

CONSTRUCTION COMMENTARY

Quantity Surveyors Construction Cost Consultant

36/F, Skulthaisurawong Tower
141/58 Surawong Road
Suriyawong, Bangrak
Bangkok 10500 Thailand
Telephone : +66 (0)2 234-4933
E-mail : rhlbthai@rhlb.co.th
Website : www.rhlb.co.th

ISSUE JANUARY 2025

The year of 2024 was eventful.

Many countries experienced the change of their heads of state. This included Thailand who had its youngest prime minister coming into office in August.

Most of the policies laid down by the preceding government were retained including the digital wallet scheme (despite scaling down), raising the minimum daily wage to Baht 400 (coming into effect on 1st January 2025) etc.

The new government also inherited the same problem such as uneven economy recovery, rising household debts, increasing living costs etc.

Economic growth is still lagging behind other Asean countries.

The high household debt level, which exceeds 104% of the GDP in the last quarter, appears to be one of the main obstacles. The debt restructuring measures implemented may alleviate the problem temporarily. In the long run, not only the income of the general public need to be improved, habit of thrift spending and merit need to be educated and promoted.

The residential sector had a mediocre year. Both launching and sales of units have dropped. Most public listed property companies registered missed sales targets with profits dwindled. However, luxury sections and market in Phuket posed the exception. The absorption of luxury products remained strong. The transactions in Phuket reached a record height post pandemic.

With new spaces introduced, both occupancy rate and rental in the office market have fallen. Grade B sector encountered the most severe competition, principally from Grade A sector, which are generally nearby and provide better quality and facilities. Some offices are undergoing renovation to retain tenants or converted to other usages.

Not many retail areas were added. With sluggish economy, shoppers have tightened their expenses. However, to maintain attractions, many big chains were claiming to uplift and/or add features to their properties.

Tourist arrivals exceeded 35 million, lower than the previous government's target of 40 million, generating about 1.6 trillion Baht to the economy. Chinese visitors still ranked number one, followed by Malaysians, Indians, South Koreans and Russians. Phuket registered 6.2 million arrivals with hotel occupancy rate at over 70%, the highest in the last 5 years.

CONSTRUCTION COMMENTARY

Quantity Surveyors Construction Cost Consultant

36/F, Skulthaisurawong Tower
141/58 Surawong Road
Suriyawong, Bangrak
Bangkok 10500 Thailand
Telephone : +66 (0)2 234-4933
E-mail : rhlbthai@rhlb.co.th
Website : www.rhlb.co.th

ISSUE JANUARY 2025

667 factories were reported to have been closed leading to about 17,500 job loss in the first half of the year. Many attributed such to the influx of low priced Chinese product. Despite the outcry, there has been limited counter measures undertaken by the government. Despite such, industrial land transactions reached a record height, possibly due to the China plus one policy and the avoidance of potential tariff increase.

Currently Thailand rank fourth in data centres in the Asean region. The Board of Investment announced that 46 related projects have applied for investment privileges, which includes multi international firms from various countries. A 30% to 40% growth is projected in the coming 3 - 5 years. The government has plan to reduce electricity bill from Baht 4.57 per KWH to Baht 3.70 per KWH, which will attract more investments.

With the unpredictability of the US President elect, the year of 2025 will be full of uncertainty.

The potential increase in tariff would cause higher inflation and affect the pace of interest rate cut.

Geopolitical tension in Asia may escalate to an undesirable level. It is suggested that a plan should be compiled to accommodate sudden influx of refugees, who are in affluent category, generating demand and creating pressures on prices of all commodities. The situation in Phuket over the last 2 years would be a good analogy.

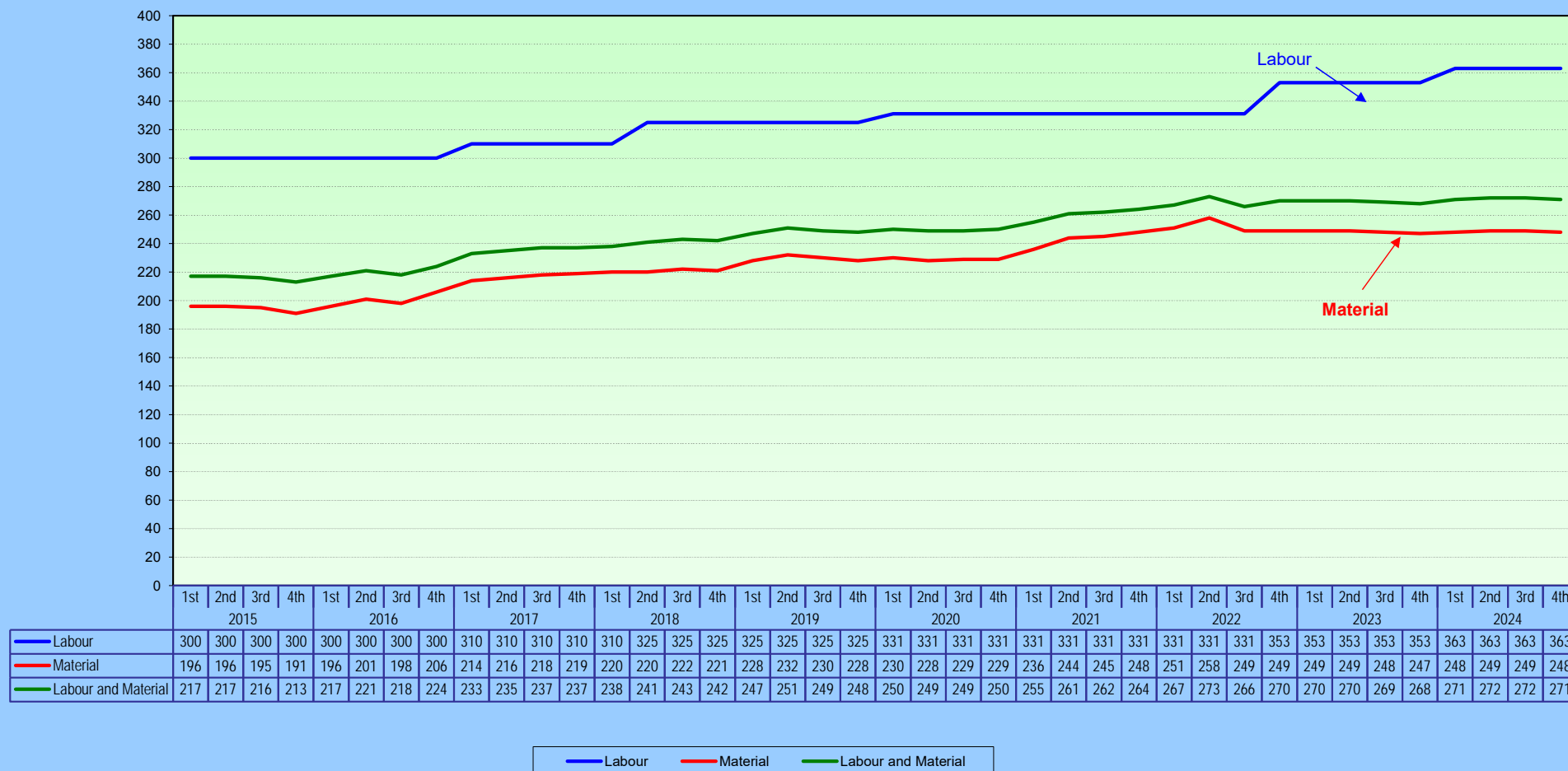
The overall GDP growth of Thailand this year is projected to be around 3%.'

As the overall stock except office is diminishing, the property market should perform better.

Construction cost in the first half of the year should remain stable but with more projects coming into the market, cost will rise steeper in the second half.

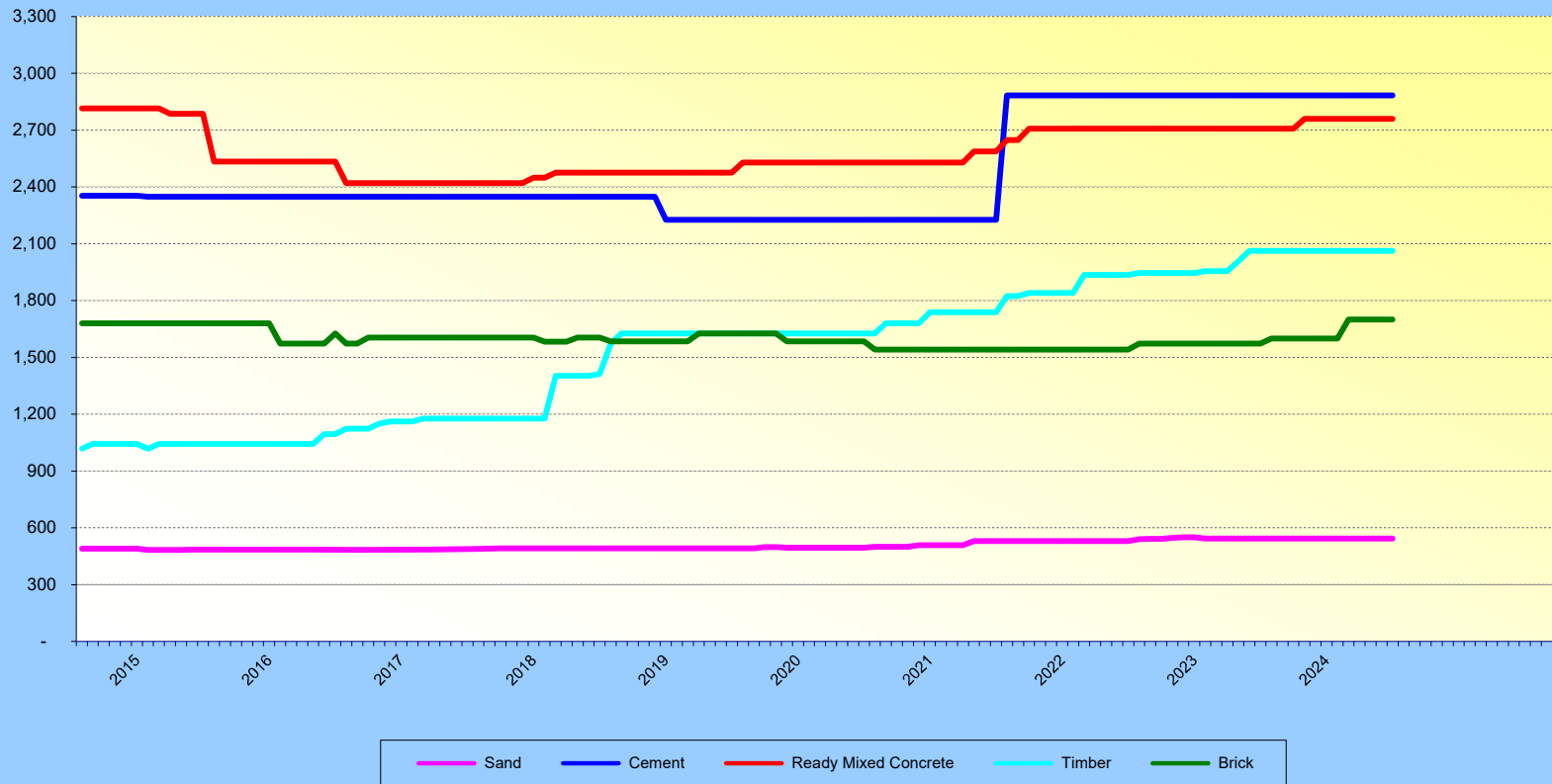
On average, we project an overall average increase of 3% to 4% in the next 12 months.

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%.

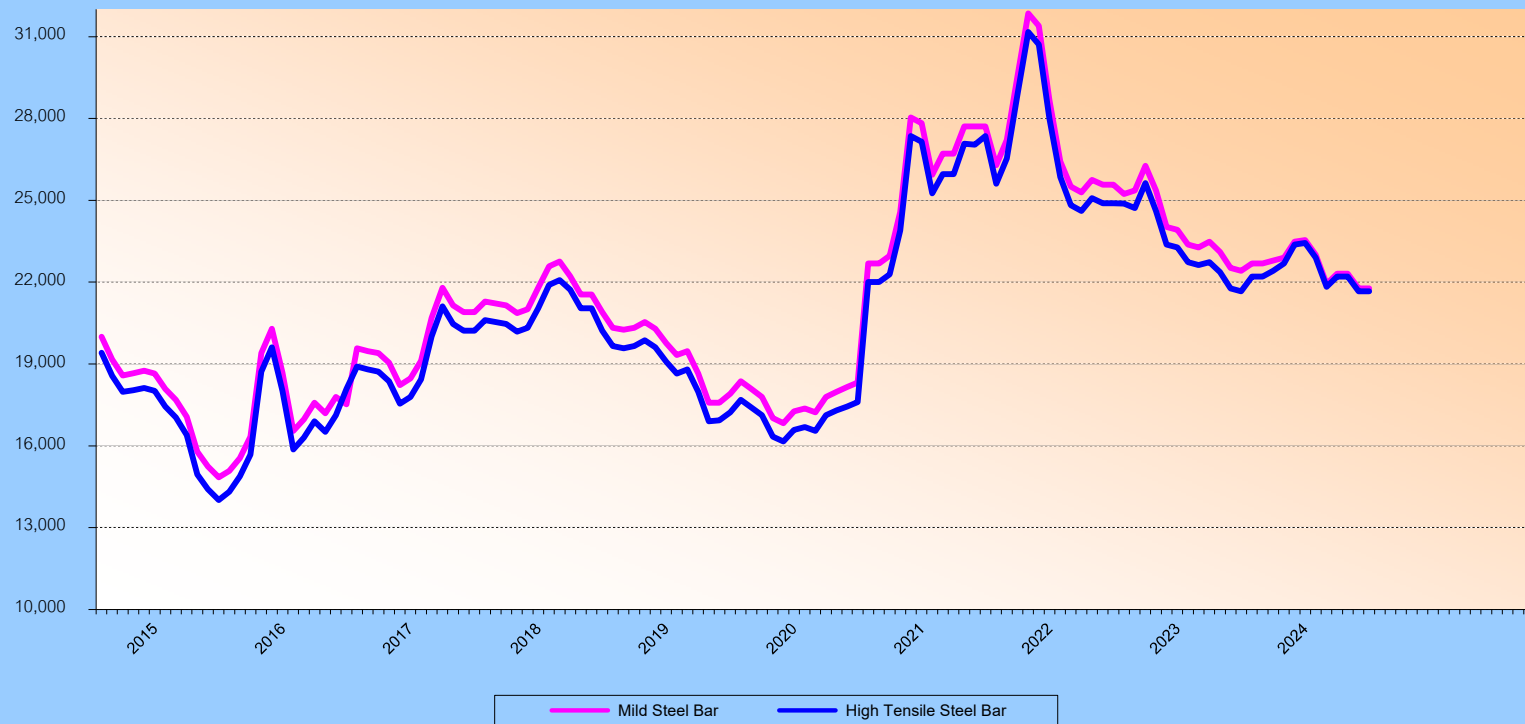
Materials Cost Trends



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	33,700	- 38,700
Medium quality	28,700	- 33,200
Ordinary quality	25,700	- 28,700
Shopping centre		
High quality	29,200	- 33,200
Medium quality	25,200	- 29,200
Hotel (including FF&E)		
5 Star	60,200	- 64,200
4 Star	56,200	- 60,200
3 Star	48,700	- 54,200
Residential condominium		
High quality	40,200	- 49,200
Medium quality	30,200	- 38,700
Low quality	25,200	- 29,200
Factory (w/basic provisions only)	18,200	- 22,200
Car park		
Multi storey	15,200	- 18,200
Basement	19,200	- 23,200

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.