

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 MAY 2020

At the time of preparing this commentary, the world is still plagued by Covid-19. While the epidemic is gradually brought under control, particularly in Asia, the situations in some countries are far from over, if not deteriorating.

The impact on economy is similar throughout all countries with the travel, hospitality and entertainment sectors suffering the most.

The gross domestic product [GDP] for Thailand is projected to have a contraction of 5% to 6% this year. With few exceptions, every company is formulating a continuity plan to cope with the adverse environment, the end of which has yet to be known.

On the positive side, there has been reduced traffic congestion, less pollution, closer family ties, simpler living and lower inflation during this period. Consumption opportunities have been deprived of with purchasing potentials gradually built up.

Building sites have not been forced to close. For those projects not at the lockdown area which are at the early stage of construction and which do not commit much imported products, the work progresses were actually enhanced.

Deliveries have been speedier and labourers more easily found as some projects have been ordered to slow down, if not suspended.

Funding for developments comes from a number of sources namely, the developer's own capital, bank loans, pre sales and income from developer's business.

While there has yet to be credit squeeze from financial institutions, funds from pre sales and business activities are dwindling. The situation is the worst in retail and hotel businesses, the incomes from which have virtually dried up.

The aftermath of the epidemic is worth noting and consideration.

While global recession is inevitable, it will be a matter of how long it will last and whether the rebound is L, V or U shape, which in turn depends on individual government measures to abate unemployment, reduce company closures and subsidize the neediest etc at this juncture.

Regrettably the Thailand government's aid in this respect is relatively minor with concern that any relief funding may not be channeled to the right hands given the administration system

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 MAY 2020

There is question whether globalization, which is fundamental on law of comparative (cost) advantages, is actually the most beneficial to individual country.

Over the last 20 to 30 years, product manufactures have been segmented with supply chains closely interdependent.

The domino effect as experienced over the last few months entails the reconsideration of the network. Strategic and essential products may be shifted to be manufactured domestically or diversified to more than one sources at the least. Thailand with its Eastern Economic Corridor (EEC) planning would be ready for this relocation of production base.

Higher travelling expenses are expected despite low oil price currently. Carrier capacity need to be reduced with stricter hygienic control implemented, the increased cost for which would need to be borne by travellers.

The practice of working from home and meeting via internet will be continued, which would help to ease traffic congestion and reduce the cost of organizations.

In the current situation, developers with strong financial backing will benefit the most. Tender prices will be reduced with increased competitions among contractors and suppliers for works.

After all, there is a long time lag between inception and completion for property developments. Projects proceeded at this time may capitalize on the recovery in future.

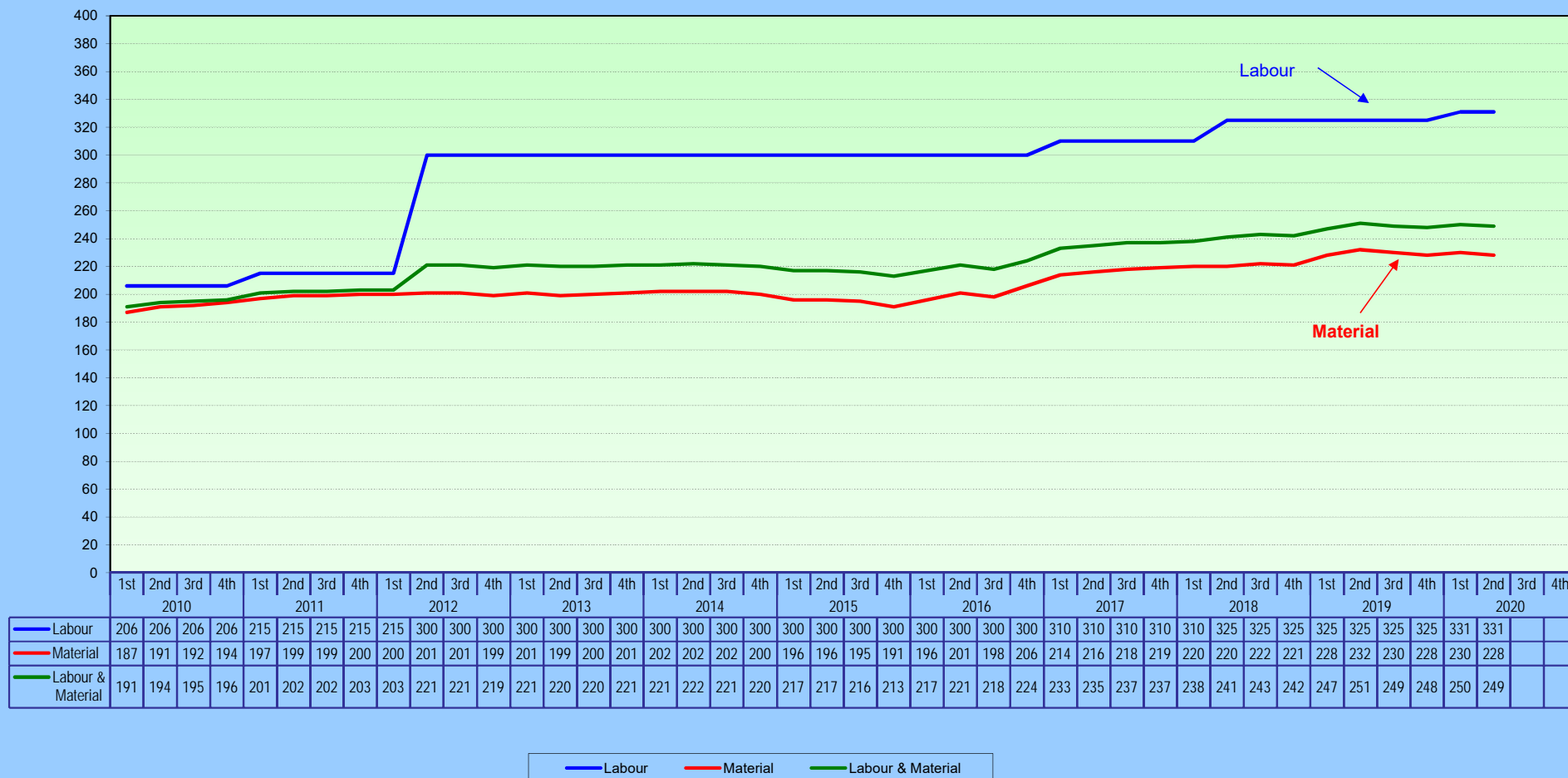
Thai organizations have been taking cautious approach and are very cost conscious since the 1997 financial melt down.

Thailand has been proven to be resilient to predicaments then encountered such as tsunami ,the great flood or even bloody incidents and has rebound quickly.

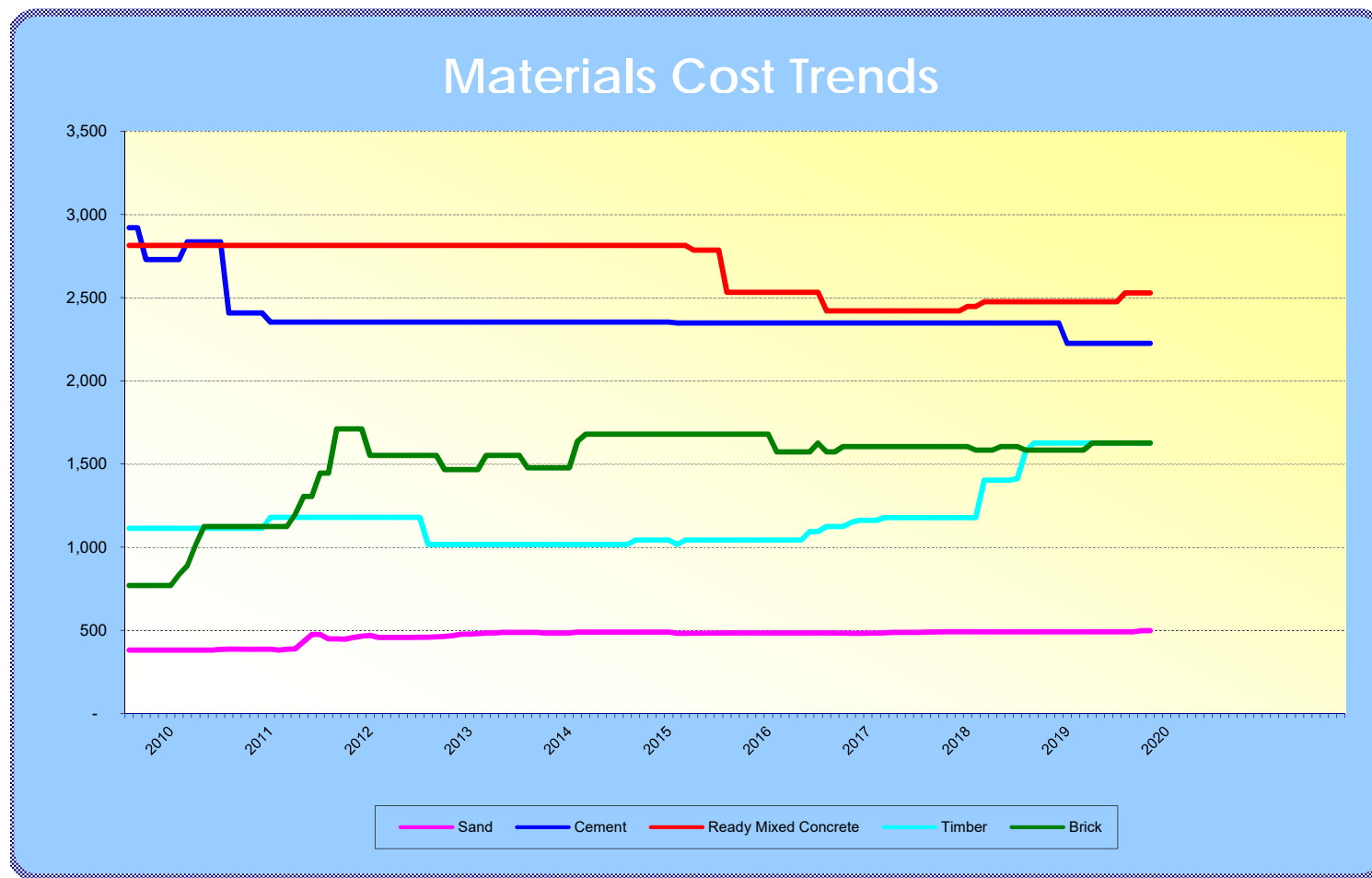
It is believed that it is no exception this time but a minimum slack period of 9 to 12 months is expected for the property and constructions industry.

Construction costs and tender prices are projected to be dropped by 1% to 3% this year in response to the stagnant market.

Labour & Material Cost Indices

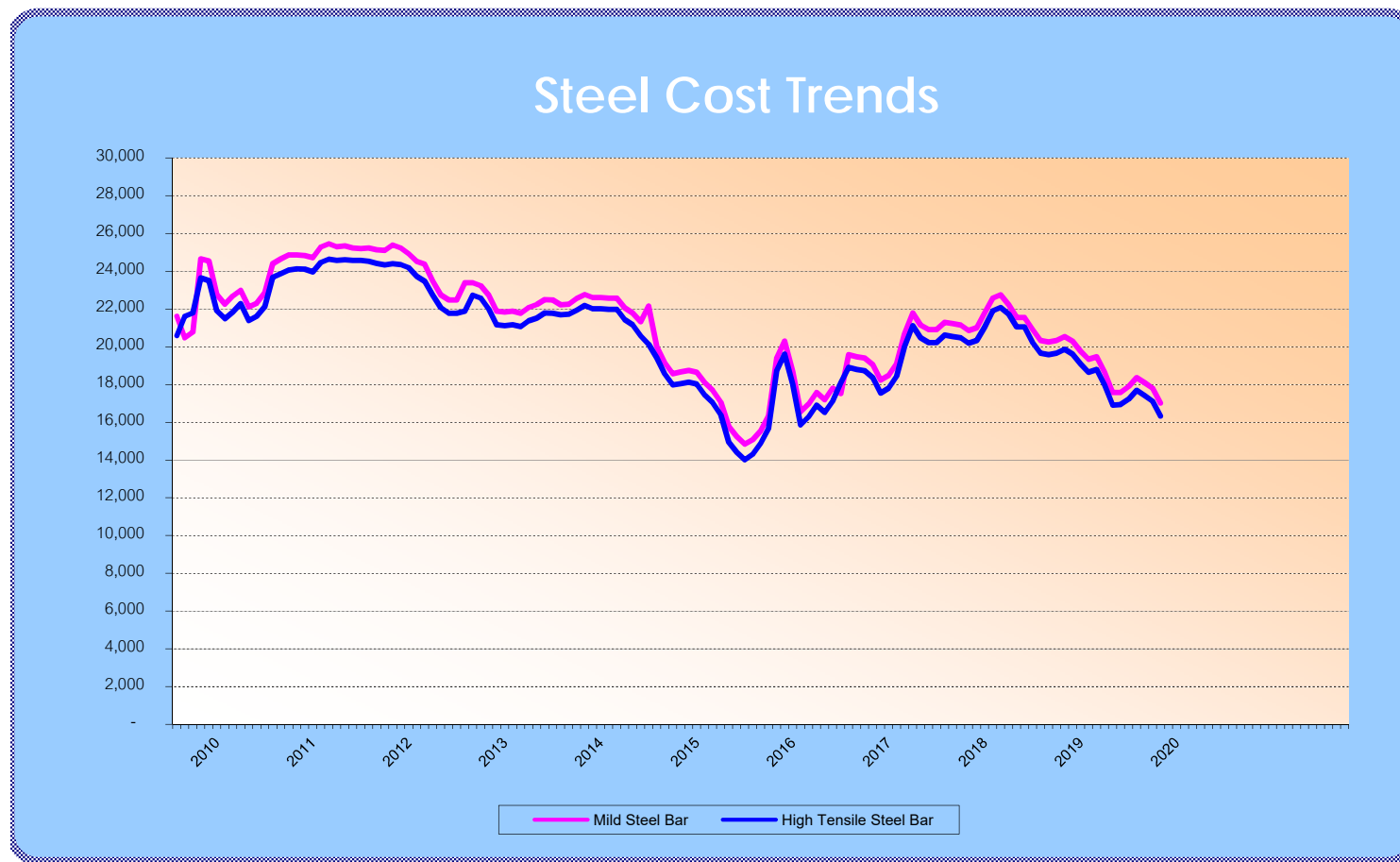


- Notes :**
- (1) Base of index is at first quarter 1992.
 - (2) VAT rate is 7% except for the period between 3rd Quarter 1997 and 1st Quarter 1999, which is 10%.



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	32,000	- 37,000
Medium quality	27,000	- 32,000
Ordinary quality	24,000	- 27,000
Shopping centre		
High quality	27,500	- 31,500
Medium quality	23,500	- 27,500
Hotel (including FF&E)		
5 Star	57,500	- 61,500
4 Star	53,500	- 57,500
3 Star	45,500	- 51,500
Residential condominium		
High quality	38,500	- 47,500
Medium quality	28,500	- 36,500
Low quality	23,500	- 27,500
Factory (low rise)	16,500	- 20,500
Car park		
Multi storey	13,500	- 16,500
Basement	17,500	- 21,500

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.