

CONSTRUCTION COMMENTARY

Quantity Surveyors Construction Cost Consultant

36/F, Skulthaisurawong Tower
141/58 Surawong Road
Suriyawong, Bangrak
Bangkok 10500 Thailand
Telephone : (662) 234-4933
Facsimile : (662) 234-4934
E-mail : rhlbtaj@rhlb.co.th
Website : www.rhlb.co.th

ISSUE SEPTEMBER 2012

At the time of preparing this commentary, flood is reported in some areas in northern part of Thailand and around Ayutthaya, which triggers concern.

If the situation last year is repeated this year, Thailand will suffer serious damage, both tangible and intangible. The effect would be long term.

As projected, demand for condominium has increased after the flood incident. The proportion of condo and low rise units put up for sales in the first seven months this year is in the ratio of 70 : 30, which is the highest ever recorded. The sales have met with good response.

Location preferences of medium / low price condominium units have changed, with Bangna topping the list. This outcome presents no surprise as skytrain route has been extended to that area, which experienced no flood last year.

Also as expected, the opening of Myanmar for foreign investments has benefited Thailand. Kanchaburi, which is close to the border with Myanmar, is the first which reports gain. Property prices and development activities in the region have soared.

Despite comments that there is still strong demand for top end condominium, which registered record selling prices, it is believed that the sector has reached its saturation.

Developers once specialised in the sector are marketing less luxurious brands.

To maintain their turnover, some of them have diverted their attention to areas in up countries in addition to Pattaya and Hua Hin with Chonburi, Rayong and Khaoyai being the popular choices.

There has been enquiry raised why most, if not all, construction projects in Thailand continuously experienced time and cost overruns.

We believe that the situation can be abated at the least with better forward planning from the developers' side.

The budget and programme should be realistic at the first instance and the developers' requirements should be well defined from the beginning of the project.

Sufficient time should be allowed for design development including construction details, tender documentation, preparation, evaluation and negotiation.

Contractors invited to submit a tender should be prequalified to ensure that the contractors are suitable for and capable of constructing the type of works for the project.

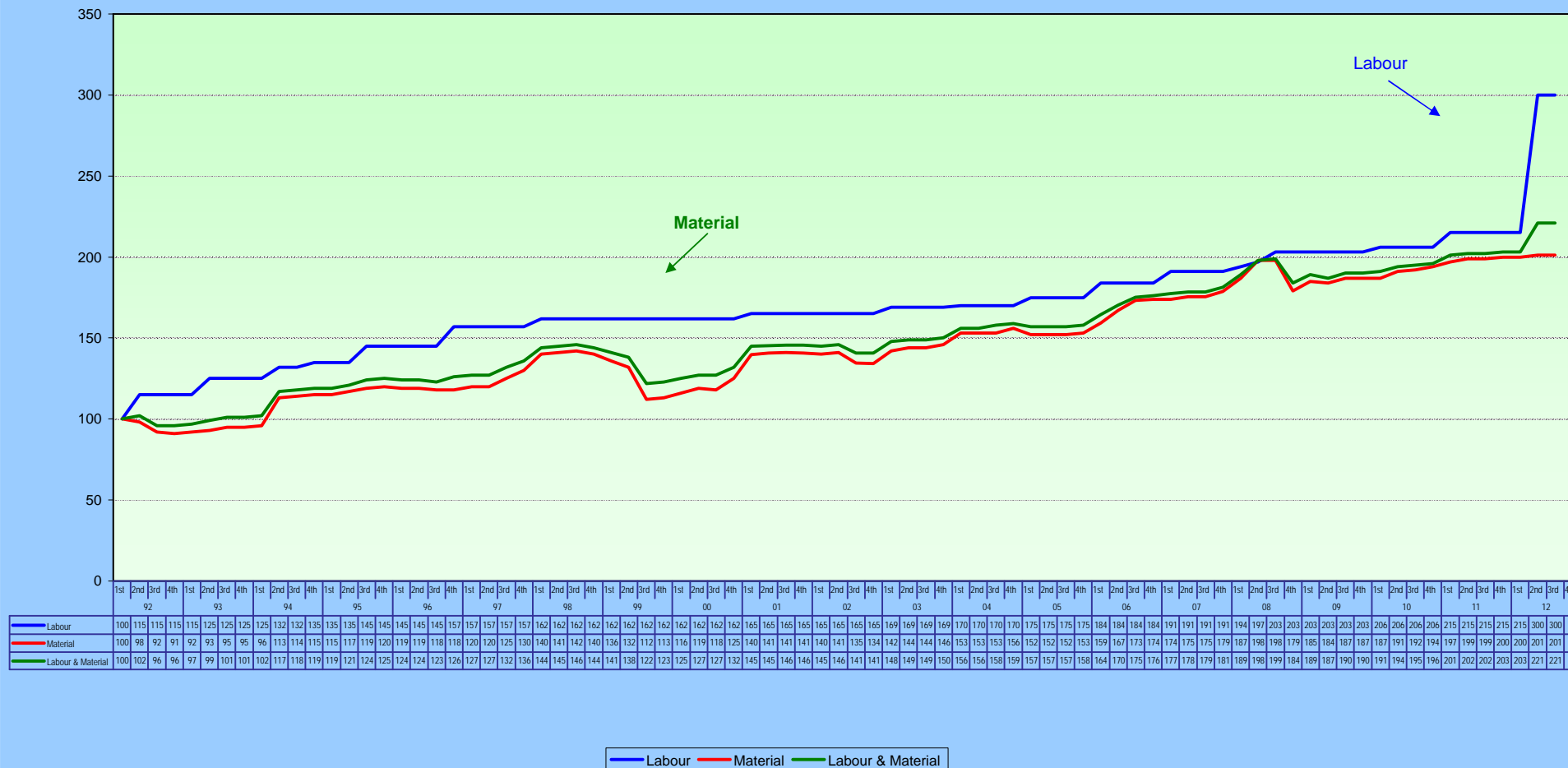
With pre construction activities properly done, the chances of unforeseens and hence extra time and cost encountered during construction would be reduced.

Unfortunately, we have seen the same scenario of bad management repeating over and over again to projects even for seasoned property developers.

Material prices in the past six months have been stable and despite the introduction of minimum wage rate on 1st April 2012, the overall cost is found to have been increased by only 9%, which is within expectation.

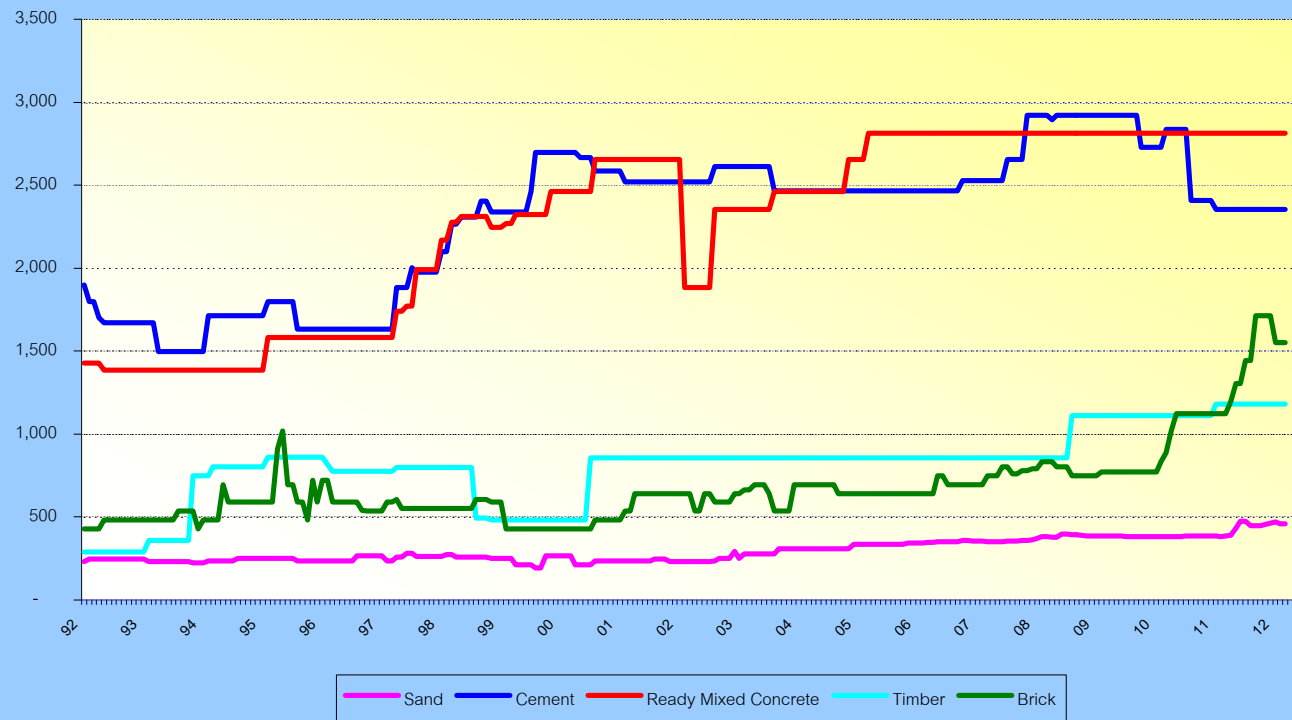
The prices will remain stable for the rest of the year.

Labour & Material Cost Indices



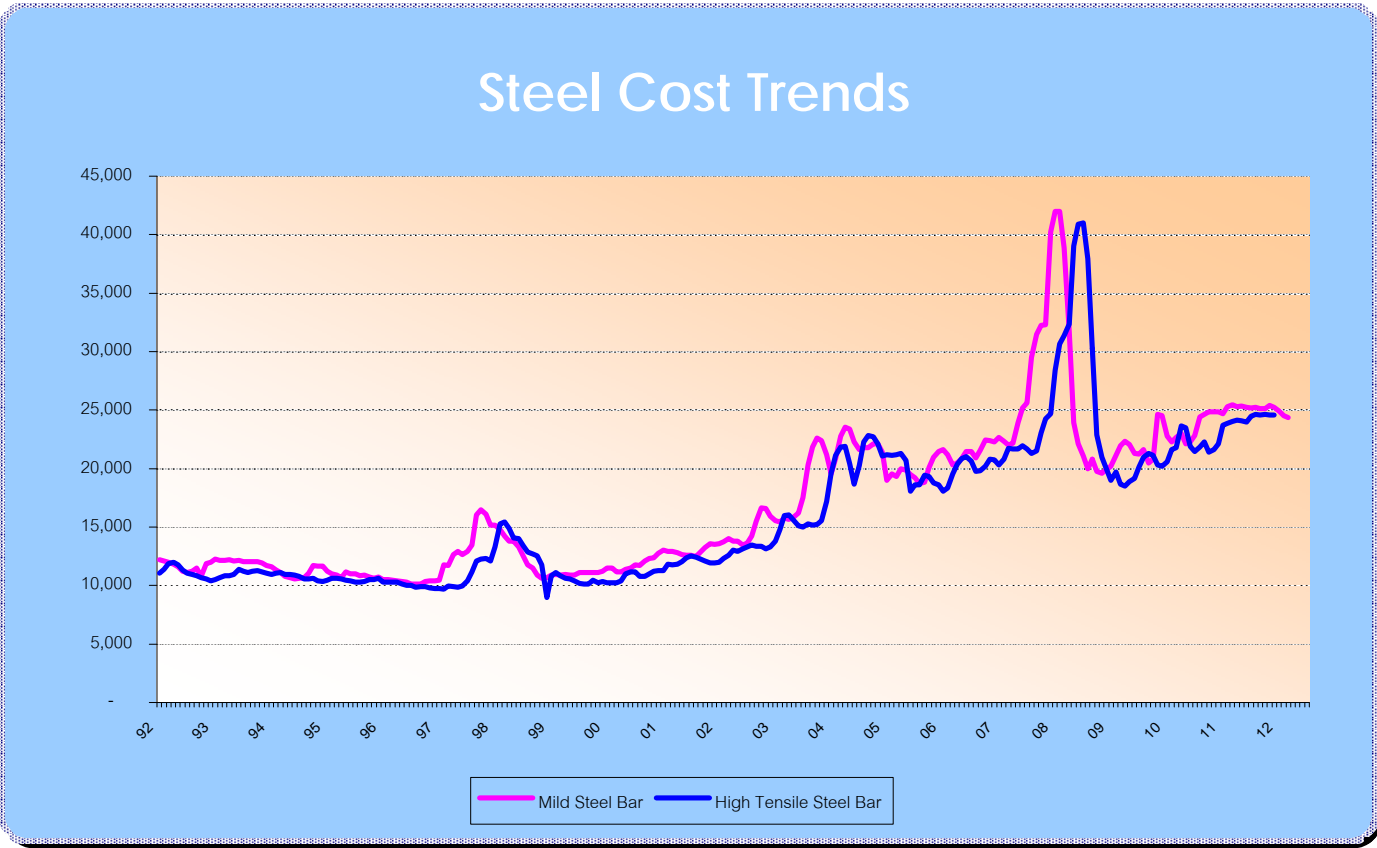
Notes : VAT rate between 3rd Quarter 1997 and 1st Quarter 1999 is 10%, the VAT rate is 7% otherwise.

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	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.