

TENDER PRICE INDICES AND COST TRENDS IN HONG KONG

March 2007

Commentary

Review of tender price movements

According to Levett and Bailey's Tender Price Index, which measures tender price movements in builder's works in the private sector in Hong Kong, there was an increase of 3.68% in tender price in the fourth quarter of 2006. On a year-on-year basis, there was an increase of 10.16% as compared with the fourth quarter of 2005.

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

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
-8.14%	+2.11%	+0.83%	+4.92%	+10.16%

In the past two years, tender price of building services trades has been increasing at a much faster rate than that of builder's works due to high commodity prices and heavy demand in Macau. In some contracts, the increase has been more than 20% on a year-on-year basis.

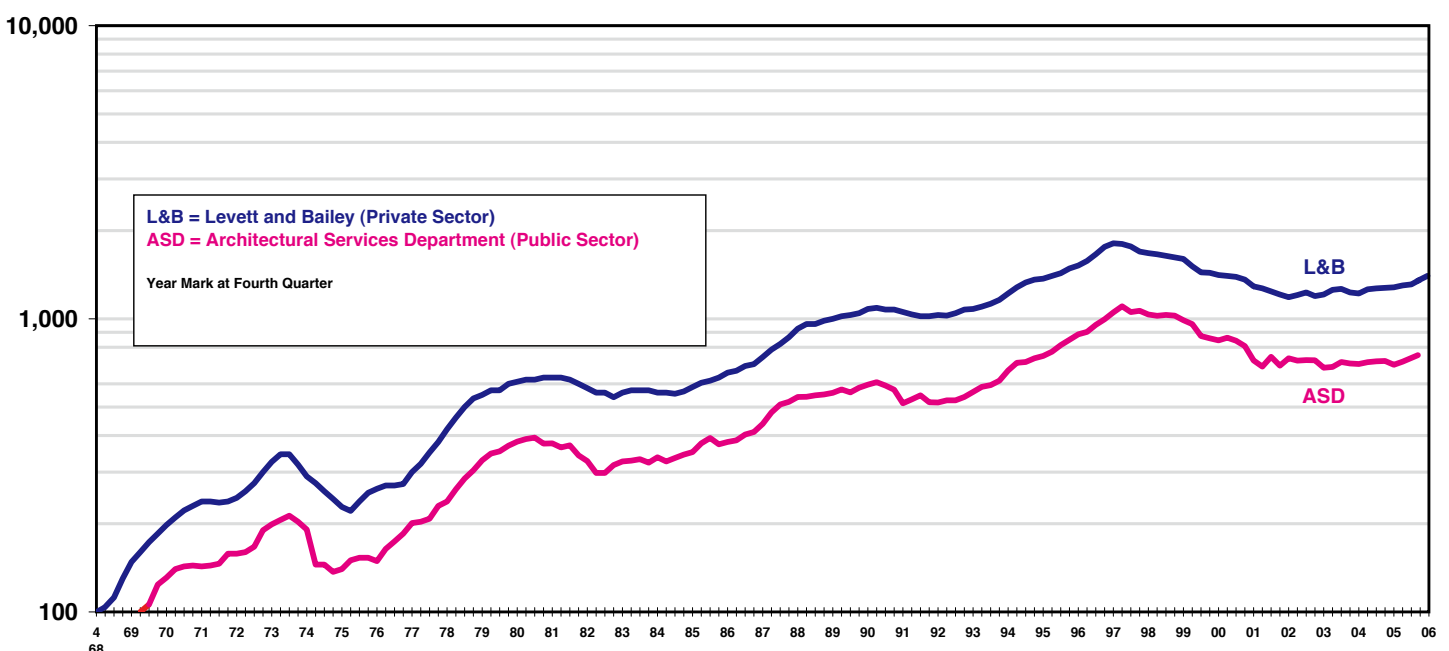
Forecast of tender price trends

The rising trend in tender price in Hong Kong has accelerated since the third quarter of last year. While the tender price of building services trades has increased at a much faster rate, other builder's work trades such as windows and curtain walls have also seen some significant increases. Although the construction market in Hong Kong has remained relatively stable, the combined effects of a heavy demand of contractors in Macau, the weaker US dollar, the appreciation in value of Renminbi and a sustained high level of commodity prices have pushed up the basic construction costs. The contractors have taken the opportunity to become more selective in tendering for projects in Hong Kong and to improve their profit margins.

The factors mentioned above will continue to give a strong support to tender prices in Hong Kong. As Hong Kong's economy continues to improve and the Government's commitment to increase its capital expenditure will gradually be realized, it is expected that the rising trend in tender price in Hong Kong will continue at a much faster pace this year.

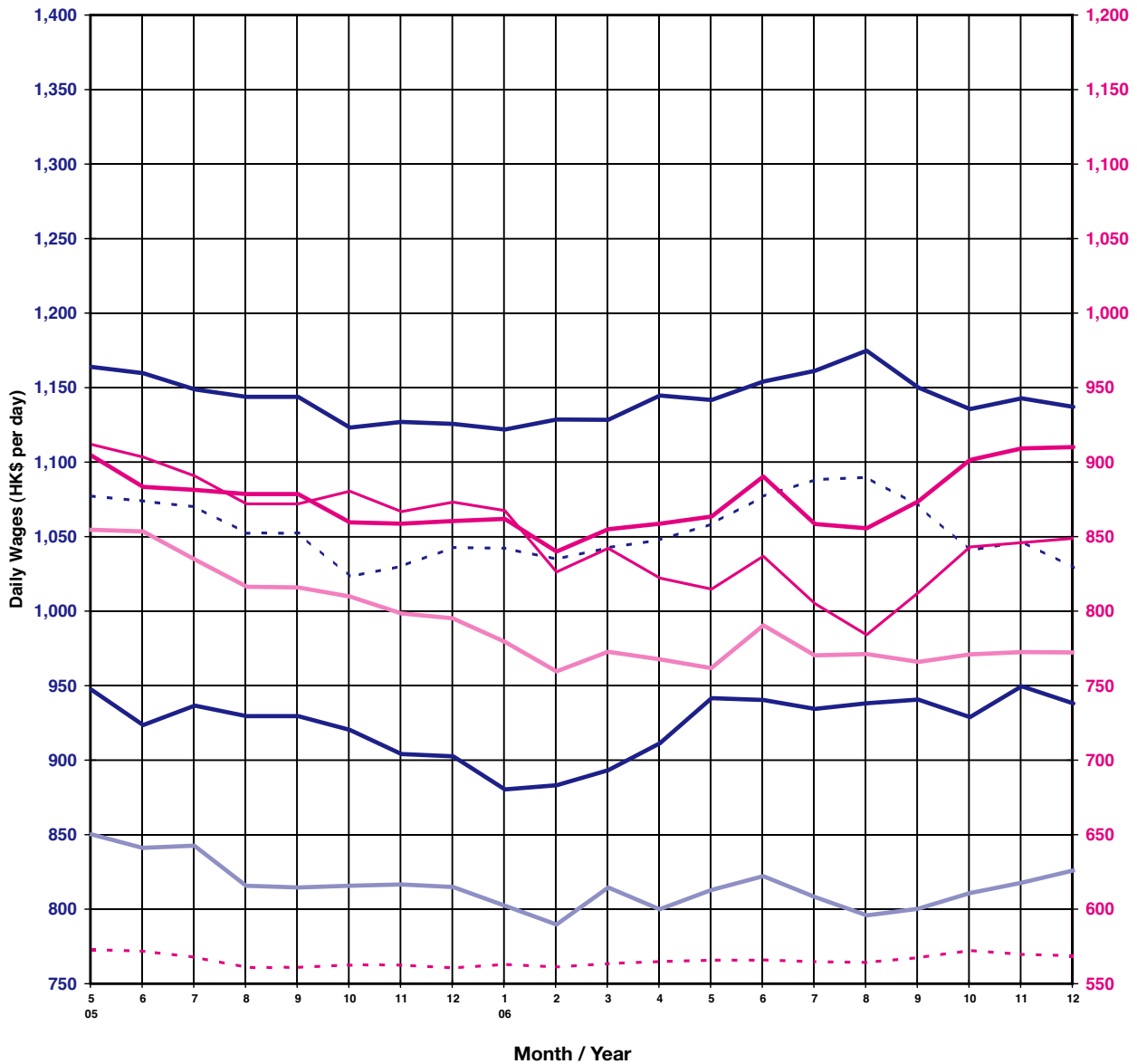
Tender Price Indices

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

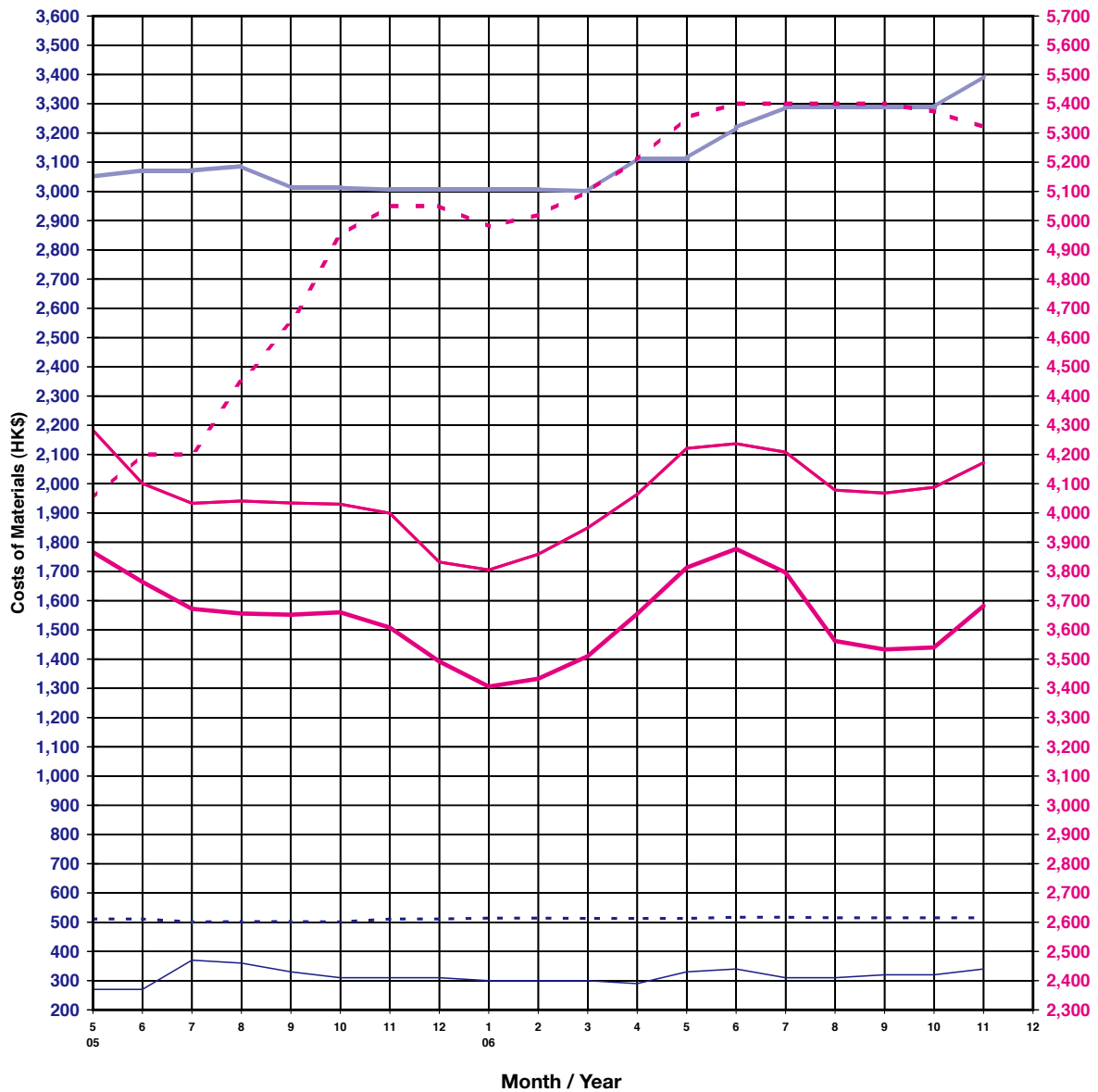


Selected Occupations	Average Daily Wages in HK\$ per day																			
	2005												2006							
	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Bar Bender and Fixer	1,163.8	1,159.6	1,148.7	1,143.7	1,143.7	1,123.1	1,126.9	1,125.6	1,121.8	1,128.5	1,128.3	1,144.6	1,141.6	1,154.0	1,161.2	1,174.7	1,150.0	1,135.5	1,142.7	1,137.0
Concretor	947.2	923.5	936.5	929.5	929.5	920.2	904.0	902.5	880.3	883.1	893.2	911.3	941.5	940.3	934.3	938.1	940.6	928.8	949.5	938.0
Carpenter (formwork)	1,077.2	1,073.7	1,069.9	1,052.3	1,052.3	1,023.1	1,030.1	1,042.6	1,042.1	1,034.8	1,042.5	1,047.7	1,058.4	1,076.9	1,088.2	1,089.7	1,070.8	1,040.6	1,046.7	1,029.1
Painter and Decorator	854.5	853.6	834.9	816.0	816.0	809.9	798.5	795.3	779.5	758.7	773.3	767.8	761.1	791.2	769.4	771.3	765.5	770.9	772.4	772.1
Plasterer	904.3	883.3	881.3	878.5	878.5	859.5	858.6	860.4	861.8	839.9	854.9	858.6	863.4	890.3	858.4	855.5	873.6	901.4	909.1	910.0
Metal Worker	850.4	840.9	842.9	814.4	814.4	815.6	816.3	814.7	802.3	788.8	814.5	799.3	812.6	822.3	808.0	795.4	800.1	811.0	817.6	825.9
Plumber	911.8	903.3	890.6	871.9	871.9	880.4	866.7	873.1	867.4	826.2	842.1	822.1	814.7	836.8	805.0	784.0	812.3	843.0	845.9	848.8
General Workers	572.8	571.7	567.7	560.9	560.9	562.5	562.4	560.5	562.9	561.1	563.4	564.8	565.7	565.9	564.7	564.2	567.4	572.2	569.6	568.6

(Source: Census and Statistics Department)

Material Cost Trends

Average Wholesale Prices of Selected Building Materials

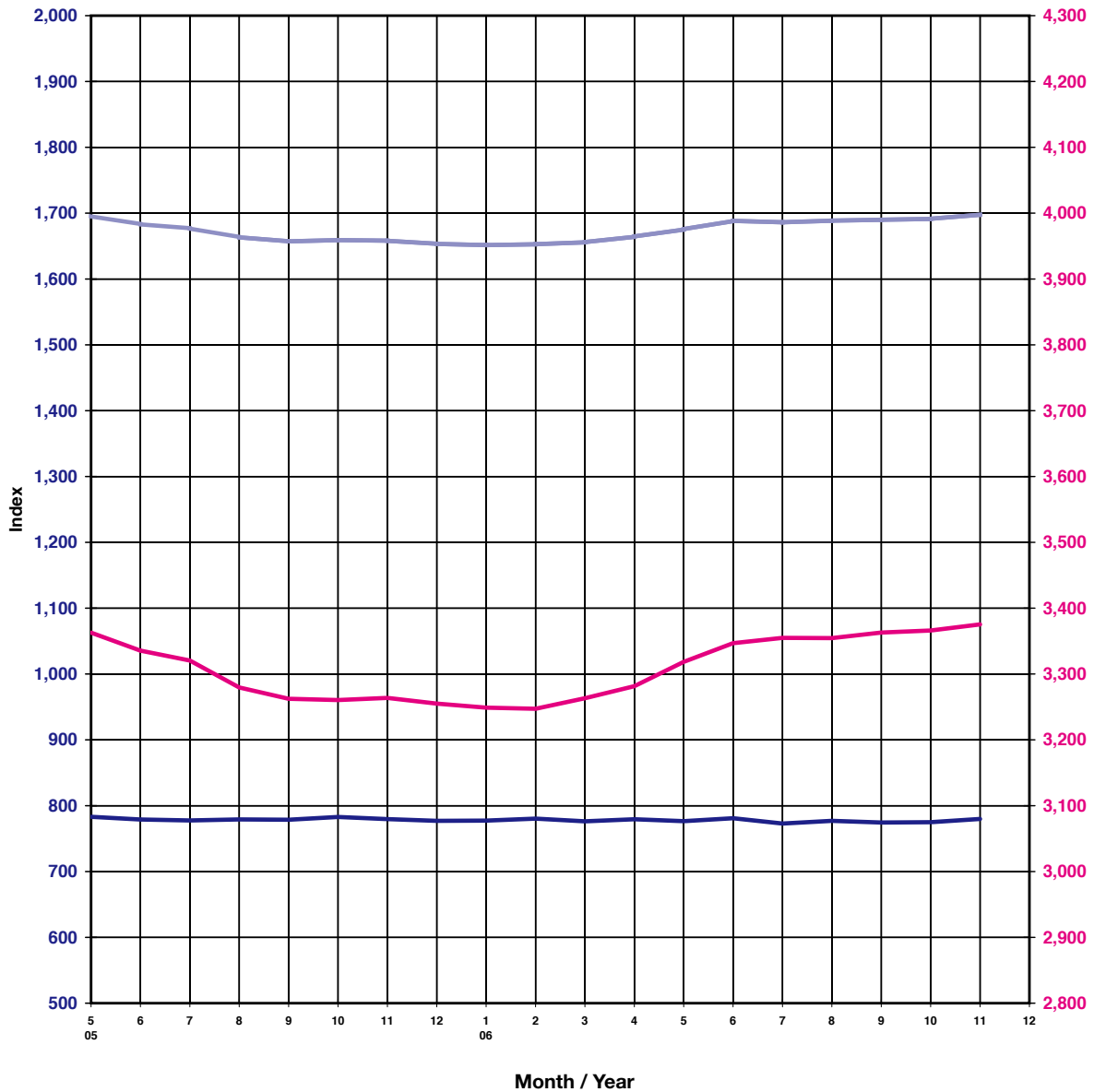


Building Materials	2005												2006											
	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12				
Sand (\$/10 t)	270.00	270.00	370.00	360.00	330.00	310.00	310.00	310.00	300.00	300.00	300.00	290.00	330.00	340.00	310.00	310.00	320.00	320.00	340.00					
Bitumen (\$/t)	4,050.00	4,200.00	4,200.00	4,450.00	4,650.00	4,950.00	5,050.00	5,050.00	4,980.00	5,020.00	5,100.00	5,207.00	5,353.00	5,400.00	5,400.00	5,400.00	5,400.00	5,373.00	5,320.00					
Portland Cement (\$/t)	511.00	511.00	501.00	502.00	502.00	501.00	511.00	511.00	514.00	514.00	513.00	513.00	513.00	517.00	517.00	515.00	515.00	515.00	515.00					
Sawn Hardwood 50x75 (\$/m ³)	3,051.00	3,072.00	3,072.00	3,086.00	3,012.00	3,012.00	3,006.00	3,006.00	3,006.00	3,006.00	3,001.00	3,113.00	3,113.00	3,218.00	3,288.00	3,288.00	3,288.00	3,288.00	3,394.00					
Mild Steel Round Bars (\$/t)	4,283.00	4,101.00	4,033.00	4,041.00	4,034.00	4,030.00	3,999.00	3,832.00	3,805.00	3,859.00	3,949.00	4,064.00	4,221.00	4,237.00	4,208.00	4,078.00	4,068.00	4,088.00	4,172.00					
High Tensile Steel Bars (\$/t)	3,866.00	3,764.00	3,672.00	3,656.00	3,652.00	3,660.00	3,608.00	3,492.00	3,406.00	3,433.00	3,510.00	3,655.00	3,813.00	3,877.00	3,796.00	3,562.00	3,533.00	3,540.00	3,682.00					

(Source: Census and Statistics Department)

Labour and Material Cost Indices

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	2005												2006											
	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12				
Material Index	783.10	778.97	777.60	779.14	778.62	782.89	779.58	776.92	777.34	780.33	776.22	779.41	776.43	780.92	772.90	777.03	774.49	774.91	779.81					
Labour Index	3,362.80	3,335.59	3,320.45	3,279.62	3,262.43	3,260.51	3,263.74	3,255.01	3,248.93	3,247.20	3,263.20	3,281.54	3,318.41	3,346.79	3,354.95	3,354.51	3,362.96	3,366.14	3,375.30					
Consolidated Labour & Material Index (Building Cost Index)	1,695.44	1,683.15	1,676.91	1,663.48	1,657.07	1,659.15	1,658.15	1,653.34	1,651.46	1,652.79	1,655.79	1,664.33	1,675.44	1,688.37	1,686.06	1,688.59	1,689.92	1,691.32	1,697.73					

(Source: Architectural Services Department)

Construction Costs

Approximate Order of Construction Costs in Hong Kong and Major Cities in China (Cost per Square Metre Construction Floor Area at 4th Quarter 2006 Prices)

Type of Building	Hong Kong HK\$	Beijing RMB	Shanghai RMB	Guangzhou RMB	Shenzhen RMB	Macau MOP
Office						
<i>High Quality</i>	11,400 - 15,300	5,800 - 8,500	5,600 - 8,300	5,500 - 8,100	5,500 - 8,100	10,800 - 14,100
<i>Medium Quality</i>	9,900 - 11,500	4,300 - 6,000	4,000 - 5,800	3,800 - 5,500	3,800 - 5,500	9,200 - 11,000
<i>Ordinary Quality</i>	8,600 - 10,400	3,100 - 4,200	2,900 - 4,000	2,800 - 3,800	2,800 - 3,800	7,500 - 9,600
Shopping Centre						
<i>High Quality</i>	15,700 - 18,700	6,500 - 9,800	6,300 - 9,600	6,100 - 8,900	6,100 - 8,900	N/A
<i>Medium Quality</i>	12,200 - 14,500	5,000 - 6,400	4,800 - 6,200	4,100 - 5,900	4,100 - 5,900	N/A
Residential						
<i>High Rise; High Quality</i>	10,100 - 12,600	3,100 - 4,300	3,000 - 4,100	2,800 - 3,800	2,800 - 3,800	7,700 - 10,000
<i>High Rise; Better Quality</i>	8,700 - 10,300	2,600 - 3,100	2,500 - 3,000	2,300 - 2,900	2,300 - 2,900	6,300 - 8,200
<i>High Rise; Ordinary Quality</i>	7,300 - 8,800	1,500 - 2,200	1,400 - 2,100	1,300 - 1,900	1,300 - 1,900	5,300 - 6,500
<i>House; High Quality</i>	16,700 - 19,600	3,600 - 4,900	3,400 - 4,500	3,300 - 4,400	3,300 - 4,400	N/A
<i>House; Medium Quality</i>	12,400 - 15,600	2,200 - 2,900	2,000 - 2,700	1,800 - 2,600	1,800 - 2,600	N/A
Hotel (including FF&E)						
<i>5-Star</i>	17,500 - 21,300	9,700 - 12,400	9,600 - 12,300	9,200 - 11,600	9,200 - 11,600	17,300 - 21,300
<i>3-Star</i>	14,200 - 16,500	7,000 - 8,900	7,000 - 8,700	6,600 - 8,300	6,600 - 8,300	13,800 - 16,500
Industrial						
<i>Landlord; High Rise</i>	5,300 - 6,100	1,800 - 2,500	1,800 - 2,500	1,500 - 2,200	1,500 - 2,200	N/A
<i>End User; Low Rise</i>	6,500 - 10,300	2,900 - 5,100	2,900 - 5,100	2,600 - 4,900	2,600 - 4,900	N/A
Carpark						
<i>Basement; up to 2 Levels</i>	7,800 - 11,300	2,600 - 4,800	2,900 - 5,100	2,600 - 4,900	2,600 - 4,900	5,200 - 7,100
<i>Multi-Storey</i>	4,600 - 5,300	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 reimbursibles, 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).

