

# CONSTRUCTION COMMENTARY

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The new minimum wage rate of Baht 300 was in force eventually on 1st April 2012. This policy will initially apply to 7 provinces only and will finally be adopted for the whole country in 2014.

It will probably take one or two quarters for the impact of the policy on the construction industry to be ascertained.

There have been debates whether or not the general wage earners will benefit from the new scheme.

Series of price increases have been or will be triggered, which effectively reduce the purchasing power.

Also, many employers are cutting or reducing allowances to employees which were previously ex-gratia. Such arrangement really defeats the purpose of the new policy. It is believed, with margin sacrifice of the personnel at the top echelon, such measures would be unnecessary.

Quality of labourers is considered the prime factor affecting the level of remuneration.

Employers, particularly those coming from an international background, are prepared to pay high salaries to attract staff who have sound technical knowledge and possess good communication skill in their languages.

With the establishment of Asean Economic Community in 2015, Thailand's job market will be open to competition. It is more imperative for Thais to prepare for themselves.

There was a tsunami threat in Phuket on 11th April 2012 after an 8.6 magnitude earthquake hit off in Indonesia, which reminded people of the horror in 2004. Fortunately there was no disaster and the impact was short lived. As of today, business is as usual in Phuket.

Myanmar is gearing up for foreign investments and the economy of that country is bound to take off. A major Thailand company has already signed up a pact to develop a deep sea port. Many investigations and studies have already been conducted to explore the investment opportunities.

Hotel renovation and construction will top the initial list of investments, following the same pattern of countries such as China, Vietnam, etc, when they opened up for foreign investments.

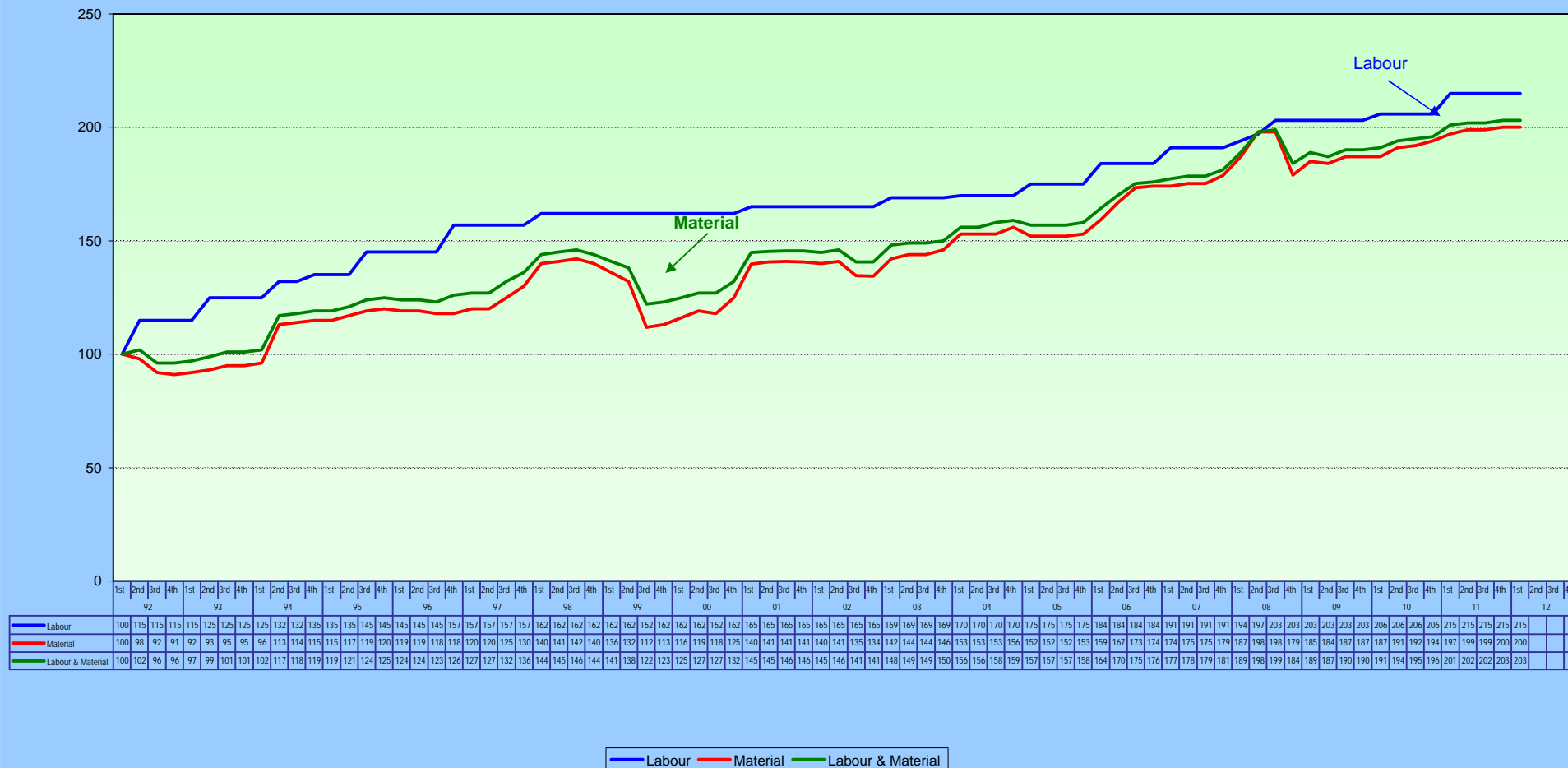
It is considered that Thailand will benefit in the process by providing back up and acting as stepping stone for the rising economic activities in Myanmar.

There is already concern raised that migrant workers from Myanmar will stay in their home country and will cause a labour shortage here in Thailand.

On the whole, we project that, despite Euro crisis still looming in the background, Thailand will experience a steady and healthy growth in the year of 2012.

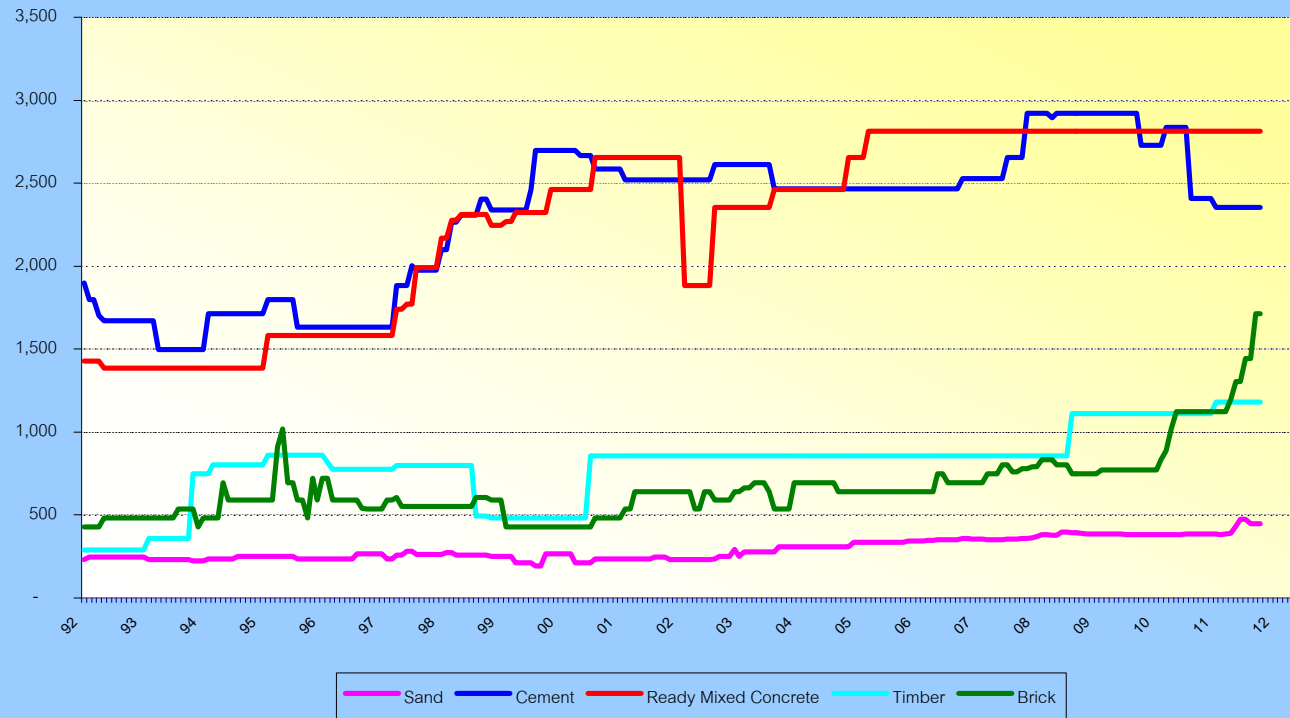
The overall building cost is expected to rise by about 6%-8%.

## Labour & Material Cost Indices



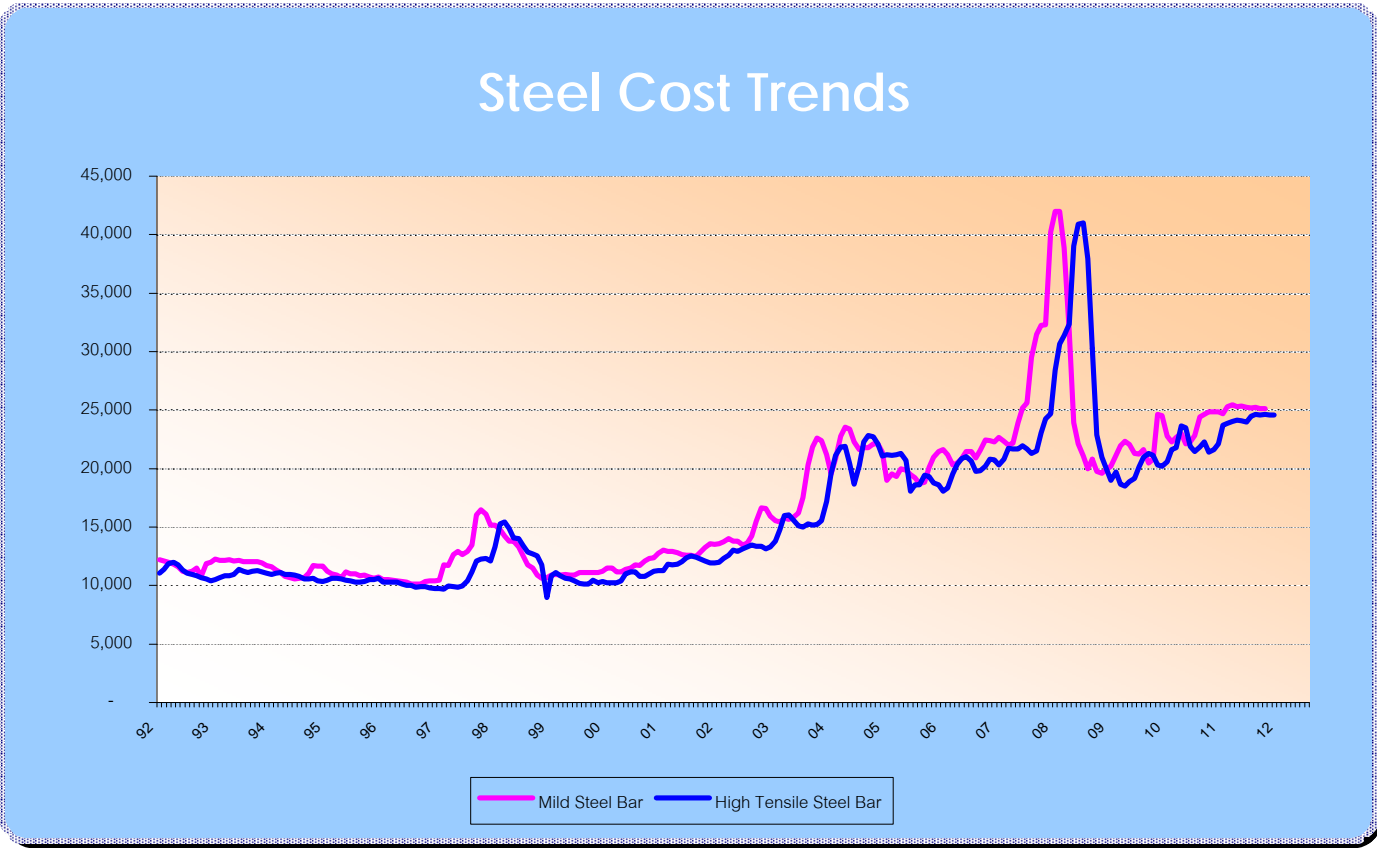
Notes : VAT rate between 3rd Quarter 1997 and 1st Quarter 1999 is 10%, the VAT rate is 7% otherwise.

## 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



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 GFA</u>	
	Baht	
<b>Office</b>		
High quality	26,500	- 31,500
Medium quality	21,500	- 26,500
Ordinary quality	19,500	- 21,500
<b>Shopping centre</b>		
High quality	23,500	- 27,500
Medium quality	19,500	- 23,500
<b>Hotel (including FF&amp;E)</b>		
5 Star	51,000	- 55,000
3 Star	38,000	- 43,000
<b>Residential condominium</b>		
High quality	33,500	- 41,500
Medium quality	23,500	- 31,500
Low quality	19,500	- 23,500
<b>Factory (low rise)</b>	13,500	- 17,500
<b>Car park</b>		
Multi storey	10,500	- 13,500
Basement	14,000	- 18,000

### 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, 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.