

CONSTRUCTION COMMENTARY

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Two major incidents are happening at the time of preparing this commentary, one globally and one locally.

The second financial crisis is looming and every effort is being made in the developed countries to avert or alleviate the situation.

Thailand is facing the worst flooding situation in 50 years. Many areas in the northern region of Bangkok have been under water for a long period of time. Many factories have been forced to close. Economic loss is estimated at no less than 80 Billion Baht with projected job loss numbered 180,000. The worst condition is expected to happen between 14th and 18th October. The whole government is devoting its attention to tackle the situation to minimise the damage.

Concerns are also raised that some big plants may be relocated to other countries for better security, which would represent further financial loss to Thailand.

We see positive signals from these two scenarios.

Investments will be shifted to this part of the world and job or employment opportunities will be created in the aftermath of the flood incident for remedial works and future preventive measures.

After all, relocation of a major plant cannot be a snap shot decision based on an infrequent event.

The political handover was seen to be peaceful and confidence from foreigners are returning.

Phuket seemed to have benefited most with record breaking of tourist arrival in the first 9 months. There was a change in the tourist mix though.

The condominium market appeared to be stabilized. Less new projects were launched and the take up rate was steady.

The types of developments fall into extreme either at the very top end with foreigners as the target group buyers or at the middle/low end with local Thai buyers as the target.

Top end condominium units with five star hotel complementary services and on leasehold land only have registered record selling price of Baht 270,000 per m2.

The first home buyer policy enforced by the government favours the middle/low sector of the condo market.

Developments in this sector tend to be concentrated on suburb areas as population of Bangkok is migrating out of the town center towards fringe areas, which are more affordable.

The section between KM.1 and KM.14 Bangna-Trad is popular choice with many projects principally residential and retail developments being or planned to be implemented.

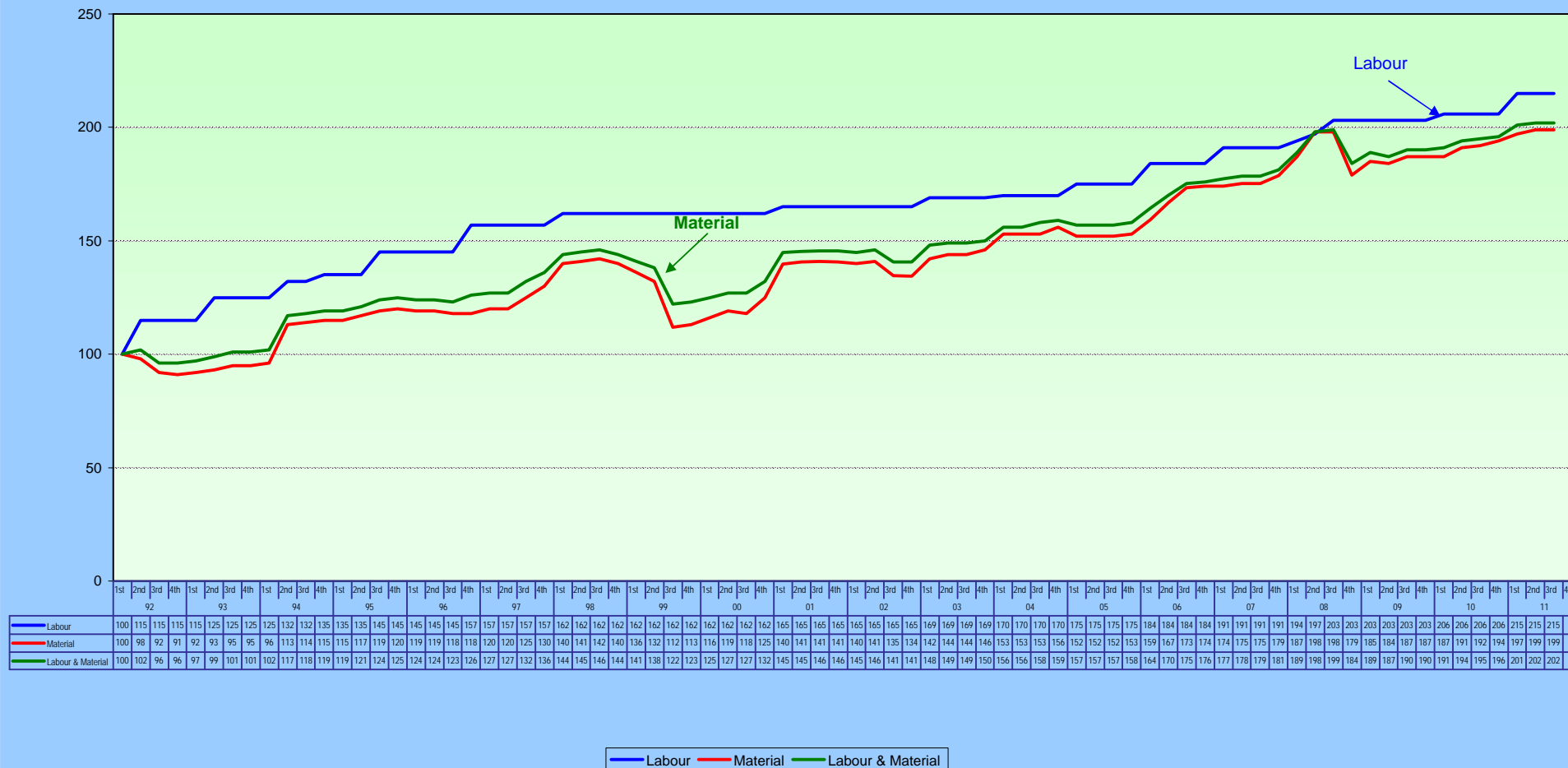
One major retail project in the area, which is due to be completed in first quarter of 2012, has reported 90% leased out.

Despite the outcry of over supply, investors still favour hotel developments. There will be about 10,000 to 12,000 rooms added to the existing stock of 50,000 rooms around the year of 2013 and 2014, which will intensify the competition.

Contrary to projection, the building costs remained steady in the last quarter with limited price movement.

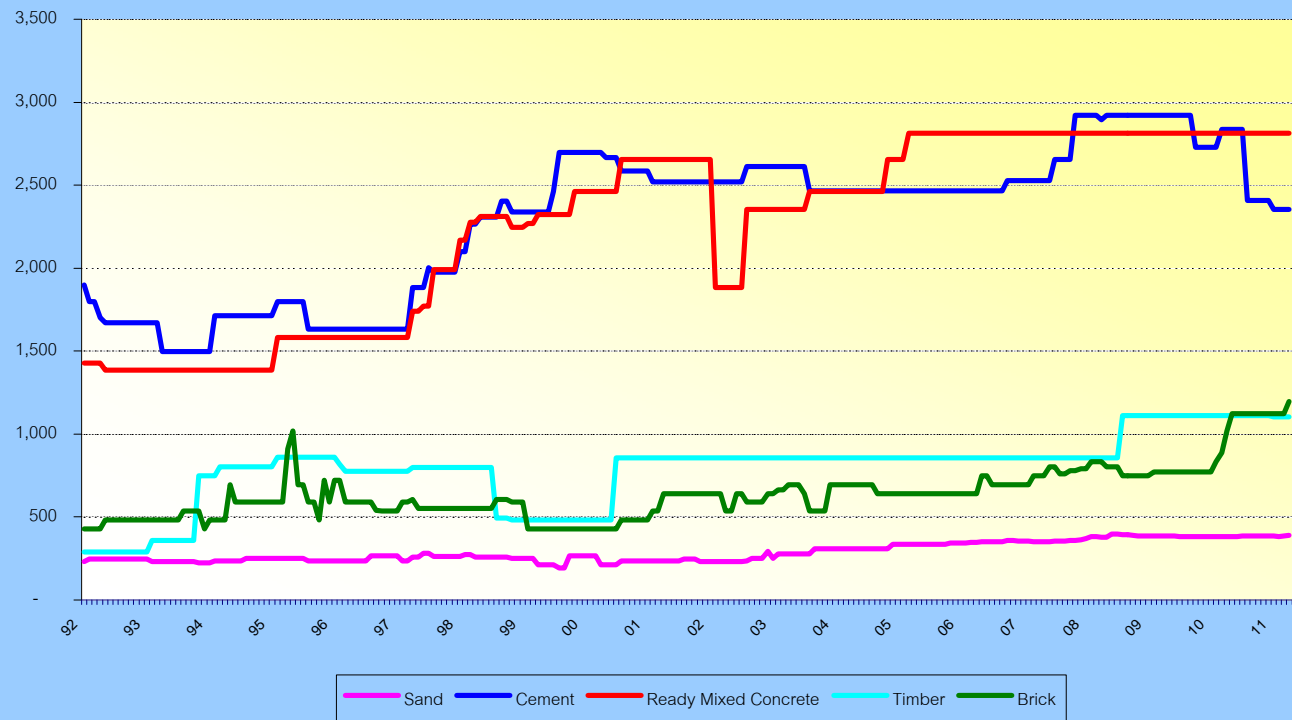
The trend is expected to be continued until the full implementation of the new minimum wage policy.

Labour & Material Cost Indices



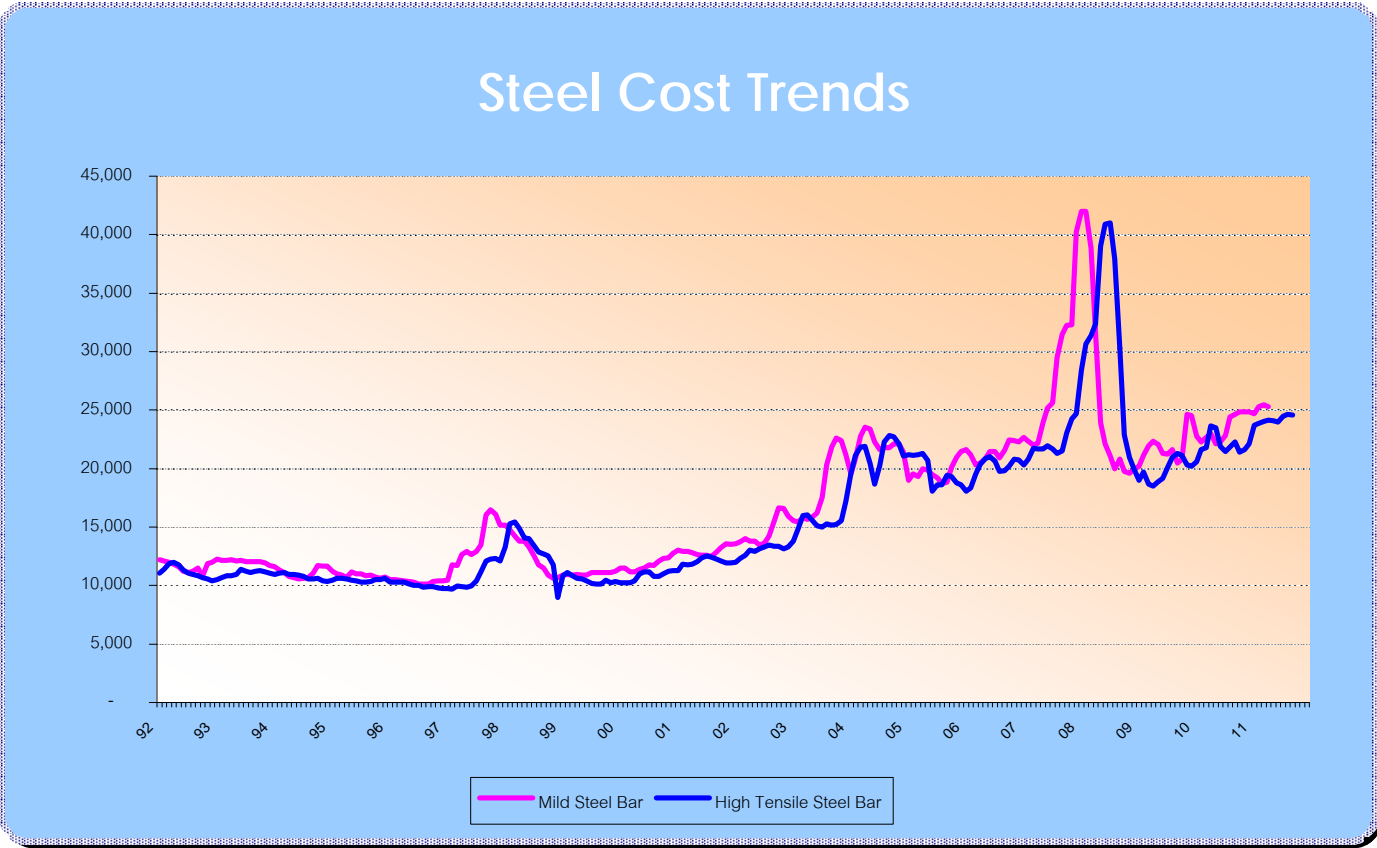
Notes : VAT rate between 3rd Quarter 1997 and 1st Quarter 1999 is 10%, the VAT rate is 7% otherwise.

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 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.