

CONSTRUCTION COMMENTARY

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The year of 2014 is beyond doubt not a good year for Thailand.

In a recent economic survey for the period 2013-14, Bangkok came last out of 300 cities worldwide being surveyed.

Tourist arrivals and revenue have decreased by 4% and 5% respectively.

The poor performance attributes principally to the political turmoil, which has lasted for a few years leading to the unrest in the first half of the year, ending in military coup in May and martial law for a short spell of time.

However, business and consumer confidence, especially in the property market, was evidently higher in the third and fourth quarters of the year.

It was reported that 57% of all condominium units launched in the fourth quarter have been sold with a take up rate as high as 90% in the city center.

The average selling price for high end condominium now stands at Baht 200,000 to 220,000 per m2.

A record price of Baht 330,000 per m2 for a unit was registered.

Office sector continues to perform well. A 10% vacancy rate was reported, which was stated as the lowest in more than 20 years.

The projection for the coming year is optimistic.

The ruling government has introduced a number of policies and measures to restore the business confidence and stimulate the economy. Among which include tax reduction, clamping down on irregular practices, implementation of infra-structure projects, extension of mass transit lines etc.

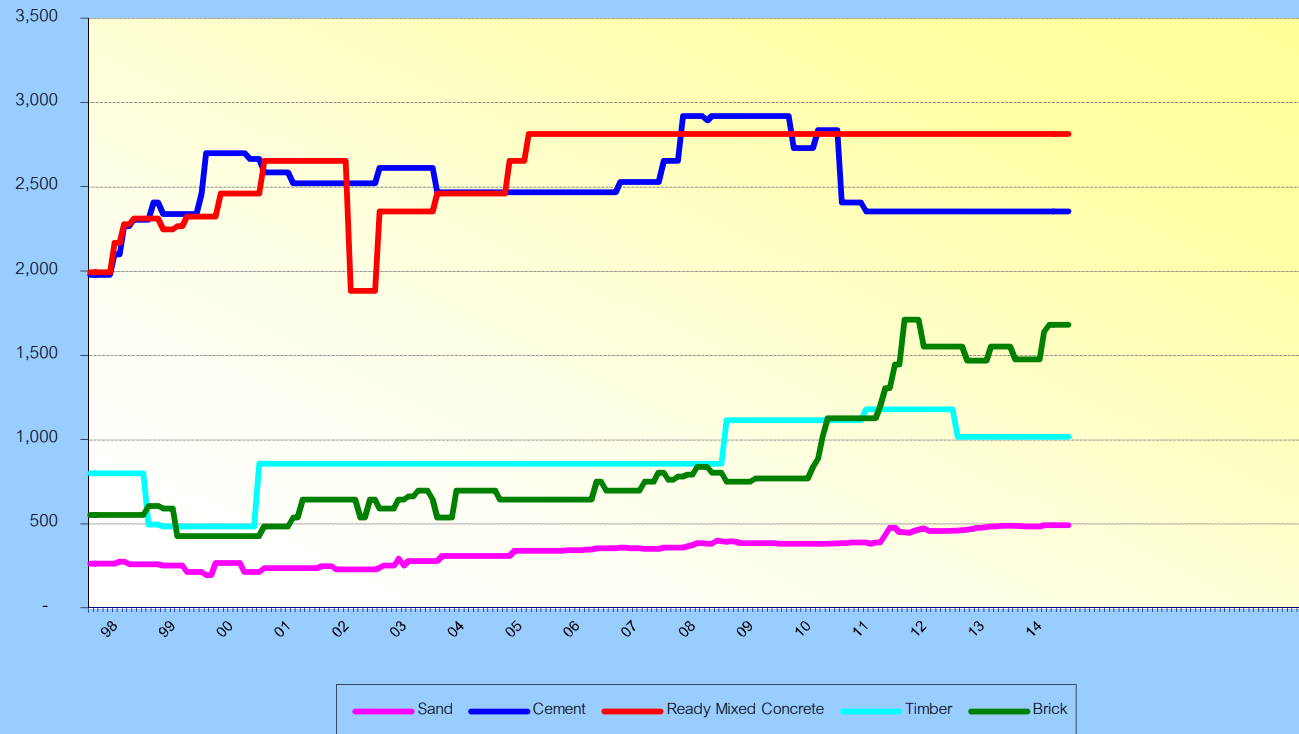
The Asean Economic Communion [AEC] will formally be inaugurated at year end and this will expedite the new establishments of those companies, which plan to use Thailand as the base of their operations in the region.

Oil prices have continually hit a new low, which have direct impact on construction materials.

For instance, manufacturers of steel rods have been required to reduce the price by Baht 1,500 to 2,000 per tonne, while that for cement will be cut by Baht 2 to 3 per 50 kg bag.

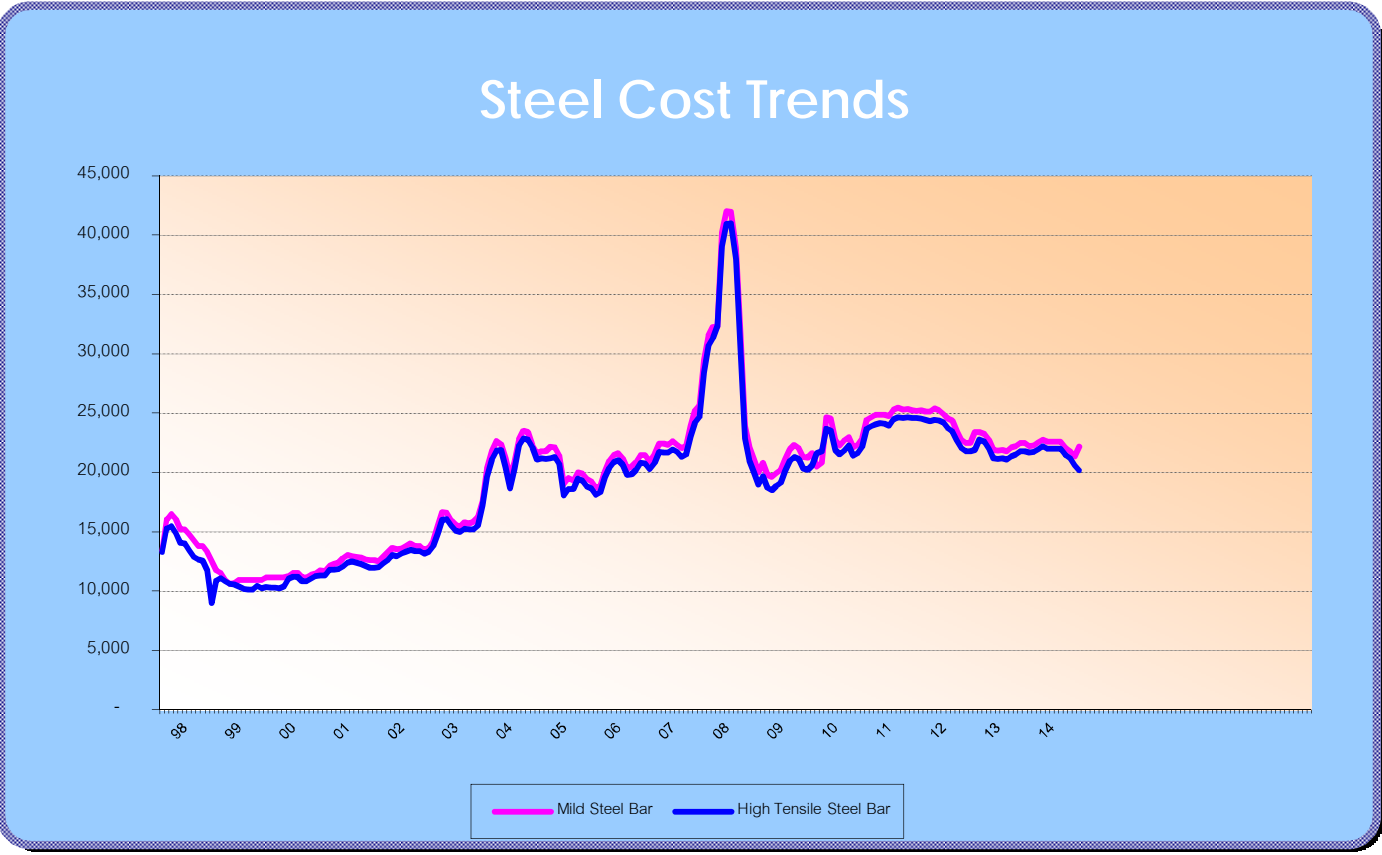
Construction prices have been stable and this trend is anticipated to be maintained for the coming year.

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 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.