

TENDER PRICE INDICES AND COST TRENDS IN HONG KONG

December 2005

Commentary

Review of tender price movements

According to Levett and Bailey's Tender Price Index, which measures tender price movements in the private sector in Hong Kong, there was an increase of 0.39% in tender price in the third quarter of 2005. On a year-on-year basis, there was an increase of 3.66% as compared with the third quarter of 2004.

The following are the third quarter year-on-year tender price movements in the private sector in the past five years:

2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
-5.23%	-11.03%	-1.24%	+2.93%	+3.66%

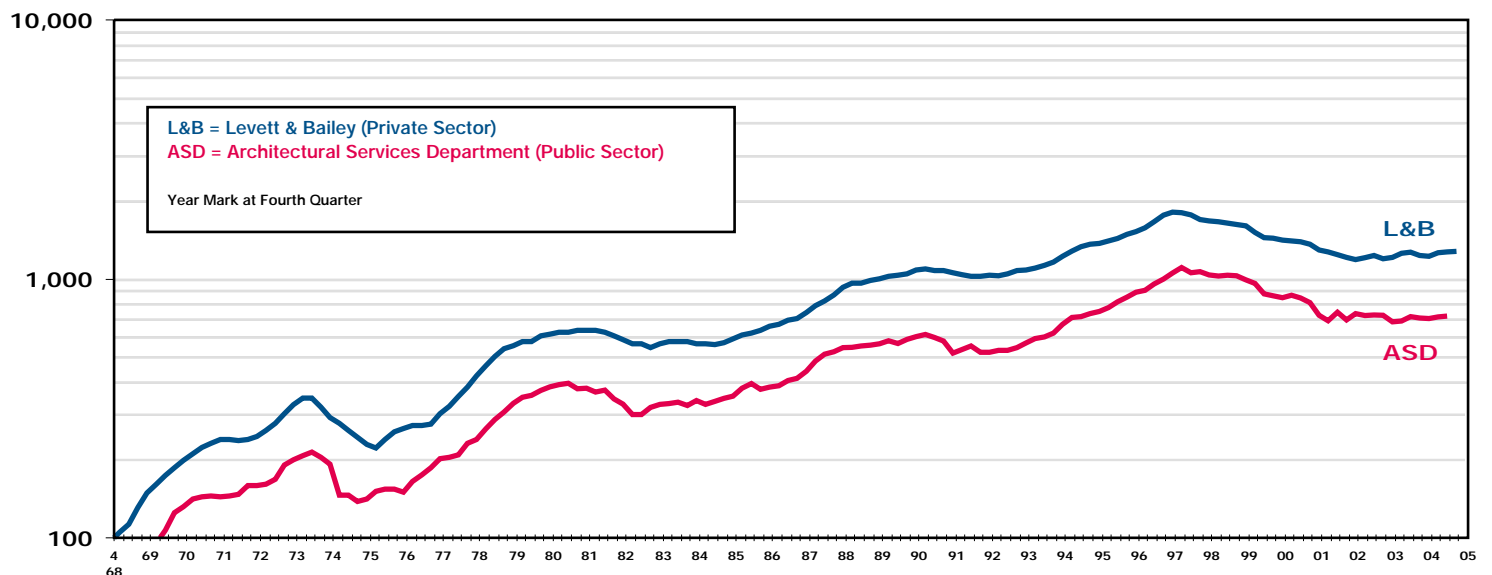
Forecast of tender price trends

The increase in tender price in the third quarter of this year has been mild. However, when compared with the tender price in the third quarter of 2004, the increase was about 4%, reflecting the improvement in the general economy of Hong Kong and the return of inflation in the past year.

The construction industry in Hong Kong remains weak. However, the construction boom in Macau has provided a strong support to contractors and suppliers in Hong Kong and has indirectly led to a general rising trend in construction cost in Hong Kong, especially in some of the building services trades. With the expectation that there will be more new projects in Hong Kong in the coming months, the mild rising trend in tender price is forecasted to continue into next year.

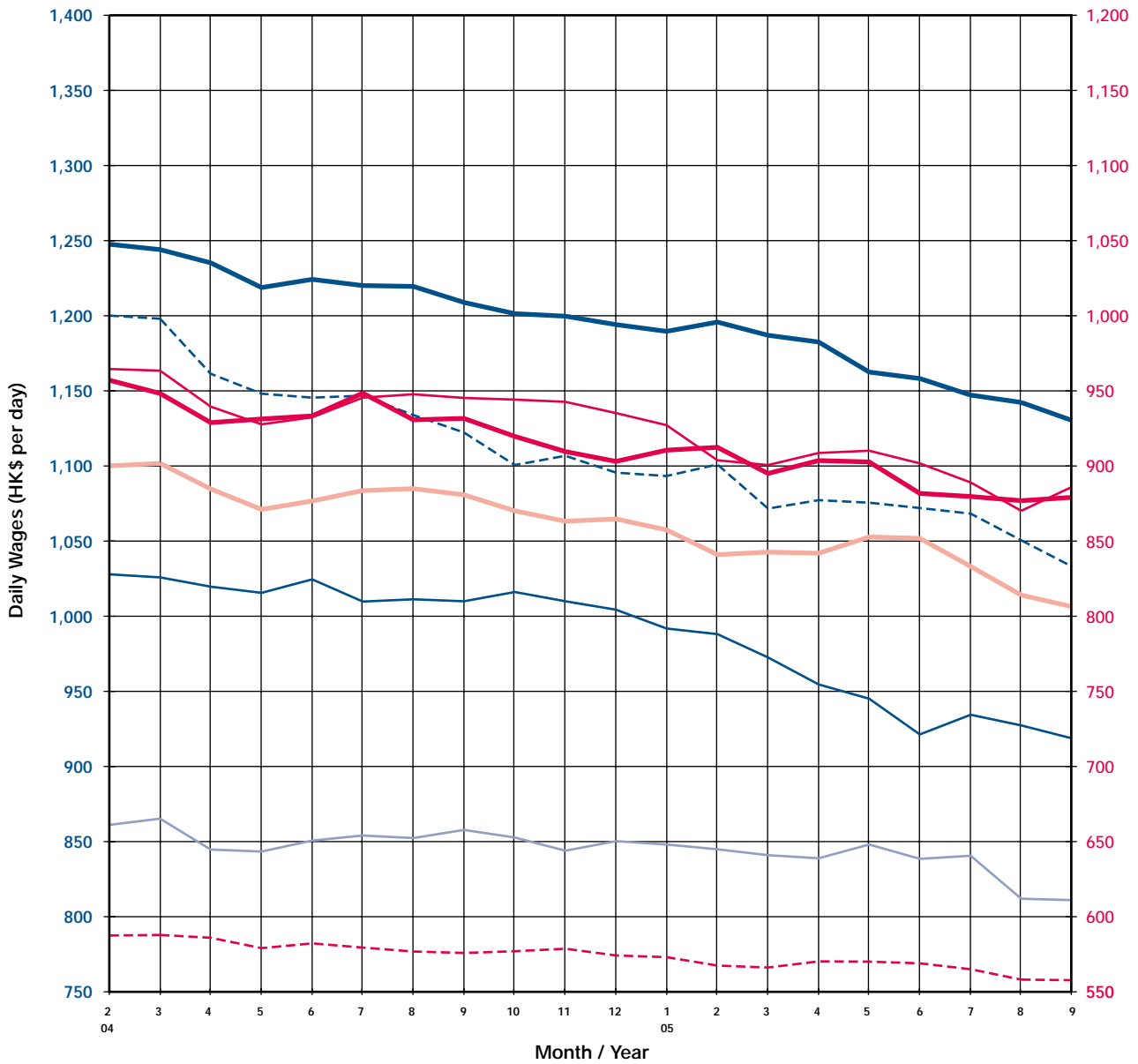
Tender Price Indices

Graph showing cost trends in the construction industry in Hong Kong based on Tender Prices for Builder's Works



For Average Tendered Rates and more, please visit our web site www.LevettandBailey.com

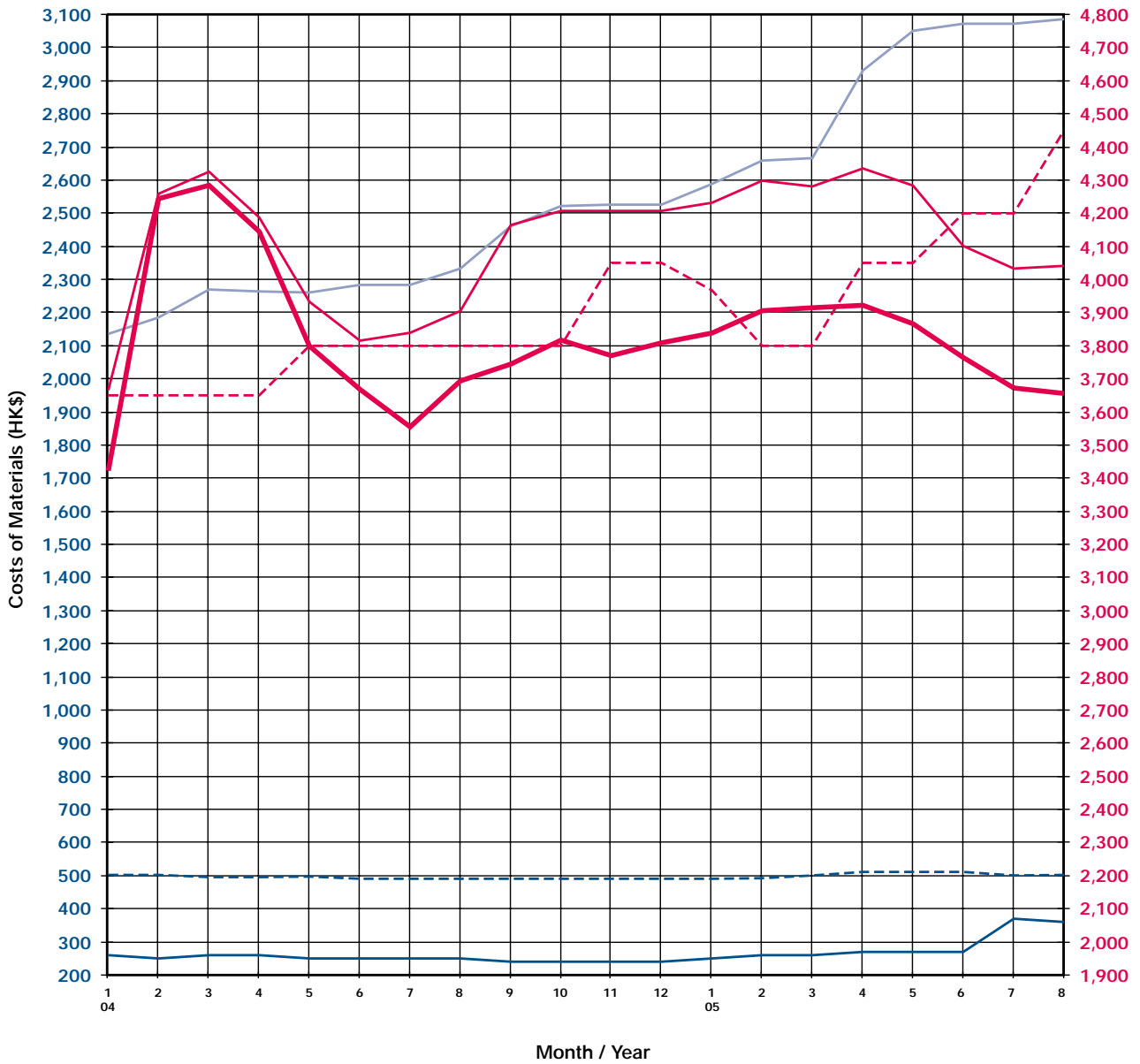
Average Daily Wages of Workers Engaged in Public Sector Construction Projects



Selected Occupations	Average Daily Wages in HK\$ per day																			
	2004												2005							
	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9
Bar Bender and Fixer	1,248.6	1,245.1	1,236.3	1,219.9	1,225.4	1,221.2	1,220.7	1,210.1	1,202.7	1,200.9	1,195.4	1,191.0	1,197.0	1,188.3	1,183.8	1,163.8	1,159.6	1,148.7	1,143.7	1,131.8
Concretor	1,029.7	1,027.7	1,021.5	1,017.4	1,026.3	1,011.7	1,013.1	1,011.9	1,018.0	1,011.9	1,006.2	993.7	990.1	974.6	956.6	947.2	923.5	936.5	929.5	920.8
Carpenter (formwork)	1,201.3	1,199.3	1,162.8	1,149.5	1,146.9	1,148.2	1,135.4	1,123.8	1,102.3	1,108.3	1,097.2	1,094.9	1,102.5	1,073.4	1,078.9	1,077.2	1,073.7	1,069.9	1,052.3	1,034.9
Painter and Decorator	901.6	903.4	886.4	872.8	878.4	885.2	886.6	882.4	871.8	865.0	866.5	859.2	842.7	844.4	843.6	854.5	853.6	834.9	816.0	808.2
Plasterer	958.4	949.7	930.3	932.8	934.9	949.9	932.2	933.2	921.3	911.2	904.6	912.1	913.9	896.6	905.1	904.3	883.3	881.3	878.5	880.7
Metal Worker	863.5	867.6	847.1	845.8	853.1	856.5	854.8	860.2	855.1	846.4	852.6	850.5	847.3	843.3	841.3	850.4	840.9	842.9	814.4	813.5
Plumber	965.9	964.8	940.9	929.2	933.8	947.0	949.2	946.8	945.7	944.2	936.7	928.7	905.3	902.2	910.2	911.8	903.3	890.6	871.9	887.7
General Workers	590.0	590.4	588.6	581.7	584.9	582.1	579.5	578.5	579.7	581.3	576.9	575.8	570.2	568.8	573.0	572.8	571.7	567.7	560.9	560.5

(Source: Census and Statistics Department)

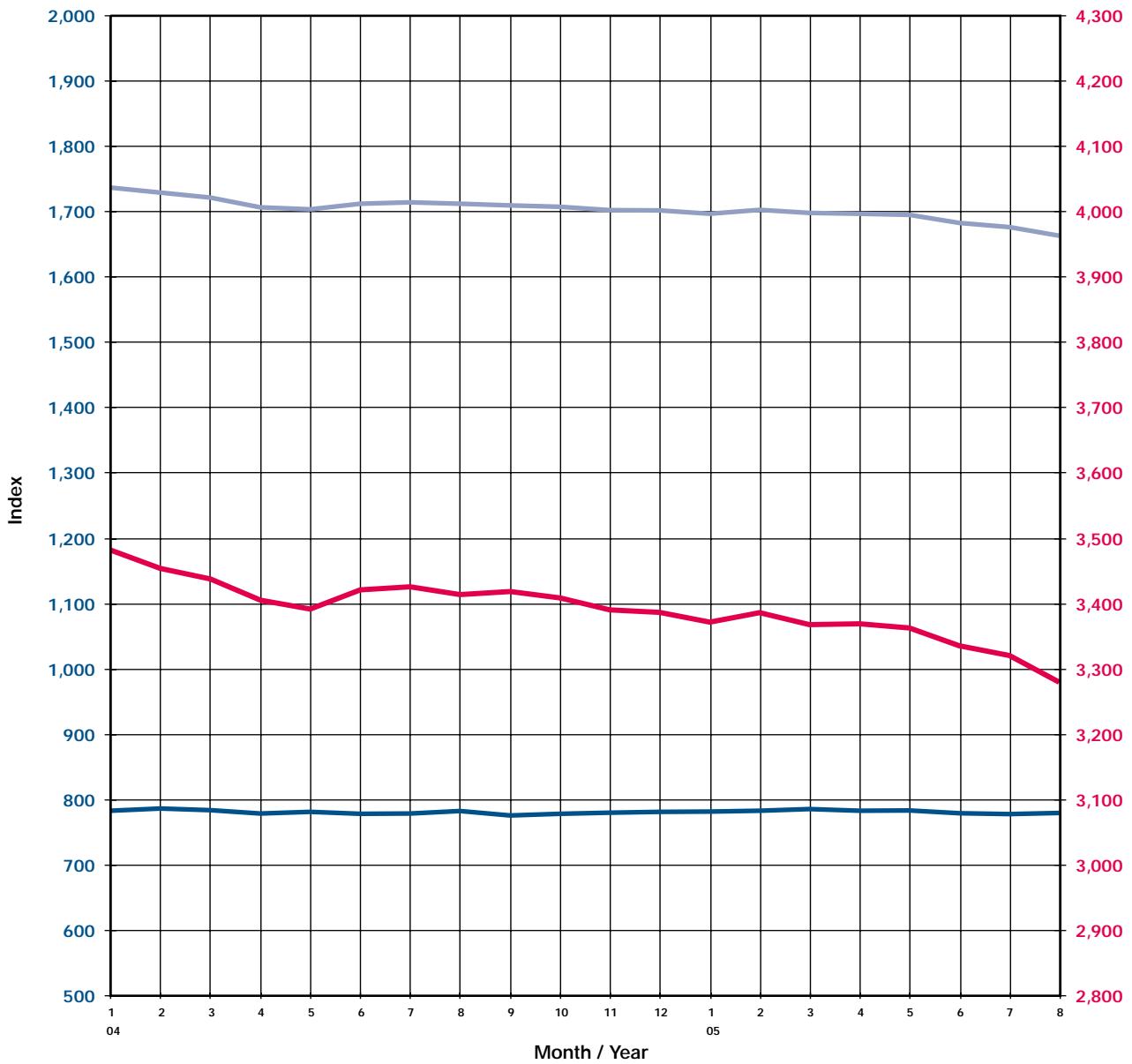
Average Wholesale Prices of Selected Building Materials



Building Materials	2004												2005							
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
Sand (\$/10 t)	260.00	250.00	260.00	260.00	250.00	250.00	250.00	250.00	240.00	240.00	240.00	240.00	250.00	260.00	260.00	270.00	270.00	270.00	370.00	360.00
Bitumen (\$/t)	3,650.00	3,650.00	3,650.00	3,650.00	3,800.00	3,800.00	3,800.00	3,800.00	3,800.00	3,800.00	4,050.00	4,050.00	3,967.00	3,800.00	3,800.00	4,050.00	4,050.00	4,200.00	4,200.00	4,450.00
Portland Cement (\$/t)	502.00	502.00	496.00	496.00	497.00	491.00	491.00	491.00	491.00	491.00	491.00	491.00	491.00	492.00	501.00	511.00	511.00	511.00	501.00	502.00
Sawn Hardwood 50x75 (\$/m³)	2,136.00	2,185.00	2,270.00	2,264.00	2,261.00	2,284.00	2,284.00	2,333.00	2,461.00	2,522.00	2,526.00	2,526.00	2,588.00	2,659.00	2,666.00	2,931.00	3,051.00	3,072.00	3,072.00	3,086.00
Mild Steel Round Bars (\$/t)	3,666.00	4,259.00	4,325.00	4,187.00	3,933.00	3,815.00	3,839.00	3,905.00	4,164.00	4,207.00	4,207.00	4,207.00	4,232.00	4,298.00	4,281.00	4,335.00	4,283.00	4,101.00	4,033.00	4,041.00
High Tensile Steel Bars (\$/t)	3,423.00	4,244.00	4,284.00	4,145.00	3,799.00	3,668.00	3,555.00	3,694.00	3,745.00	3,817.00	3,770.00	3,809.00	3,838.00	3,906.00	3,915.00	3,922.00	3,866.00	3,764.00	3,672.00	3,656.00

(Source: Census and Statistics Department)

Labour and Material Cost Indices



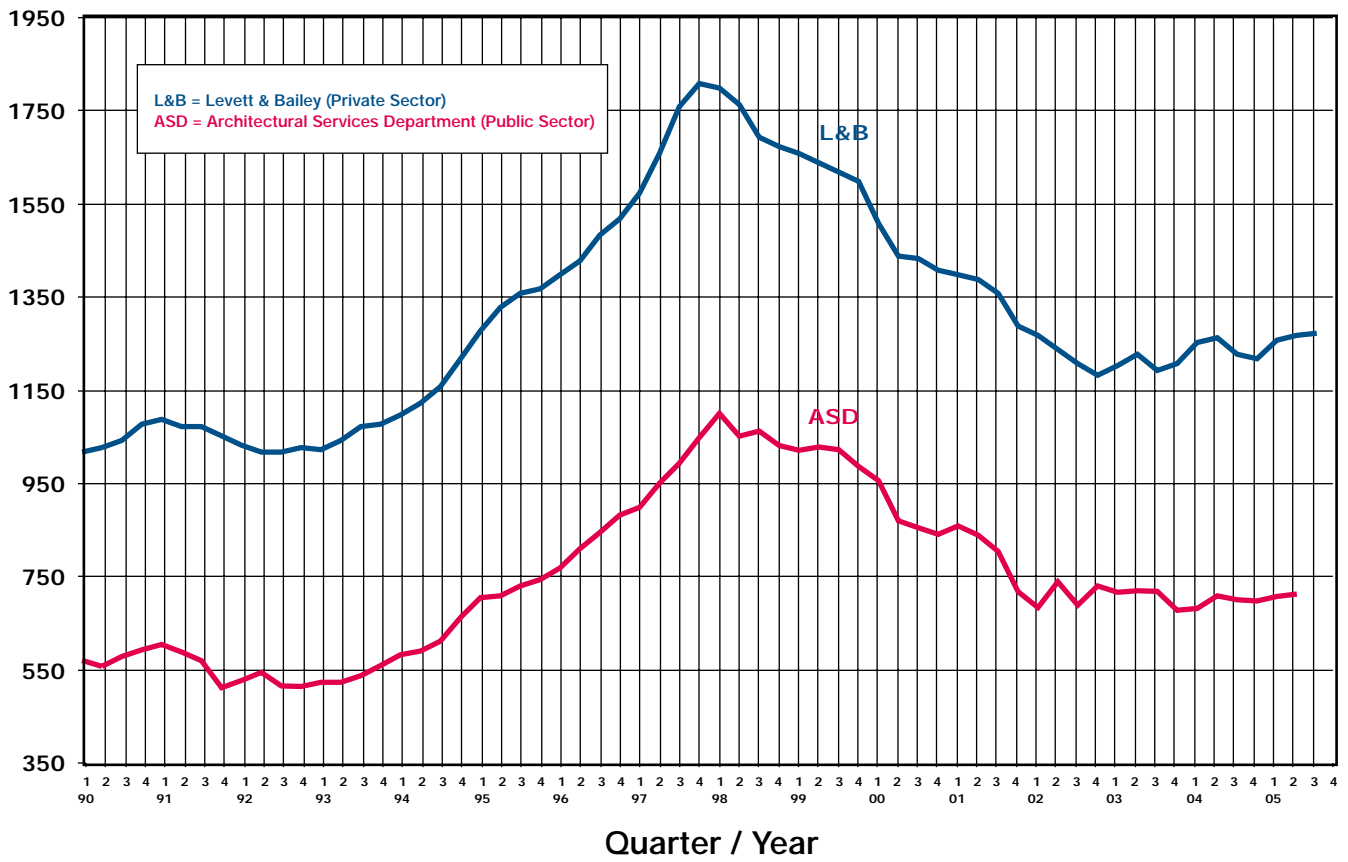
Labour and Material Cost Indices

(Note : These indices are prepared on basis of Government building projects which do not necessarily reflect conditions in the private sector)

Index	2004												2005							
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
Material Index	782.48	786.08	783.59	778.28	781.03	777.84	778.54	782.05	775.17	777.78	779.65	781.08	781.40	782.71	785.16	782.71	783.10	778.97	777.60	779.14
Labour Index	3,482.21	3,453.82	3,437.78	3,405.26	3,391.63	3,421.20	3,425.61	3,413.84	3,418.39	3,408.51	3,390.45	3,386.54	3,371.43	3,386.06	3,367.78	3,368.87	3,362.80	3,335.59	3,320.45	3,279.62
Consolidated Labour & Material Index (Building Cost Index)	1,737.25	1,729.54	1,722.26	1,707.33	1,704.29	1,712.68	1,714.69	1,712.80	1,709.96	1,708.16	1,702.98	1,702.52	1,697.39	1,703.41	1,698.54	1,697.33	1,695.44	1,683.15	1,676.91	1,663.48

(Source: Architectural Services Department)

Tender Price Indices since 1990



Tender Price Indices

Quarter	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD	L&B	ASD		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1		104	160	100	210	140	238	144	258	160	345	206	275	145	221	150	270	164	320	203	460	262		
2		112	173	106	222	143	236	146	275	167	345	213	258	145	238	153	270	174	350	208	500	285		
3		130	185	124	230	144	238	158	300	190	318	203	243	137	255	153	273	185	380	230	535	304		
4	100	148	198	131	238	143	245	158	325	199	290	191	228	140	263	149	300	201	420	238	550	329		
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991												
1	570	347	620	389	630	364	560	298	570	328	560	326	605	376	665	385	785	479	960	542	1020	574	1090	608
2	570	353	620	393	620	370	560	298	570	332	555	335	615	392	690	403	820	510	960	548	1030	561	1075	592
3	600	369	630	375	600	342	540	317	570	323	565	344	630	373	700	411	865	521	985	552	1045	582	1075	573
4	610	381	630	376	580	327	560	326	560	337	585	351	655	380	740	438	925	541	1000	559	1080	596	1055	515
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003												
1	1035	531	1025	527	1100	586	1280	708	1400	772	1575	902	1800	1103	1660	1024	1510	959	1400	862	1270	687	1205	720
2	1020	548	1045	527	1125	594	1330	712	1430	813	1660	953	1765	1054	1640	1031	1440	873	1390	842	1240	742	1230	723
3	1020	519	1075	541	1160	615	1360	733	1485	848	1760	996	1695	1065	1620	1025	1435	858	1360	807	1210	692	1195	722
4	1030	518	1080	563	1220	666	1370	747	1520	885	1810	1051	1675	1034	1600	989	1410	844	1290	721	1185	733	1210	681
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015												
1	1255	685	1260	711																				
2	1265	712	1270	716																				
3	1230	704	1275																					
4	1220	701																						

Construction Costs

Approximate Order of Construction Costs in Hong Kong and Major Cities in China

(Cost per Square Metre Construction Floor Area at 3rd Quarter 2005 Prices)

Type of Building	Hong Kong HK\$	Beijing RMB	Shanghai RMB	Guangzhou RMB	Shenzhen RMB	Macau MOP
Office						
<i>High Quality</i>	9,900 - 13,300	5,500 - 8,200	5,300 - 8,000	5,200 - 7,800	5,200 - 7,800	8,900 - 11,600
<i>Medium Quality</i>	8,500 - 9,900	4,200 - 5,700	3,950 - 5,500	3,750 - 5,200	3,750 - 5,200	7,500 - 9,000
<i>Ordinary Quality</i>	7,400 - 9,000	3,050 - 4,150	2,850 - 3,950	2,750 - 3,750	2,750 - 3,750	6,100 - 7,900
Shopping Centre						
<i>High Quality</i>	13,700 - 16,300	6,200 - 9,450	6,000 - 9,250	5,800 - 8,600	5,800 - 8,600	N/A
<i>Medium Quality</i>	10,500 - 12,500	4,750 - 6,100	4,550 - 5,900	4,050 - 5,600	4,050 - 5,600	N/A
Residential						
<i>High Rise; High Quality</i>	8,700 - 10,900	3,050 - 4,250	2,950 - 4,050	2,800 - 3,750	2,800 - 3,750	6,300 - 8,300
<i>High Rise; Better Quality</i>	7,500 - 8,900	2,550 - 3,050	2,450 - 3,000	2,300 - 2,900	2,300 - 2,900	5,100 - 6,700
<i>High Rise; Ordinary Quality</i>	6,300 - 7,600	1,500 - 2,150	1,400 - 2,100	1,300 - 1,900	1,300 - 1,900	4,300 - 5,300
<i>House; High Quality</i>	14,400 - 17,000	3,550 - 4,650	3,350 - 4,450	3,250 - 4,350	3,250 - 4,350	N/A
<i>House; Medium Quality</i>	10,700 - 13,500	2,200 - 2,850	2,000 - 2,650	1,800 - 2,600	1,800 - 2,600	N/A
Hotel (including FF&E)						
<i>5-Star</i>	15,200 - 18,500	9,350 - 12,050	9,250 - 11,850	8,850 - 11,250	8,850 - 11,250	14,300 - 17,500
<i>3-Star</i>	12,200 - 14,200	6,700 - 8,600	6,700 - 8,350	6,300 - 8,000	6,300 - 8,000	11,300 - 13,500
Industrial						
<i>Landlord; High Rise</i>	4,650 - 5,250	1,800 - 2,500	1,800 - 2,450	1,500 - 2,150	1,500 - 2,150	N/A
<i>End User; Low Rise</i>	5,500 - 9,000	2,850 - 4,850	2,850 - 4,850	2,550 - 4,600	2,550 - 4,600	N/A
Carpark						
<i>Basement; up to 2 Levels</i>	6,800 - 9,900	2,550 - 4,550	2,850 - 4,800	2,550 - 4,600	2,550 - 4,600	4,200 - 5,800
<i>Multi-Storey</i>	3,950 - 4,600	1,700 - 2,200	1,700 - 2,200	1,600 - 2,100	1,600 - 2,100	N/A

NOTES

- The construction costs above are based on prices obtained by competitive tendering for lump sum fixed price contracts with a normal contract period and are based on normal site conditions and locations.
- The costs are average square metre unit costs only not based on any specific drawings / design. Therefore they provide nothing more than a rough guide to the probable cost of a building. Figures outside the given ranges may be encountered. When information is required on a specific project, it is essential that professional advice be sought.
- The standards for each type of building in major cities in China do not necessarily follow those in Hong Kong due to local design practices and choice of materials.
- The costs exclude furniture, fittings and equipment (except hotel / serviced apartment), site formation and external works, finance and legal expenses, consultants' fees and reimbursables, value of land and fluctuations in prices between now and the time of calling tenders.
- Other Specific Exclusions:
Hotel: pre-opening expenses, operating expenses, working capital, staff training and administrative costs.
Shopping Centre: fit out to tenant areas.
Industrial; Landlord: security system, air conditioning, electrical distribution in tenant areas; production and warehousing equipment; special M&E provisions.
Projects in Major Cities in China: utilities to the site beyond site boundary, connection charges and capital contribution; local authority levies and taxation; import duties.
- Construction floor areas are measured to the outside face of external walls (or in the absence of such walls, the external perimeter) of the building & include all lift shafts, stairwells and E&M rooms but exclude lightwells and atrium voids. These areas are usually larger than Architect's calculation of Gross Floor Area (Plot Ratio Area).