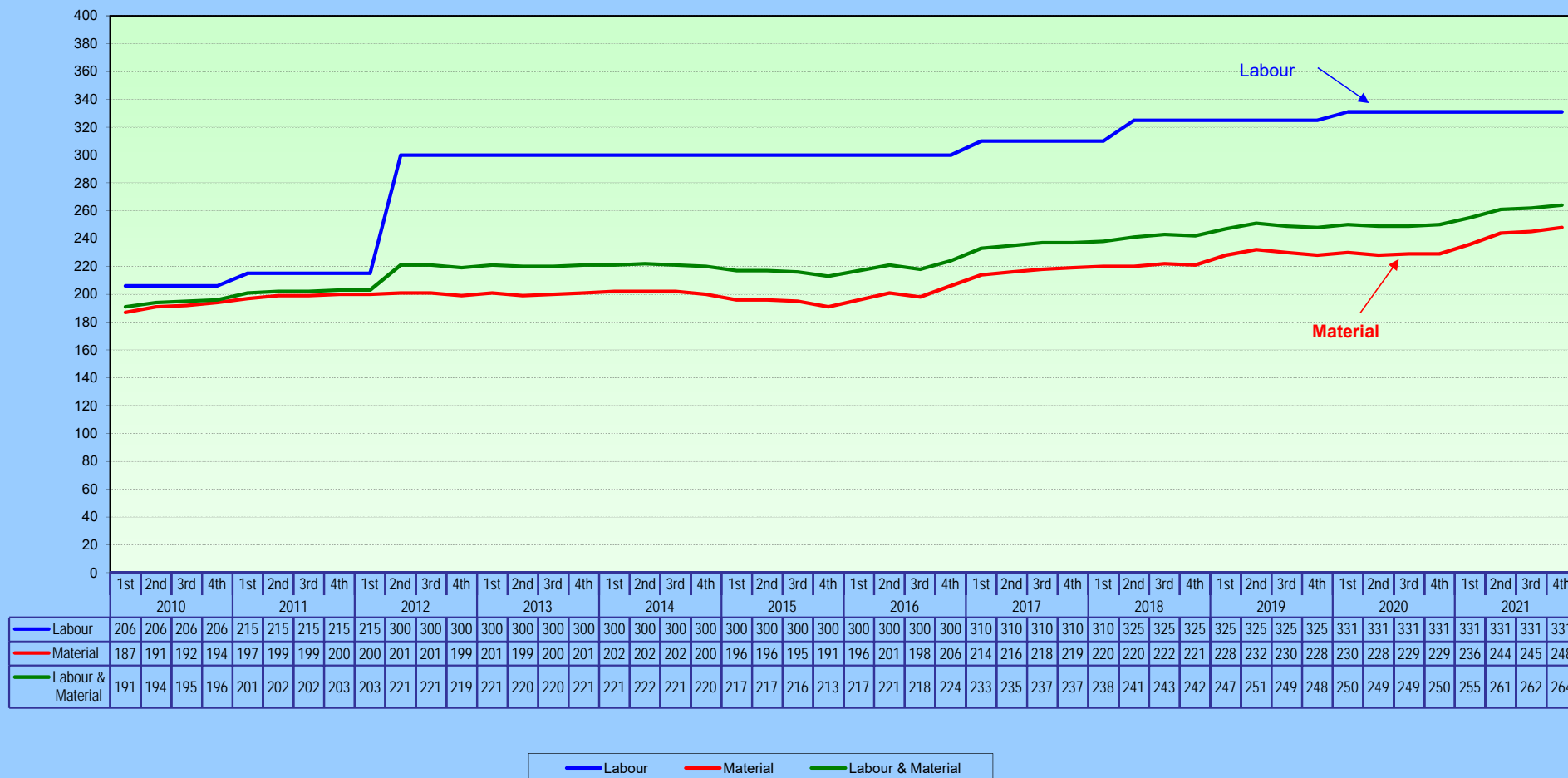
Chinese conglomerates and individuals have played a major role in direct investments, condo purchases and tourism in Thailand. With the zero-Covid goal policy, slackening economy and foreign currency restrictions in China, Thailand proprietors need to explore new markets to cover the deficiency left over, which may not be attained shortly.

The economic performance in the year 2022 would principally hinge on how well the virus is contained and the related policy taken by the government.

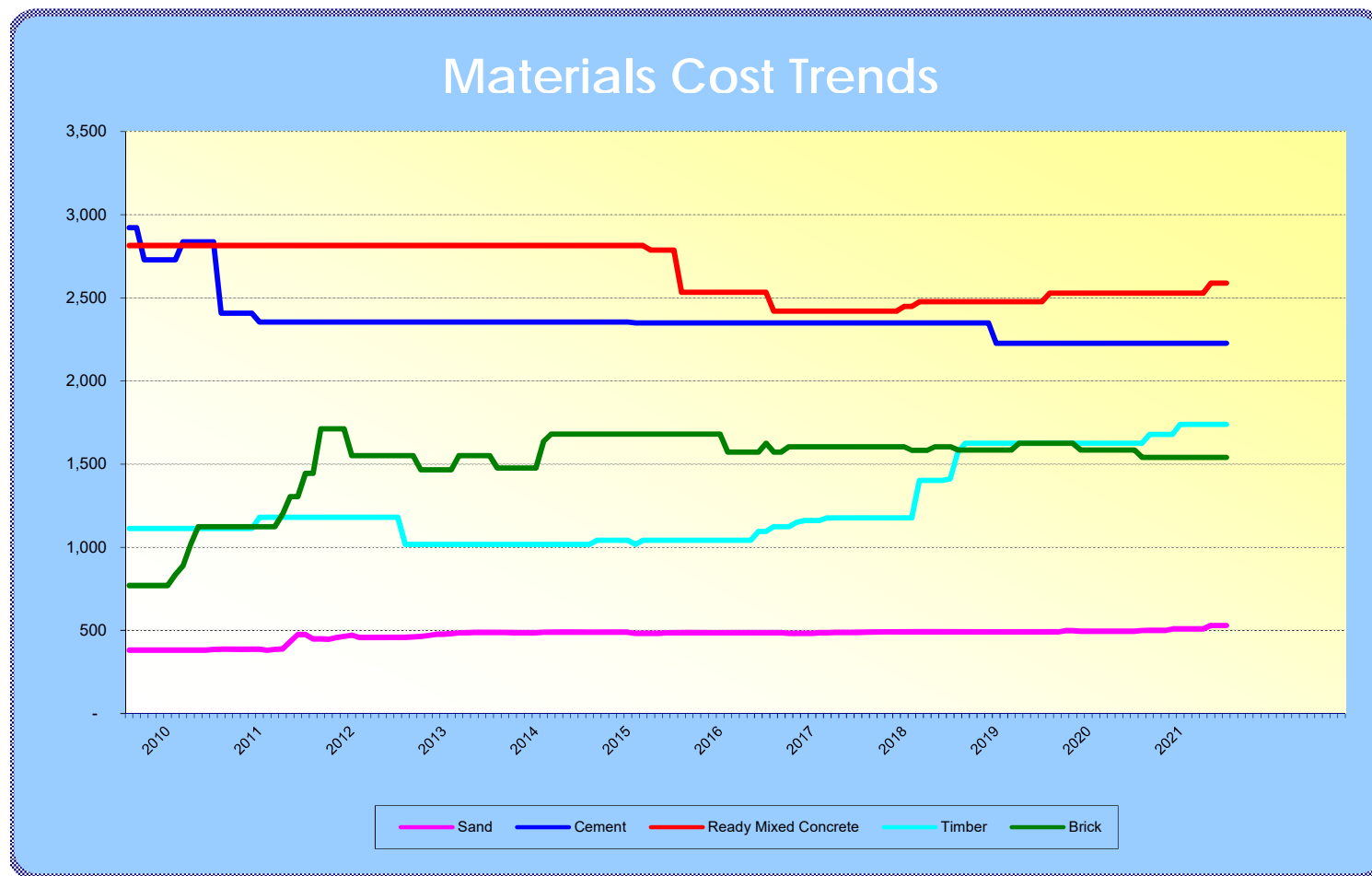
Most property developers will continue adopting a waiting attitude. Their focus would be to clear the existing stocks in hand. The construction market this year can only be upheld by civil projects.

The overall building cost increase this year is projected at 4% to 6% pa.

Labour & Material Cost Indices

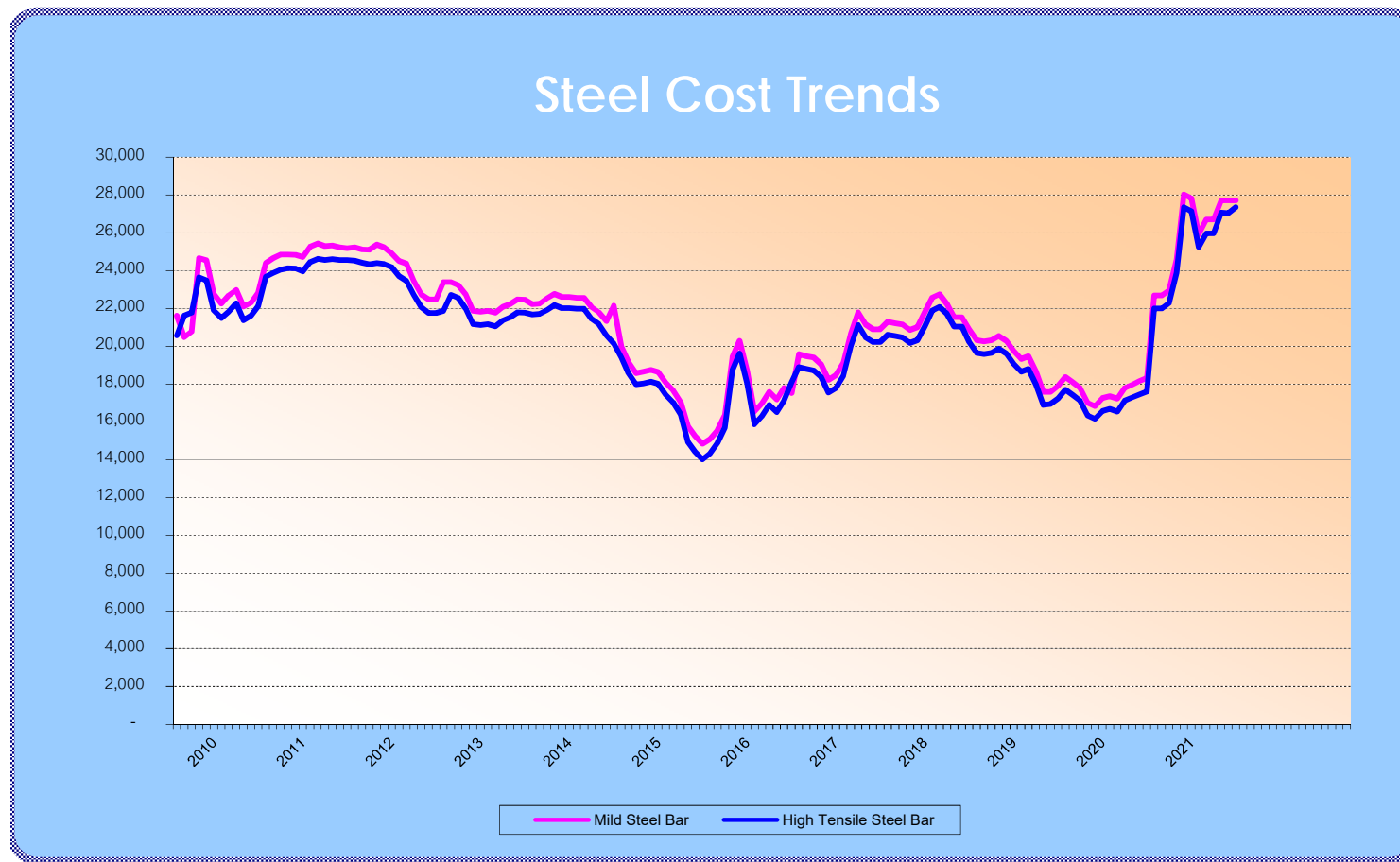


- Notes :**
- (1) Base of index is at first quarter 1992.
 - (2) VAT rate is 7% except for the period between 3rd Quarter 1997 and 1st Quarter 1999, which is 10%.



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	
Office		
High quality	32,500	- 37,500
Medium quality	27,500	- 32,500
Ordinary quality	24,500	- 27,500
Shopping centre		
High quality	28,000	- 32,000
Medium quality	24,000	- 28,000
Hotel (including FF&E)		
5 Star	58,000	- 62,000
4 Star	54,000	- 58,000
3 Star	46,500	- 52,000
Residential condominium		
High quality	39,000	- 48,000
Medium quality	29,000	- 37,500
Low quality	24,000	- 28,000
Factory (low rise)	17,000	- 21,000
Car park		
Multi storey	14,000	- 17,000
Basement	18,000	- 22,000

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.