

CONSTRUCTION COMMENTARY

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There was limited change in building costs in the second quarter of the year.

The prices of major building materials remained steady and the principal increases have been in finishing materials.

The general election took place on 3rd July 2011. Barring any special happening, Thailand will be having its first lady Prime Minister.

The election result met with positive market response, illustrated by Baht appreciation and stock prices increase on the day after.

While it is not the intention of this commentary to make political remarks, we sincerely wish that compromise would be reached from all parties for Thailand to head towards unison and hence prosperity for the benefit of the country and the people.

It has been promised, as part of the election campaign of the winning party, to increase the minimum wage to Baht 300 per day, which would represent about 40% increase from the current daily rate of Baht 215.

There was estimation that the change would increase the overall construction cost by 6%.

We consider that the impact would be higher at 8% to 10%.

All grades of labour, including those who are receiving remuneration above the new minimum level, will be affected.

The effect will not only apply to the workers under the direct payroll of the building contractors but those who take part in production of building materials.

We share the common requests that care should be taken to implement the policy to abate the adverse impact.

There will be pressure on the existing construction contracts. Compensation may be sought particularly for government projects.

Contracts under negotiation may be put on hold or with conditions introduced to cater for the potential adjustment.

In the long run, we see the consequences of more intensive mechanization and adoption of prefabricated products. Employment of labour force imported from neighbouring countries would tend to be increased.

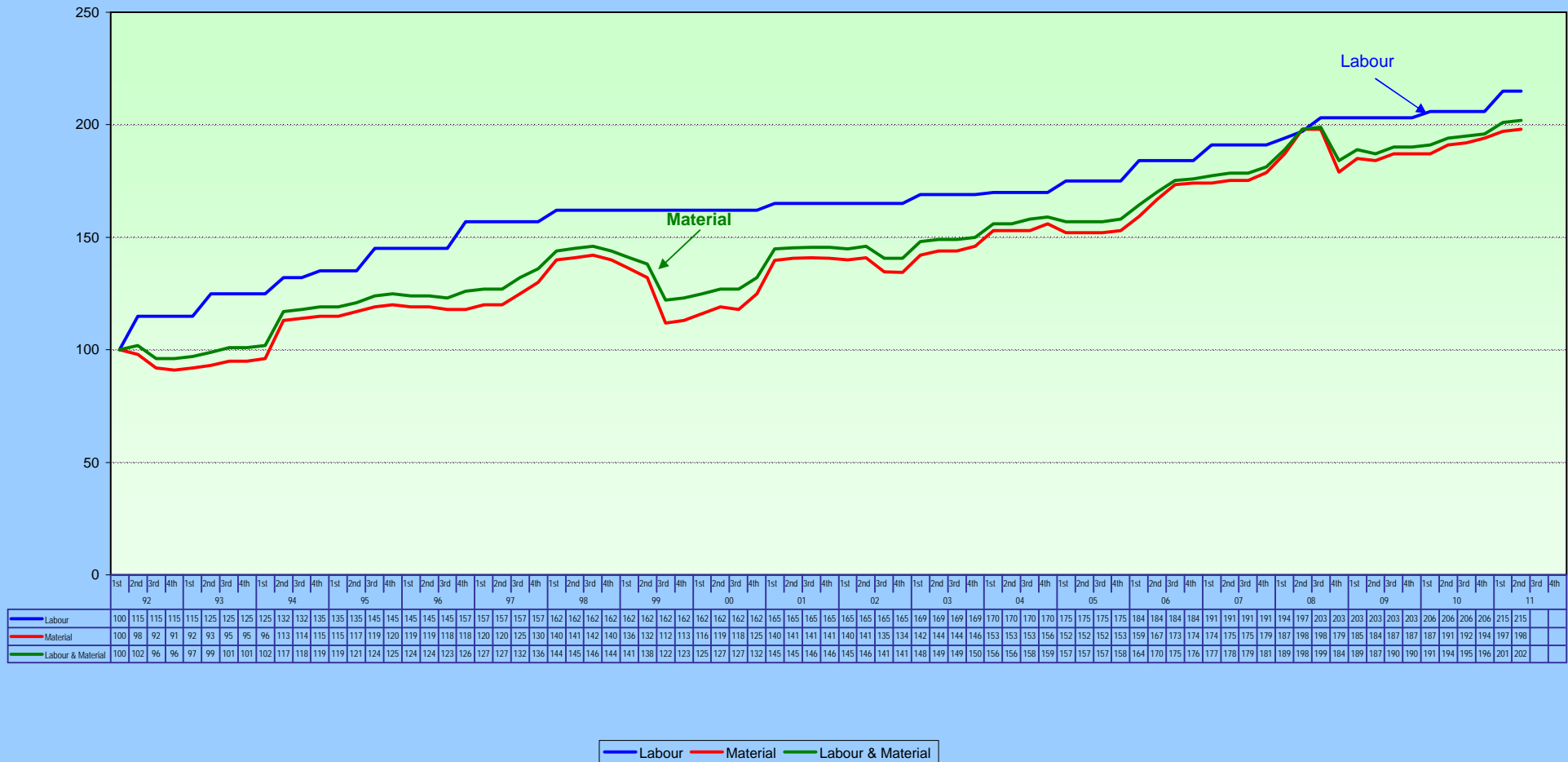
An earthquake stroke Burma in March this year. Despite its distance, Thailand also felt the impact. This revived the public concern on the structural safety of buildings, which seems to be slightly over reacted.

Thailand is not in an intensive seismic zone. Structural engineers' designs tend to be conservative generally and for high rise building, wind loading and resistance could be a more critical factor.

We maintain our positive view for the year of 2011 on the presumption of political stability.

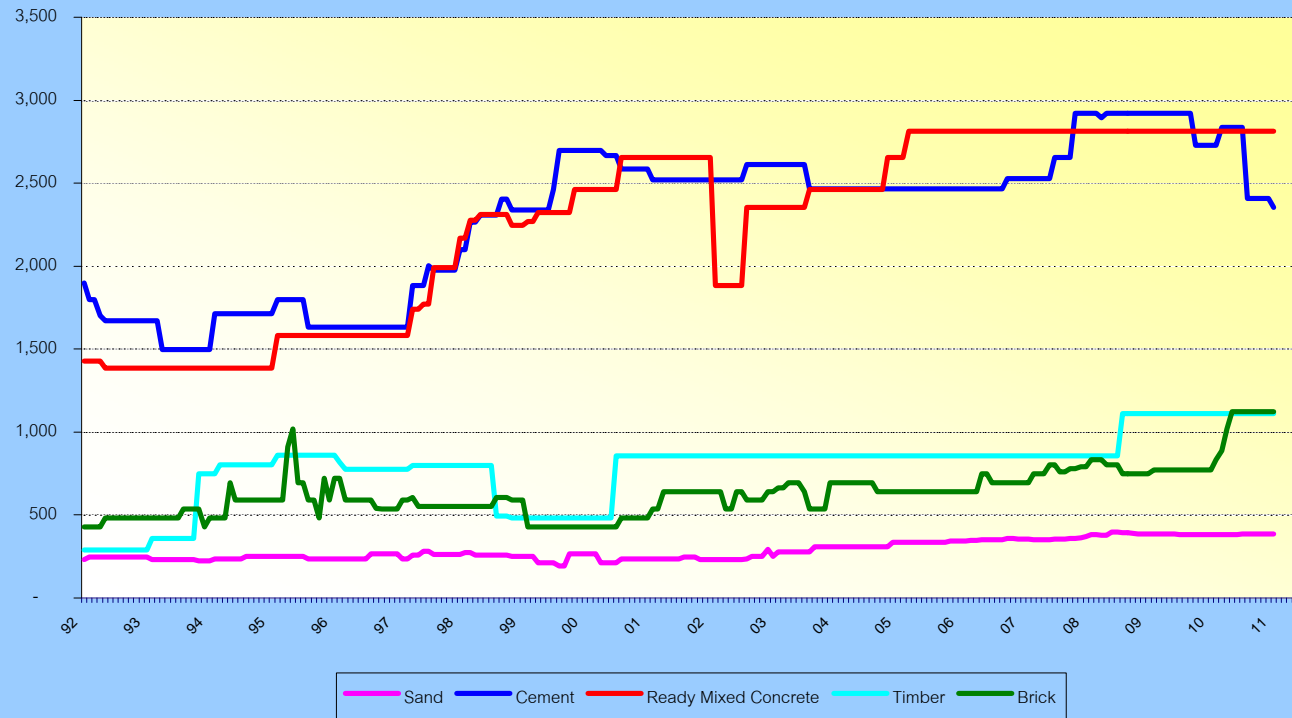
Costs tend to be volatile though and better measures are to be implemented from both developers and contractors to keep costs within control.

Labour & Material Cost Indices



Notes : VAT rate between 3rd Quarter 1997 and 1st Quarter 1999 is 10%, the VAT rate is 7% otherwise.

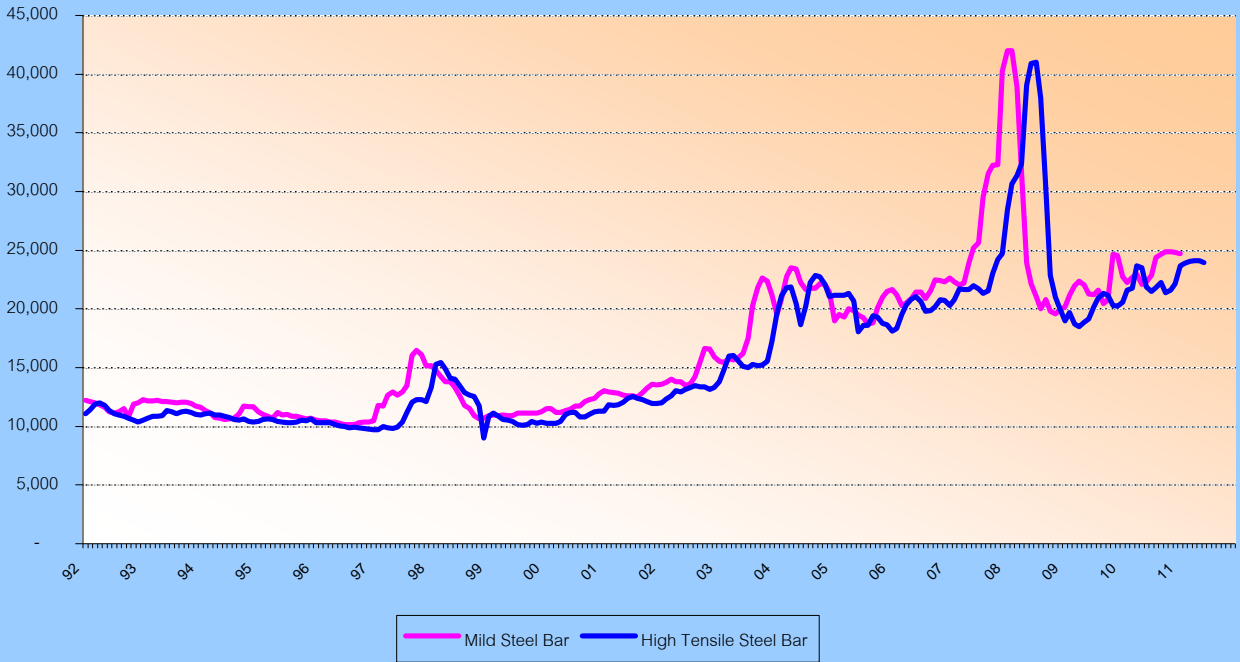
Materials Cost Trends



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	25,500	- 30,500
Medium quality	20,500	- 25,500
Ordinary quality	18,500	- 20,500
Shopping centre		
High quality	22,500	- 26,500
Medium quality	18,500	- 22,500
Hotel (including FF&E)		
5 Star	49,000	- 53,000
3 Star	36,000	- 41,000
Residential condominium		
High quality	32,500	- 40,500
Medium quality	22,500	- 30,500
Low quality	18,500	- 22,500
Factory (low rise)	12,500	- 16,500
Car park		
Multi storey	9,500	- 12,500
Basement	12,500	- 16,500

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, fittings and equipment [FF&E] (except hotel), site formation and external works, financial and legal expenses, consultants' fees and reimbursables, value of land and price 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.

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.