RHLB (Siam) Ltd.

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
Facsimile : +66 (0)2 234-4934
E-mail : rhlbthai@rhlb.co.th
Website : www.rhlb.co.th

ISSUE JUNE 2015

This year marks the twenty fifth year of our presence in Thailand.

We have gone through the ups and downs with the country, witnessing three military coups, a number of political turmoils and city blockages, experiencing the trigger of the Asian financial crisis and encountering the great flood. Remarkably, the country showed her resilience in each of these crises and recovered within a very reasonable period of time.

In this commentary, we would like to register some of the major changes in property and construction industry we have observed over the last quarter of the century.

The implementation of the BTSC(sky train) and MRTA(subway train) changes the landscape of property developments in Bangkok. Initially, the BTSC organization had to plead connection to the projects of property developers, who considered that such link had no benefit to their projects and they had lost valuable leased spaces to enable such connection. Currently, property developers have to pay concession fees for joining their projects to a BTSC station. Majority of the residential developments over the last few years are along the routes of the mass transit lines. Many locations which were once not worth developing are now under construction due to the proximity to the lines.

The living habits have also changed. Thais are more receptive to residing in condominium. Size of families becomes smaller as younger generations tend to live away, which lead to more popular demands for small and medium sized units.

Requirements from purchasers and end users are more sophisticated. Bared shell units have faded out of the market. Apart from the expectation of better finishes, furnishings and landscaping, consumers are looking for good ancillary supporting facilities such as lift, security, IT, maintenance services etc.

Better space design and plannings are expected . For instance, it is impossible to encounter nowadays condensing units located in usable balconies in any luxurious residential developments.

Despite setback due to the political situations from time to time, the hospitality industry has continually registered healthy growth. The structure of tourist arrivals have changed though with the percentage of that from China and India taking an increasing share. Such has an initial impact of the standard of hotels required. The demand however is gradually reversed back to hotels of higher quality.

The agenda of most, if not all, tourists are shopping. The number of shopping centers, shopping malls and mega stores has increased substantially. This is also spurred by the enhanced purchasing powers and requirements from the general populace. Community malls, which are tailored designed to particular localities, have become very popular.

There were cases that the establishment of a major shopping center increased the values of surrounding land and estate properties around the locations.

Quantity Surveyors
Construction Cost Consultant

36/F, Skulthaisurawong Tower
141/58 Surawong Road
Suriyawong, Bangrak
Bangkok 10500 Thailand
Telephone : +66 (0)2 234-4933
Facsimile : +66 (0)2 234-4934
E-mail : rhlbthai@rhlb.co.th
Website : www.rhlb.co.th

CONSTRUCTION COMMENTARY

ISSUE JUNE 2015

Construction technologies have been improved and there is more mechanization, caused by the influx in the early nineties of foreign building contractors who brought with them their construction techniques.

However, apart from contractors of Japanese origins, most of these foreign contractors have retreated from Thailand or become inactive.

While these foreign contractors had advantages over local building contractors initially in terms of management and experience, their approach to contractual relationship may not be readily accepted by the local developers. Thai contractors tend to be more tolerant and are prepared to absorb extra requirements from employers even if such requirements are sometimes far from reasonable and unacceptable to foreign contractors.

Despite the increase in complexity of projects, there has been limited improvement in project management and planning on the developer's side.

Construction timelines and budgetary costs are usually prepared based on the wish from upper echelon and are not related to the actual design and planning requirements. There is also limited coordination in planning stage between different design disciplines, which requires good experiences and intimate knowledge and is time consuming.

Back to the current situation, it is considered that with the exception of office, slight over supplies are prevailing in all other sectors.

The political situation, reduction in export, increased household debt ratio, fading consumer confidence etc., are negative factors impeding future property developments.

However, to maintain turnovers, property developers, particularly those listed in the stock market, continue launching new projects or looking for new investments abroad. New locations other than Bangkok are also explored.

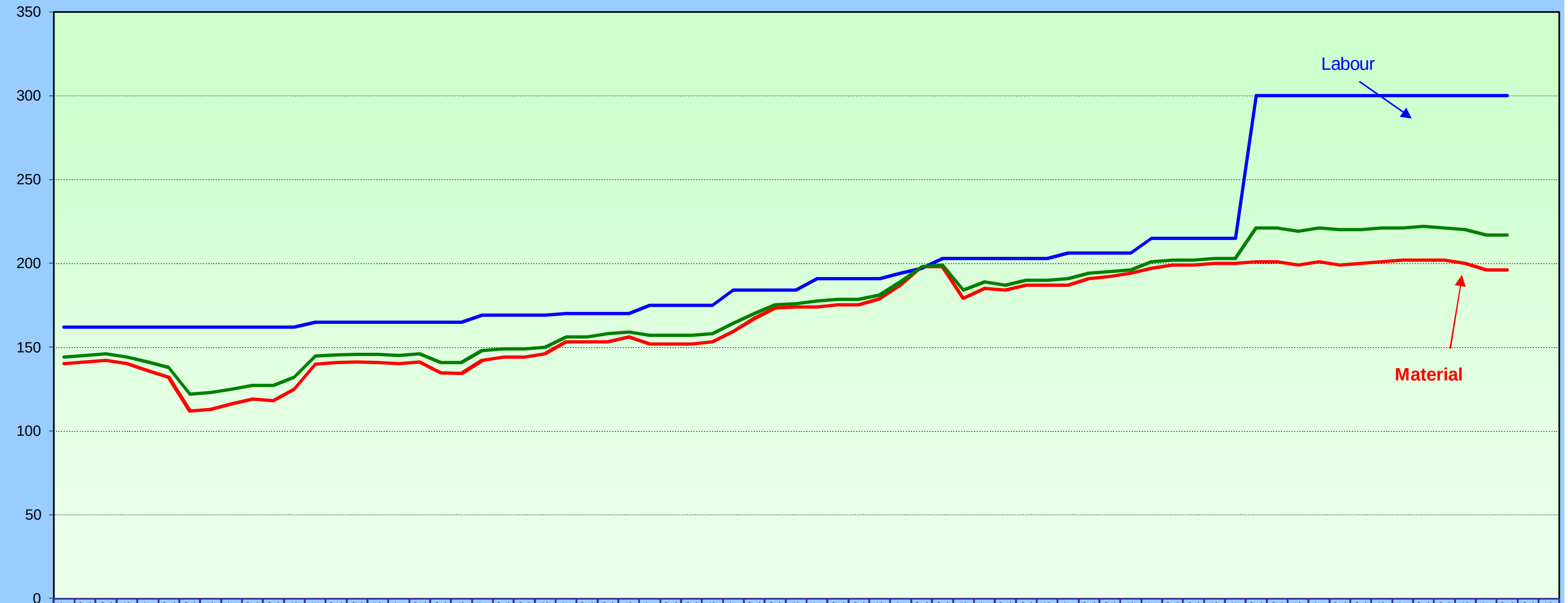
Top end residential developments, which present the highest return on paper, are the most popular types of developments being planned.

Construction costs have remained fairly stable. There has been actually slight reduction due to decreases in steel and oil prices.

This situation is expected to be maintained this year until the government's infra-structure projects are physically implemented.

RHLB
(Siam) Ltd

Labour & Material Cost Indices



	98 1st	98 2nd	98 3rd	98 4th	99 1st	99 2nd	99 3rd	99 4th	00 1st	00 2nd	00 3rd	00 4th	01 1st	01 2nd	01 3rd	01 4th	02 1st	02 2nd	02 3rd	02 4th	03 1st	03 2nd	03 3rd	03 4th
Labour	162	162	162	162	162	162	162	162	162	162	162	162	165	165	165	165	165	165	165	165	169	169	169	169
Material	140	141	142	140	136	132	112	113	116	119	118	125	139.7	140.7	141	140.7	140	141	134.7	134.3	142	144	144	146
Labour & Material	144	145	146	144	141	138	122	123	125	127	127	132	144.8	145.4	145.6	145.5	144.9	145.9	140.7	140.7	148	149	149	150

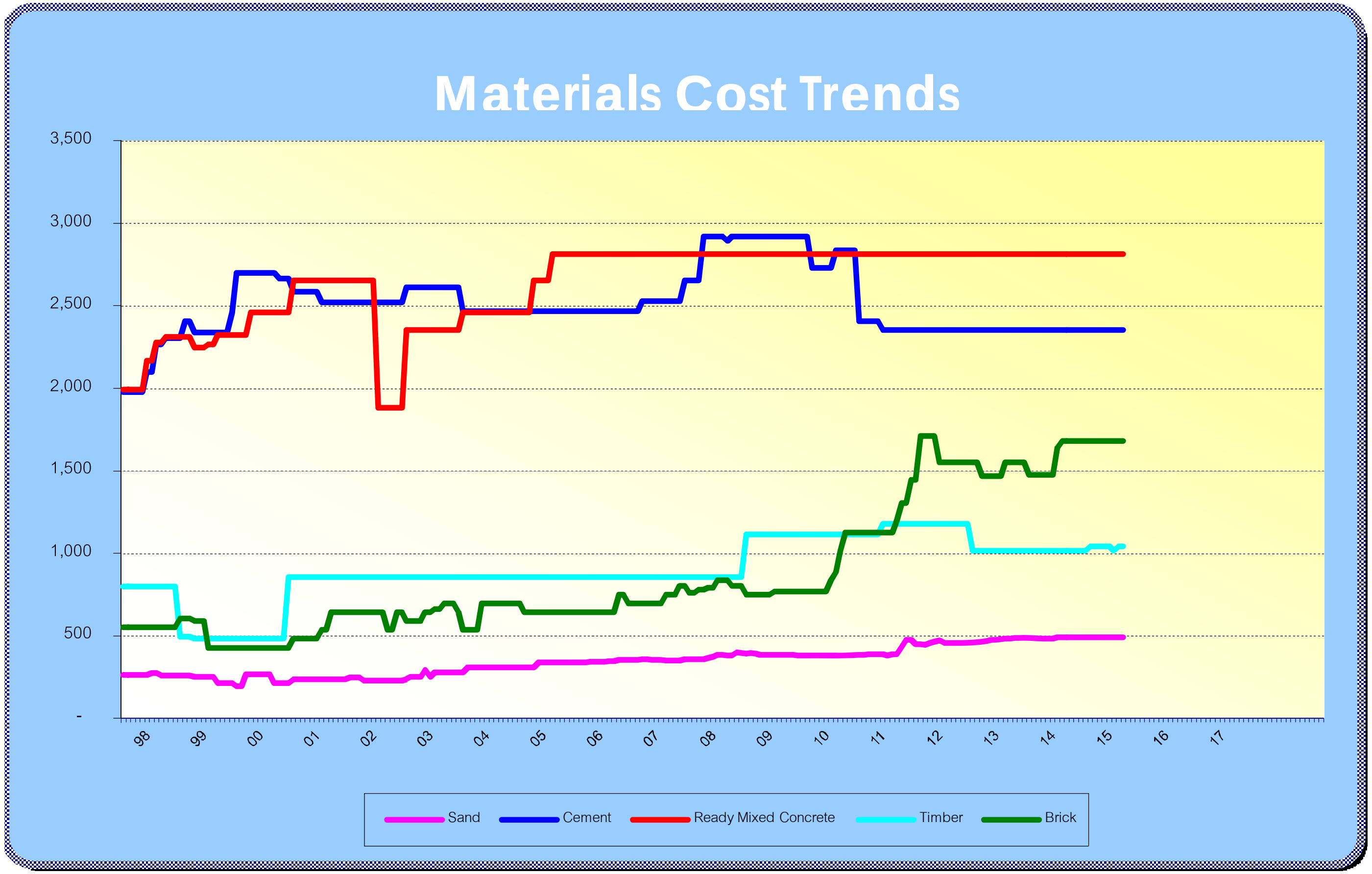
	04 1st	04 2nd	04 3rd	04 4th	05 1st	05 2nd	05 3rd	05 4th	06 1st	06 2nd	06 3rd	06 4th	07 1st	07 2nd	07 3rd	07 4th	08 1st	08 2nd	08 3rd	08 4th	09 1st	09 2nd	09 3rd	09 4th
Labour	170	170	170	170	175	175	175	175	184	184	184	184	191	191	191	191	194	197	203	203	203	203	203	203
Material	153	153	153	156	152	152	152	153	159.3	167	173.3	174	174	175.3	175.3	178.7	187	198	198	179	185	184	187	187
Labour & Material	156	156	158	159	157	157	157	158	164.3	170.2	175.3	176	177.4	178.5	178.5	181.2	189	198	199	184	189	187	190	190

	10 1st	10 2nd	10 3rd	10 4th	11 1st	11 2nd	11 3rd	11 4th	12 1st	12 2nd	12 3rd	12 4th	13 1st	13 2nd	13 3rd	13 4th	14 1st	14 2nd	14 3rd	14 4th	15 1st	15 2nd	15 3rd	15 4th
Labour	206	206	206	206	215	215	215	215	215	300	300	300	300	300	300	300	300	300	300	300	300	300		
Material	187	191	192	194	197	199	199	200	200	201	201	199	201	199	200	201	202	202	202	200	196	196		
Labour & Material	191	194	195	196	201	202	202	203	203	221	221	219	221	220	220	221	221	222	221	220	217	217		

Notes : (1) Base of index is at first quarter 1992.

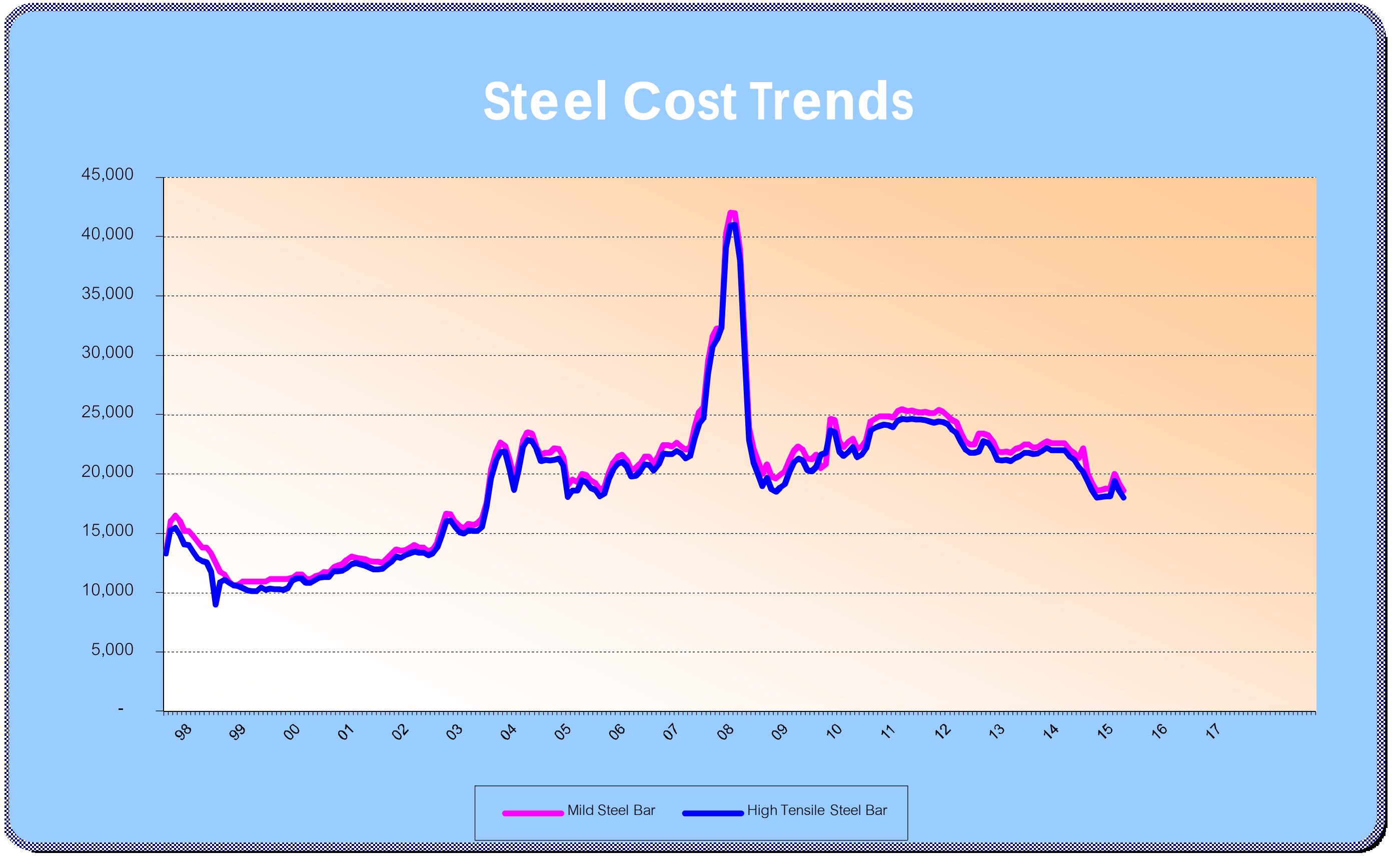
(2) VAT rate is 7% except for the period between 3rd Quarter 1997 and 1st Quarter 1999, which is 10%.

RHLB
(Siam) Ltd



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

RHLB (Siam) Ltd

Approximate Order of Construction Costs

	Cost per m2 of CFA Baht		
Office			
High quality	30,000	-	35,000
Medium quality	25,000	-	30,000
Ordinary quality	32,000	-	25,000
Shopping centre			
High quality	26,000	-	30,000
Medium quality	22,000	-	26,000
Hotel (including FF&E)			
5 Star	54,000	-	58,000
4 Star	50,000	-	54,000
3 Star	42,000	-	48,000
Residential condominium			
High quality	36,000	-	45,000
Medium quality	26,000	-	34,000
Low quality	22,000	-	26,000
Factory (low rise)	15,000	-	19,000
Car park			
Multi storey	12,000	-	15,000
Basement	16,000	-	20,000

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.

Gross Floor Area [GFA] for submission to building authority, which includes areas on grade and accessible roof areas, tends to be higher.

Special note :

(1) Costs have been adjusted upwards to reflect the increased requirements in developments.