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CONSTRUCTION COMMENTARY

ISSUE JULY 2025

All problems bewildering Thailand over the last few years remained unresolved, if not worsened.

At international level, it started with the indiscriminate high tariff policy implemented by USA. There have been many documentations commenting and analysing the adverse effects to world economy, which will not be repeated in this commentary.

A number of observations or lessons are noted, which may not necessarily be agreed upon by all.

It is illustrated and affirmed again that the paying side always has the upper hand. The influence is in proportion to the size of the entity and value of order.

The initial setting of a high level of standard or requirement puts the receiving side under pressure. Subsequent relaxation creates a disillusion that gains have been attained by the receiving side through negotiations and/or counter measures.

The continuous change of direction and postponement, together with the unreasonably high standard and requirement undermines the authenticity of the initial proposal. However, it has the adverse effect on the receiving side adopting a wait and see approach, dampening most, if not all, of the commercial activities.

There is no clear sign when the tensions in Middle East and Eastern Europe would be eased.
The situation in West Pacific Ocean is also not better.

In Thailand, a Chinese actor was kidnapped. Despite the quick rescue, worry of safe travel to the country has created, leading to cancellation of travelling plans including the abortion of a concert. The number of Chinese tourist arrivals in the first 4 months is reported to have dropped by about 30%, whereas Singapore, Malaysia and Vietnam registered increase for the same period with Vietnam recording a surge of about 150%.

The concern on safety is considered groundless.

Thailand has limited, if no, record of tourists being abducted on the street. All victims who have been kidnapped here and transferred to another country were enticed in their home country with attractive job packages, free travels etc. Their fates were determined once they boarded the plane to Thailand in their home cities. Unfortunately the general public share different opinion.

On 28th March, Thailand experienced the first serious tremor caused by an earthquake in Myanmar. The loss incurred is estimated at about Baht 50 billion. With the exception of one building, most damages appeared to be non structural with only around a dozen of buildings reported structural damage. At the time of preparing this commentary, the cause of the collapse of the building is still under investigation

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The immediate aftermath of this incident is further drop of tourist arrivals, cancellation or deferment of purchases of high rise buildings or changing the purchases to low rise buildings (which was exactly the opposite after the great flood in 2011).

Despite a seismic design code in place since 2007 for tall and large buildings, many developers opt to enhance the structural strengths of their buildings under construction. Additional gadgets are also introduced to improve the safety standards against earthquake.

Stricter regulation and control are expected to be implemented. Insurance premium will be higher.

The minimum wage in Bangkok region will be increased from Baht 372 to Baht 400 per day with effective from July. Many organizations, particularly that in the category of small and medium enterprises, raised their concern and questioned if the timing is appropriate.

There has been intensified crackdown on foreign nominee ownerships, contributing to reduced property transfers to foreign investors and investments, particularly that from China.

Thailand is suffering another political instability. After about 10 months in office, the duty of the lady Prime Minister is currently suspended. She swore in as Culture Minister after cabinet reshuffle, which assured smoother transition. There is however concern on how long the current government will prevail.

Consequently, virtually all institutions have adjusted downwards their projected GDP growth with estimates ranging between zero and just below 2%. Other projections such as tourist arrivals and revenues, exports volumes etc. were also scaled down.

All sectors in the property market have suffered with sales, incomes, rentals, occupancies and profits dropping. Implementations and launching of new projects are deferred, pending the clearance of the negative factors and/or uncertainties at both international and domestic levels.

Residential markets and tourism in Phuket, data centres, ware houses and industrial land sales appear to be the exceptions.

The overall construction cost change over the last 6 months has been nominal. We project that the trend will be maintained with 1% to 2% increase overall in the next 12 months.

Approximate Order of Construction Costs

	Cost per m2 of CFA Baht		
Office			
High quality	34,000	-	39,000
Medium quality	29,000	-	34,000
Ordinary quality	26,000	-	29,000
Shopping centre			
High quality	29,500	-	33,500
Medium quality	25,500	-	29,500
Hotel (including FF&E)			
5 Star	60,500	-	64,500
4 Star	56,500	-	60,500
3 Star	49,000	-	54,500
Residential condominium			
High quality	40,500	-	49,500
Medium quality	30,500	-	39,000
Low quality	25,500	-	29,500
Factory (w/basic provisions only)	18,500	-	25,000
Car park			
Multi storey	15,500	-	18,500
Basement	19,500	-	23,500

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.

(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.

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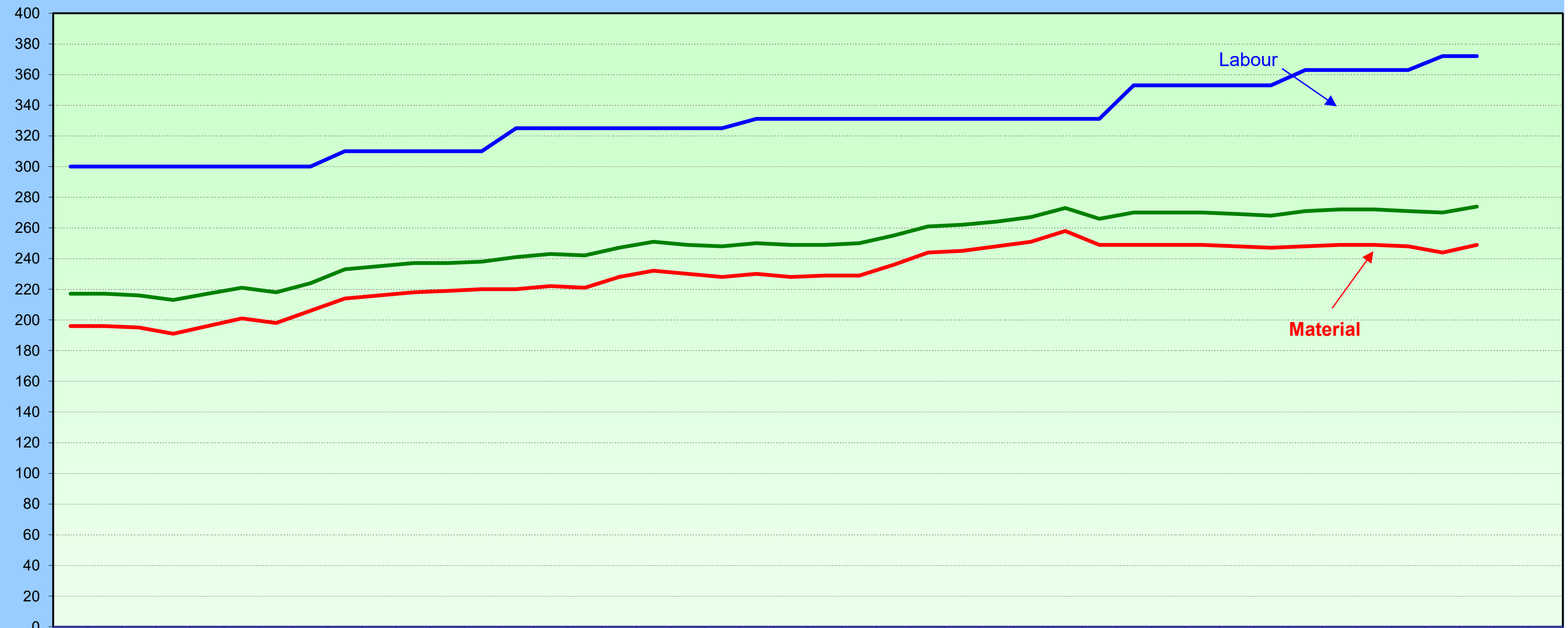
Labour & Material Cost Indices



	2015				2016				2017				2018				2019				2020			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Labour	300	300	300	300	300	300	300	300	310	310	310	310	310	325	325	325	325	325	325	325	331	331	331	331
Material	196	196	195	191	196	201	198	206	214	216	218	219	220	220	222	221	228	232	230	228	230	228	229	229
Labour and Material	217	217	216	213	217	221	218	224	233	235	237	237	238	241	243	242	247	251	249	248	250	249	249	250

	2021				2022				2023				2024				2025			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Labour	331	331	331	331	331	331	331	353	353	353	353	353	363	363	363	363	372	372		
Material	236	244	245	248	251	258	249	249	249	249	248	247	248	249	249	248	244	249		
Labour and Material	255	261	262	264	267	273	266	270	270	270	269	268	271	272	272	271	270	274		

Labour | Material | Labour and Material

<u>Notes :</u>
(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%.

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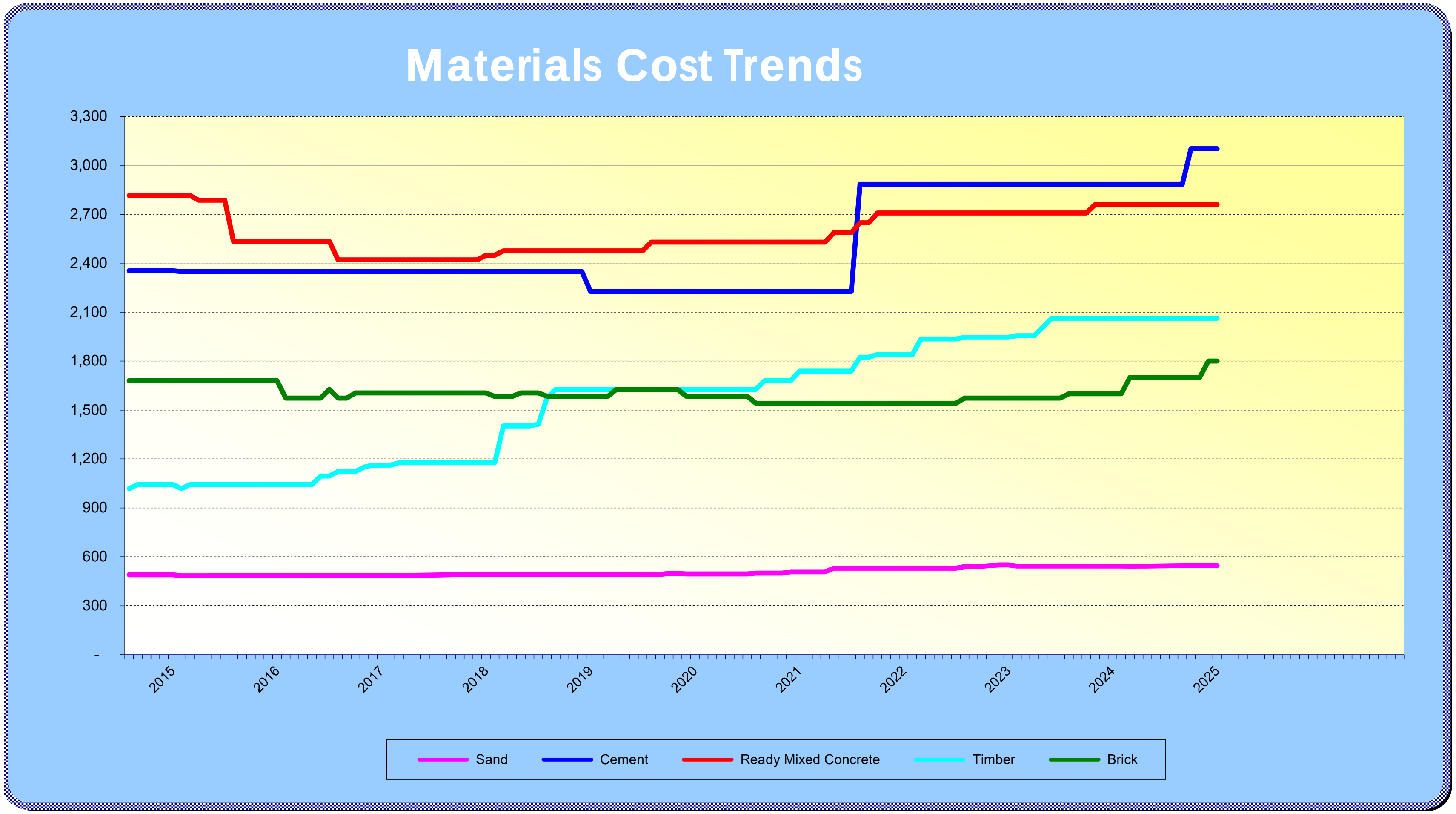
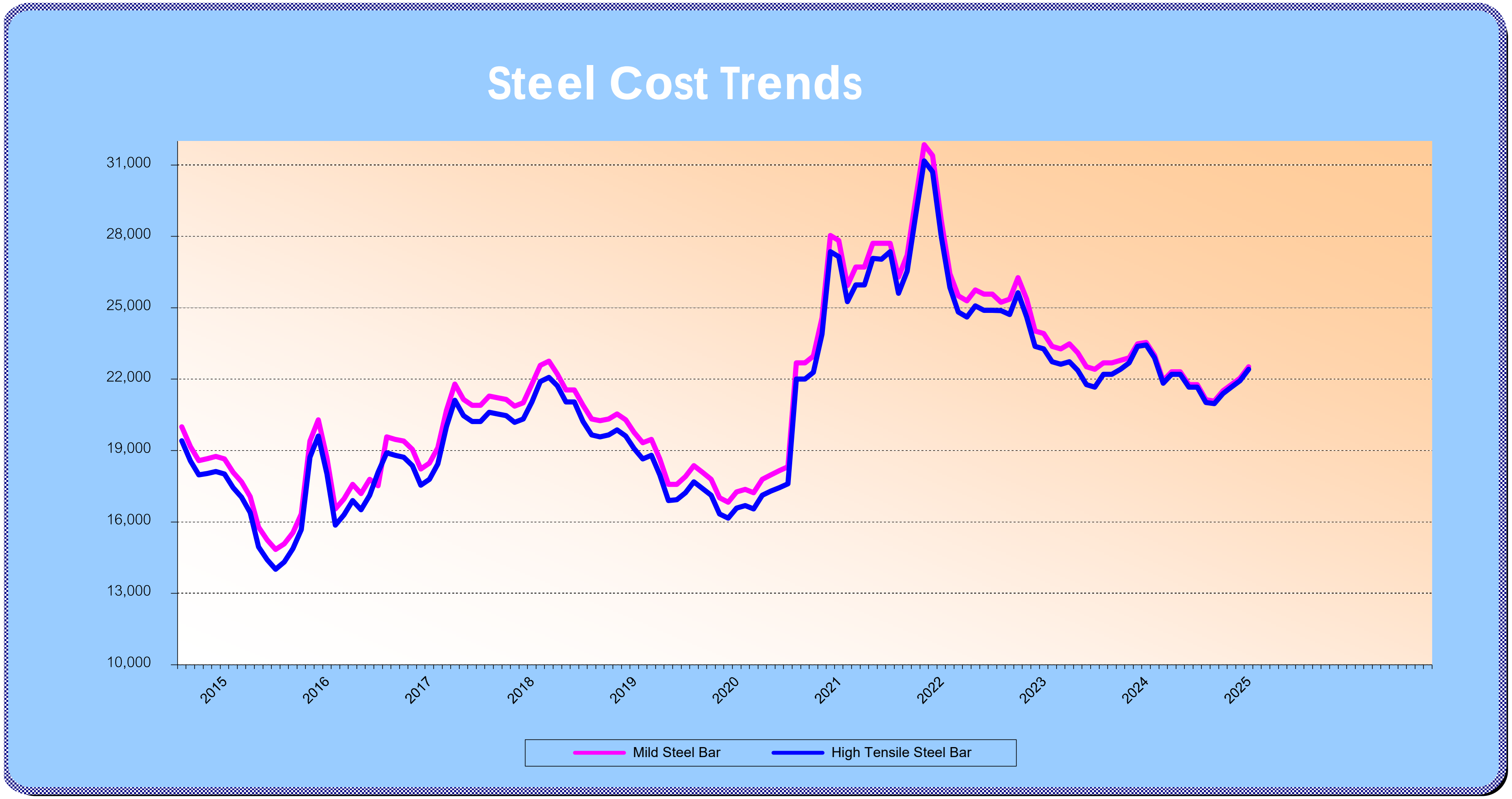


Sand	(Baht per cu.m)
Cement	(Baht per tonne)
Ready Mixed Concrete	(Baht per cu.m)
Timber	(Baht per cu.ft)
Brick	(Baht per 1,000 pcs.)

Source : Ministry of Commerce



Mild Steel Bar (Baht per tonne)

High Tensile Steel bar (Baht per tonne)

Source : Ministry of Commerce