

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

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There was slight increase in the overall labour and material cost in the last quarter, which was principally caused by the price increase of steel reinforcement.

The property industry maintains its steady and robust growth.

Despite cautions given, the general consensus is that there is no evidence of a bubble in the overall property market as that experienced in 1997, which is supported by data collected.

The utmost importance of all indications is the low debt ratio of property developers, which suggests that developers will be more resilient to any downturn in economic environment.

There has been recorded supply of condominium units to the market over the last 12 months, which were matched by corresponding demand due to change in living behaviour from house to condominium. This change is in tandem with the trends experienced in other metropolises.

The value of Thai Baht against US dollars has increased significantly since the beginning of the year.

This helps to keep in check the building material prices but the export industry has felt the impact.

It has been suggested that the strength of the Baht has limited effect on the property market.

Demand is mainly local and foreign demand comes principally from other Asian countries, which experience similar economic growth and enhanced currency values.

Developers are shifting their projects to up countries for diversification.

Areas such as Khon Kaen, Khao Yai, Pattaya, Chonburi, Rayong, Hat Yai, etc. have registered respectable growth. The exception is Hua Hin, which reported a slow take up due to excessive supply last year.

Thailand construction industry is considered a mature market with contractors of all trades, materials, plants and equipments readily available.

Quality of construction and level of provisions to developments have increased substantially over the last few years.

However, unlike other developed countries, a widely recognized form of contract and standard method of measurement are still not in place.

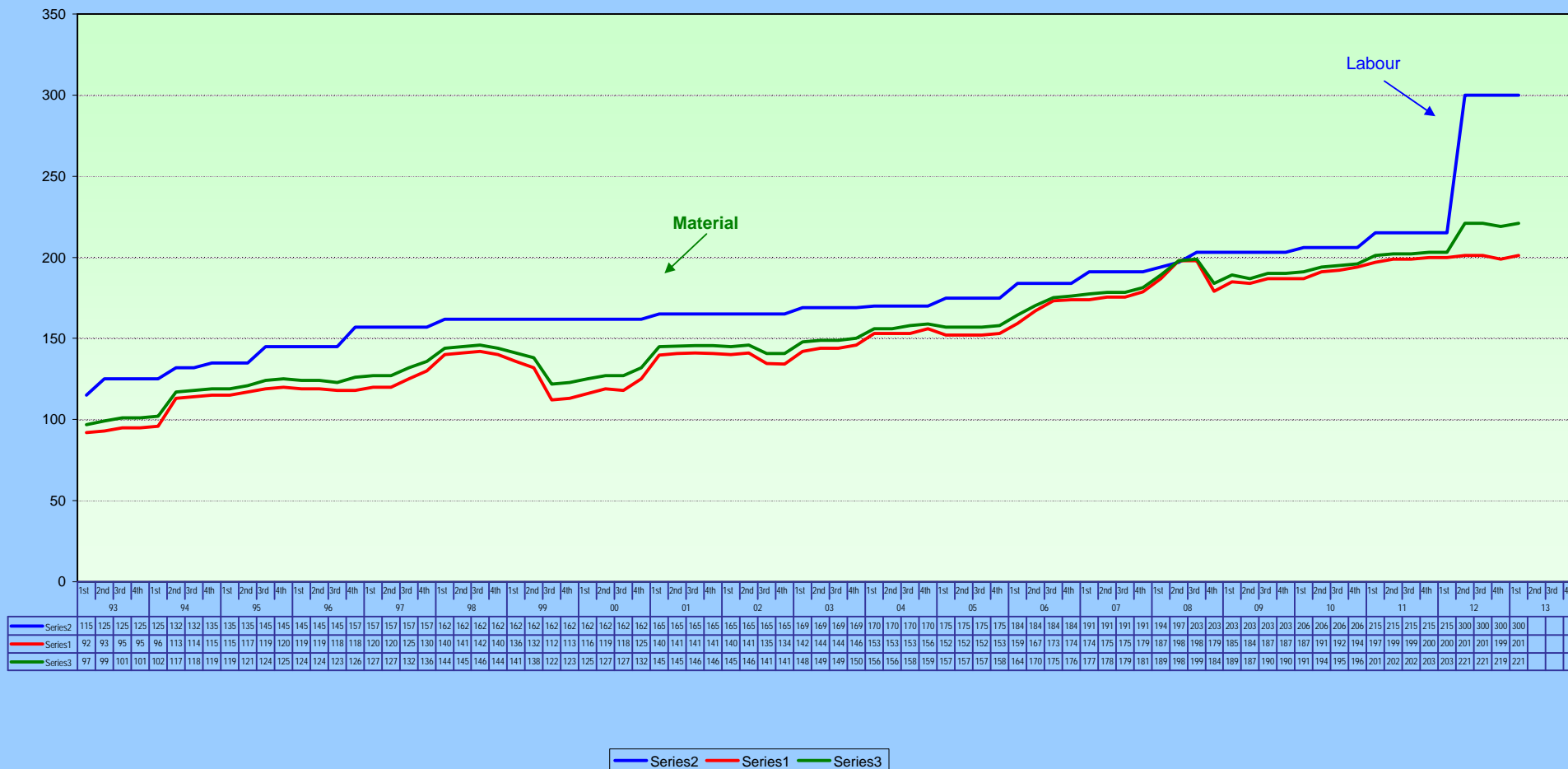
Each organization, developers, consultants, contractors alike tends to adopt a contract form and measurement approach which they are familiar with, which in turn will depend on the background and country of origin of the authors or end users.

There are distinct advantages of having the above documentations standardized, particularly when Thailand is open to other Asean countries in future.

Such types of documents are actually readily available from other countries and international professional associations such as Royal Institution of Chartered Surveyors (RICS).

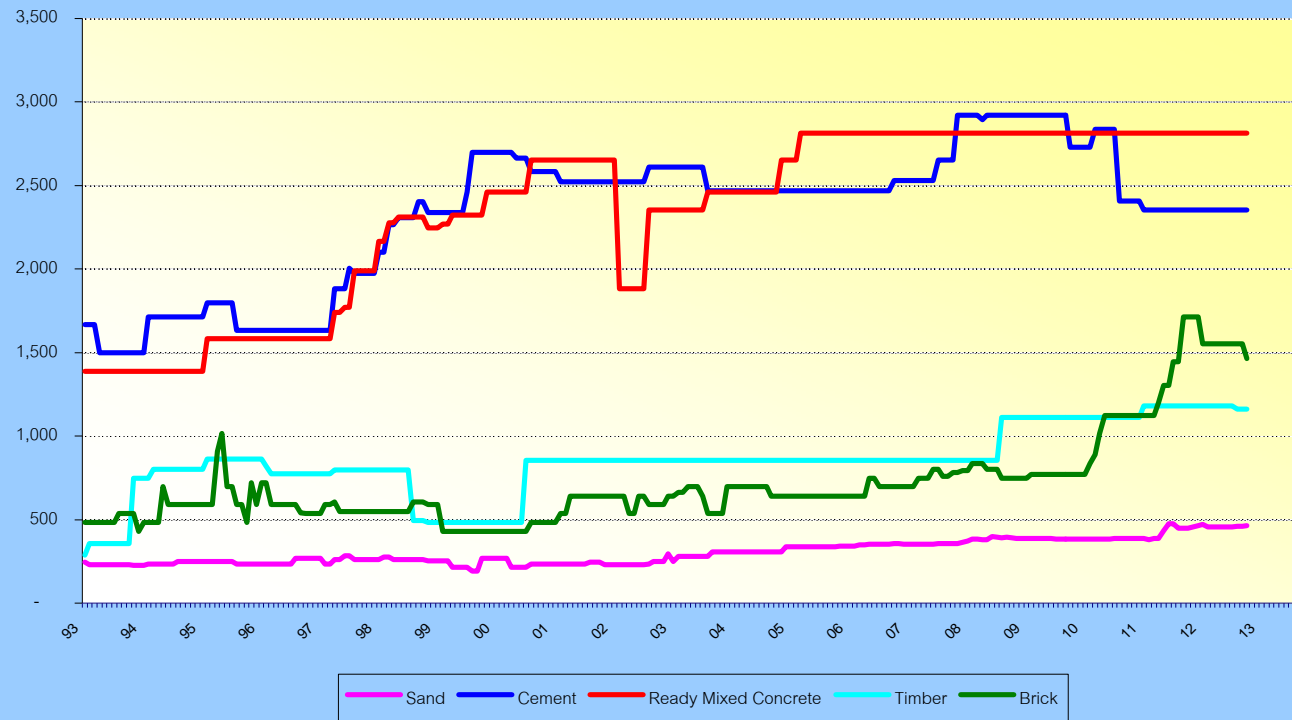
These international organizations should be more than willing to render their assistances to adapt their documentations to Thai situation and it should be up to the relevant predominant Thai organizations to promote such implementation.

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%.

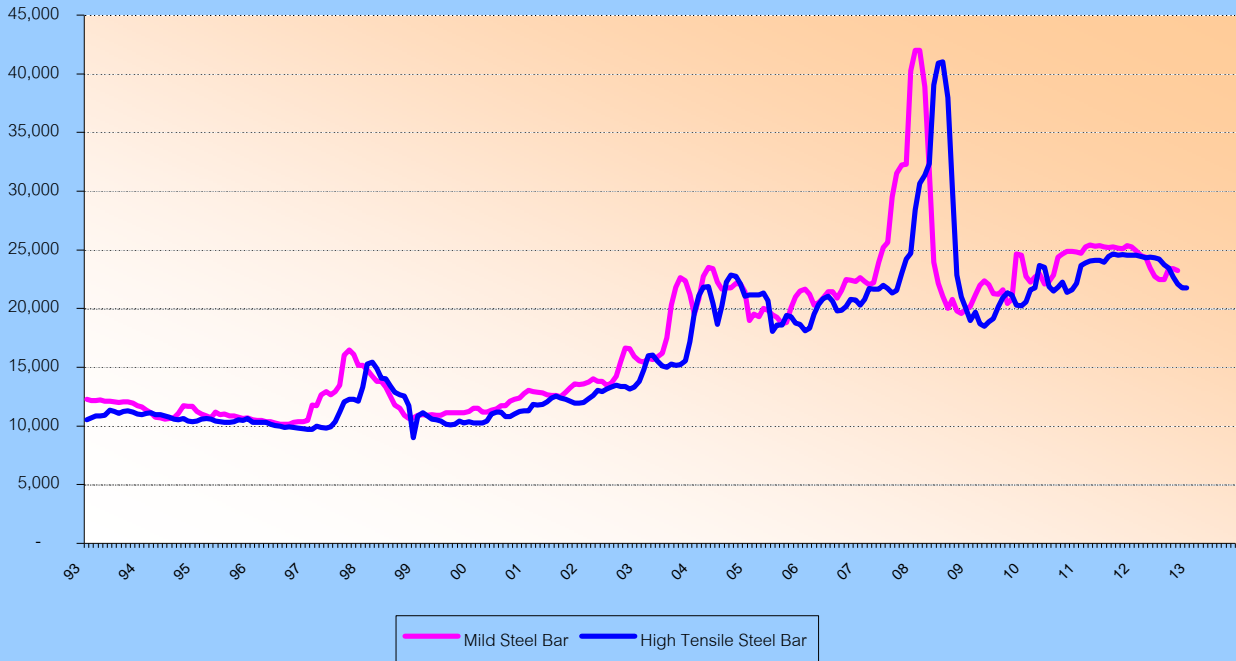
Materials Cost Trends



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	26,500	- 31,500
Medium quality	21,500	- 26,500
Ordinary quality	19,500	- 21,500
Shopping centre		
High quality	23,500	- 27,500
Medium quality	19,500	- 23,500
Hotel (including FF&E)		
5 Star	51,000	- 55,000
3 Star	38,000	- 43,000
Residential condominium		
High quality	33,500	- 41,500
Medium quality	23,500	- 31,500
Low quality	19,500	- 23,500
Factory (low rise)	13,500	- 17,500
Car park		
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.