



SINGAPORE CONSTRUCTION MARKET REVIEW AND OUTLOOK 2021

Singapore Construction Market Review & Overview





COVID-19

What a year it has been. More than one year since the first COVID-19 case was reported in Singapore, the pandemic continues to rage on. Community cases in Singapore remain low, as the country entered into Phase 3 of reopening or resumption of activities in December 2020. Partial lockdowns and closed borders remain in place for many other countries, including our neighbour across the Causeway, as daily cases in Malaysia soared to a few thousands in the last few months.

According to the International Monetary Fund World Economic Outlook Update in January 2021, global growth contraction in 2020 is estimated at -3.5%, higher than the October 2020 forecast, reflecting a strong momentum of recovery in Q4 2020. Hard-hit by COVID-19, Singapore's GDP contracted by 5.4% in 2020, the worst recession since independence.

While some sectors rebounded in 2H 2020, tourism, aviation, aerospace continue to be adversely affected by the pandemic. Despite signs of recovery heading into the new year, overall unemployment rate rose to 3.2% in December 2020, compared with 2.3% in 2019. Airplanes are grounded at Changi Airport, international visitor arrivals in January 2021 declined 86.7% year-on-year, and REVPAR (Revenue Per Available Room) dropped 55.9%, according to statistics by the Singapore Tourism Board. The closure of Terminal 2 has been brought forward to facilitate A&A works, and Terminal 4 has been converted to a vaccination centre. The development of Changi Airport Terminal 5 is put on hold for two years amid deep uncertainties surrounding the future of the global aviation industry.

Majority of construction sites were reopened in August 2020, after a four-month disruption due to a spike in migrant workers' infection cases. Based on advance estimates by the Ministry of Trade and Industry in Q4 2020, the construction sector shrank to 33.4% in 2020. While business sentiments generally improved across a broad base of different sectors as vaccination exercises are rolled out, small and medium-sized enterprises (SME) polled in a survey expect that the market will remain lacklustre and subdued with little growth in the next 12 months.

Construction Demand

Total construction demand in 2020 fell 54.9% from an initial projected demand of S\$33 billion (upper bound) to S\$21.3 billion, the lowest on record since 2009.

Public sector construction demand declined by 74% and the private sector demand declined by 64% year-on-year in Q3 2020, according to the BCA Construction Sector Quarter Review 2020. Many projects were put on hold or pushed back as COVID-19 continues to change the way we live, work, learn and play, and many developers continue to adopt a wait-and-see approach. In 2020, civil engineering projects demand contracted 38.4% to S\$5.6 billion. The bigger projects awarded include Deep Tunnel Sewerage System Contract 3A & 4A, LTA's Jurong Region Line stations and associated tunnels, Integrated Train Testing Centre, the Johor Bahru–Singapore Rapid Transit System (RTS) Link Woodlands North station, tunnels and the Customs, Immigration, and Quarantine (CIQ) building, which is part of the RTS Link.

Private residential construction slumped 40% to S\$3.0 billion, as 2019 only recorded S\$490 million worth of collective sale transactions, and limited URA and HDB residential government land sales (GLS) were transacted in both 2019 and 2020. The commercial sector contracted 15%. Projects awarded included Mandai Resort, Pullman Hotel Hill Street, Singapore Land Tower A&A, and hotel developments on Sentosa Island. After experiencing a strong growth in 2019, the industrial sector declined 44%. Integrated Waste Management Facility (IWMF) at Tuas, Hyundai Mobility Global Innovation Centre, Kajima Global Hub are among the larger industrial projects awarded last year. The institutional sector decreased to S\$4.1 billion, and includes Punggol Regional Sports Centre, A&A to Immigration & Checkpoints Authority (ICA) Building at Kallang, Mandai's East Arrival Node & Indoor Attraction, and the Outward Bound Singapore Campus on Coney Island.

2021

Forging Ahead

The International Monetary Fund projects global economy to grow 5.5% this year, supported by renewed optimism with the launch of vaccination in most advanced countries.

Additional fiscal policies, notably Biden Administration's US\$1.9 trillion economic relief package, and the €1.8 trillion stimulus package from the EU's long-term budget are expected to lift economy activities, with favourable spillovers to trading partners. In Asia, China continues to verge on a remarkable growth trajectory, boosted by a stronger than expected domestic market, while Japan's additional economic stimulus and a delayed Olympics will hopefully further improve business and economic sentiments in the region.

Singapore's GDP growth is projected at 5 to 6%, the highest since 2014, from the low base for year 2020. At the recently announced Budget 2021, the government has committed to spending an additional S\$11 billion to support the fight against the pandemic. The Jobs Support Scheme (JSS) for Tier 2 sectors, which include the built environment, will be extended until June 2021 (10% wage support); while the Jobs Growth Incentive for local hires will be further extended until September 2021.

For the construction industry, the government announced additional relief measures late last year, through the introduction of Part 8A and Part 8B under the COVID-19 (Temporary Measures) (Amendment No.3) Act. Under Part 8A, an extension of time up to 122 days is provided to address delays occurring between 7 April 2020 to 6 August 2020. Under Part 8B of the Bill, eligible contractors are entitled to claim cost-sharing for specified qualifying costs (site maintenance, rental of plant/equipment, extension of insurances/performance bond, off-site storage rental, excluding manpower cost). There will be an additional 20% 'top-up' for the employment of Safe Management Officer (SMO) until February 2021. A previously announced hike in the Goods and Service Tax will happen sooner rather than later, between 2022 and 2025, therefore the GST rate will remain at 7% this year.

Residential

Despite an economy slowdown, URA's data showed that a total of 9,982 private non-landed units (excluding Executive Condominiums) were sold for the whole of 2020, surpassing the 9,912 units sold in 2019.





Low interest rate, pent up demands, HDB upgraders, and foreign investments have helped to push up sales. Prices rose by 2.2%, compared with the 2.7% increase in 2019. Similarly, the resale sector outperformed 2019, as a total of 10,729 units transacted in 2020, compared with 8,949 units the year before. Boosted by the Enhanced CPF Housing Grant and changes to income ceilings, HDB resale transactions and prices also rose to the highest since 2012. Based on HDB resale price index, resale prices increased 5%, while 24,748 resale units exchanged hands.

It is expected that there will be around 20 new launches in 2021, as developers look to take advantage of the strong market sentiment and buoyant demand. Among the bigger launches are Normanton Park, which can yield more than 1,800 units, Pasir Ris Mixed Development, Parc Central Residences (Executive Condominium), Yishun Avenue 9 (Executive Condominium), Liang Court Redevelopment, and Irwell Hill Residences. Property agents are forecasting that prices could rise as much as 3% this year, due to the cyclical supply and demand factor, and also recent land tenders that have transacted on the higher end. COVID-19's impact on construction costs could also play a factor in pushing the prices up north.

Deputy Prime Minister Heng Swee Keat warned that low interest rates can lead to distortions in asset prices, amid speculation that the government may introduce further cooling measures. In 2021, there are six land tenders under URA's Schedule of Confirmed List Sites, and four land tenders under the Schedule of Reserve List Sites; while HDB has two confirmed land tenders for Executive Condominiums, and one land tender under the Reserve List. We foresee very aggressive bidding from developers as the demand for land intensifies, even as the shadow of additional cooling measures looms ominously.

Development charges for non-landed residential have increased 0.3% on average, while property taxes may also increase, as part of any additional cooling measures if implemented.

To quell developers' appetite for land banks, the collective sales market is slowly gathering momentum. En bloc sales came to a screeching halt in 2019, and only a handful of sites were sold last year amidst the outbreak. As GLS supply dwindles, older properties and small residential sites are likely to be highly sought after. Recently, a combined site at Mount Emily Road was acquired and sold for S\$18 million, while Surrey Point, a prime freehold site, was sold for S\$47.8 million in a private treaty sale. In 2020, Yuen Sing and Sophia Ville were among the bigger properties transacted. Good class bungalows have also been very buoyant, with some S\$400 million of deals already exchanged hands in the first two months of the year. Caldecott Hill, the site of former Mediacorp broadcast centre, was sold for S\$280 million last December, and is set to be redeveloped into bungalows. HDB supply remains steady, with about 17,000 BTO flats to be launched this year.

Commercial



Moving forward, work-from-home (WFH) arrangements look set to continue for most employers.

In 2021, we expect to see a subdued growth for office rentals in the CBD area, as companies scale back on real estate requirement and demand, with spaces being consolidated to accommodate WFH and flexible working arrangements. The commercial sector is set to remain sluggish, as with previous years.

Construction works for the Liang Court Redevelopment, Shaw Tower Redevelopment and Keppel Tower Redevelopment should all commence this year. AXA Tower on Shenton Way, which was partially divested to Chinese e-commerce giant Alibaba Group's Singapore subsidiary, will also undergo redevelopment works by this year with a gross floor area of 1.5 million sq.ft, if the redevelopment integrates hotel and residential. CapitaSpring (former Golden Shoe Carpark/Hawker site) is set for completion this year, and will pump more than 1 million sq.ft of Grade A office space to the occupier market.

Kampong Bugis, Marina View, and Woodlands Avenue 2 white sites remain untriggered on URA GLS' Reserve List, while the hotel site at River Valley Road is available for application. Similar to the residential en-bloc market, many building owners have jumped onto the bandwagon and there are now more than 20 commercial properties for sale in the market. Among the bigger properties in the market include Golden Mile Complex, which has been earmarked for conservation, where the prospective buyer has to abide by conservation guidelines, and The Arcade, which has been in the market since 2020. The High Street Centre has also been placed on the market recently. We foresee that owners will continue with A&A works in older buildings, particularly to comply with COVID-19 requirements, and/or authorities' compliances.

The shophouse market continues to attract investors. According to Colliers International, a total of S\$288 million transacted in Q42020, despite the economic doldrums. In Q12021, shophouses in Tanjong Pagar, Lavender Street, Bukit Pasoh, Joo Chiat, etc. were put up for sales.

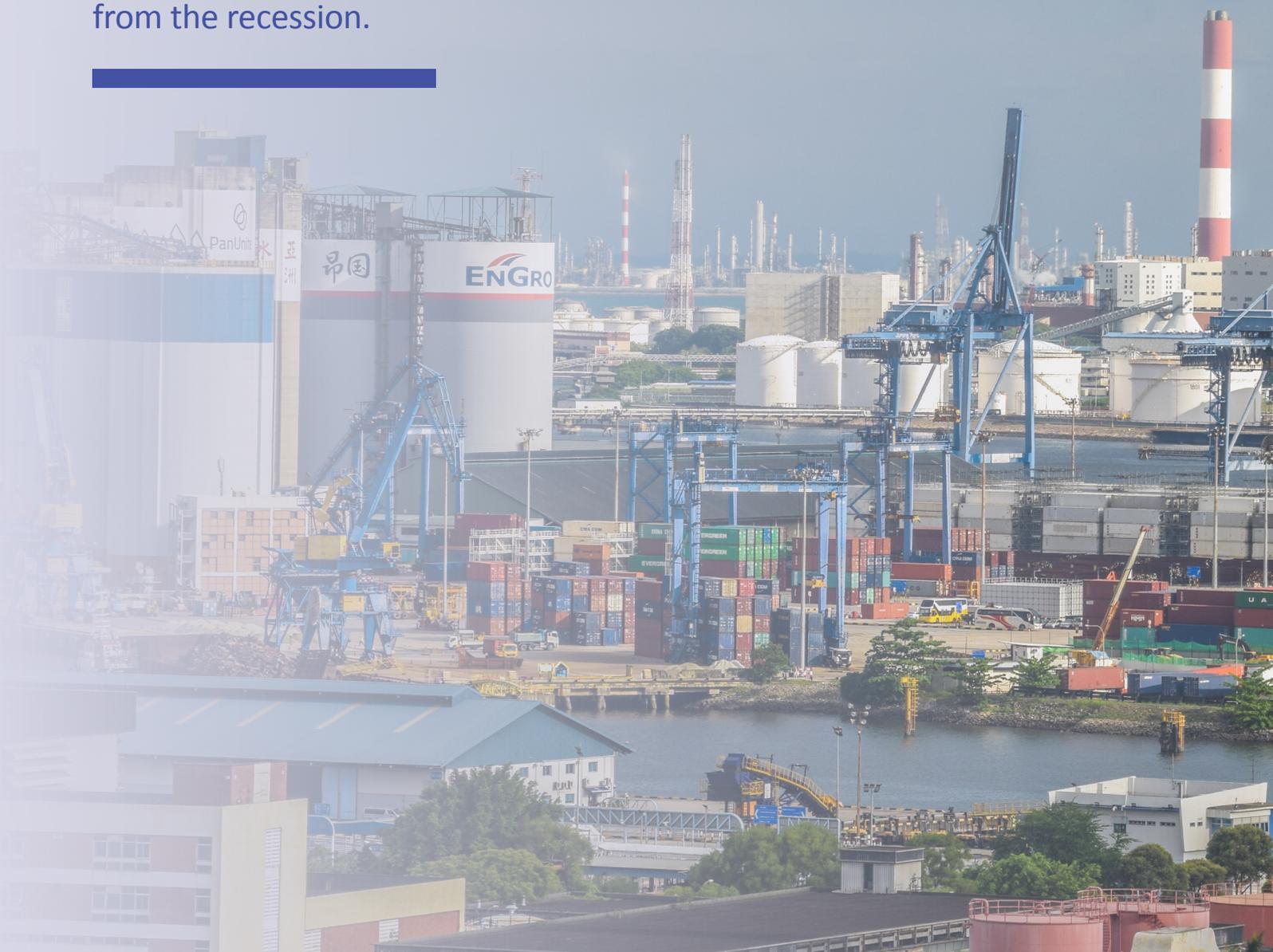
We expect the hotel segment will be much muted this year as our borders remain shut to leisure travellers. Connect@Changi, a dedicated facility that allows business travellers to stay and conduct meetings safely without having to serve quarantine on arrival, has welcomed its first batch of overseas guests. Apart from the River Valley Road hotel site under URA's Reserve List, Grand Hyatt along Scott Road and Marina Bay Sands Hotel will also undergo upgrading works this year, while we may see some tender activities for both Marina Bay Sands and Resorts World Sentosa Integrated Resort 2.0 expansion, although at a smaller scale.

In the retail market scene, Robinsons Department Store has exited the Singapore market after 162 years of operations. This follows the closure of other department stores like John Little in 2016, and Metro Centrepoint in 2019. Take a walk in any retail mall and one will notice the vacancies and empty shops, amid the rise of online shopping and the two-month circuit breaker. A few malls such as Katong 112, Northpoint City, Changi City Point, are either under revamp or will be rejuvenated this year.



Industrial

The manufacturing sector will continue to be the main driver of Singapore's rebound from the recession.





Factory output rose 8.6% y-o-y in January 2021 and segments like pharmaceutical, electronics, biomedical, and semiconductors are likely to continue to expand this year, which could translate to a higher demand for industrial spaces. Earlier this year, Minister for Trade and Industry Chan Chun Sing unveiled a new 10-year plan to grow Singapore's manufacturing sector by 50%, to raise the global competitiveness of the manufacturing sector.

In 2020, Jurong Innovation District (JID) manufacturing hub attracted about S\$420 million of investments. In October 2020, South Korean automobile manufacturer Hyundai marked the ground-breaking of its new innovation centre at JID. Other manufacturers establishing a presence in JID include DMG Mori, Fanuc, and Konica Minolta.

One of the bigger industrial projects slated to commence this year is the Big Box Upgrading Works, which was acquired for S\$118 million in December 2020. The former retail mall in Jurong is expected to be converted into a business park, and has obtained JTC's confirmation for the change of zoning. Construction works should commence this year for Biopolis Phase 6, which will include 35,000 sq.m of business park space for biomedical research, and 6,000 sq.m for office and retail uses.

We foresee that rejuvenation of business park spaces and industrial buildings will continue in 2021, on the back of rising logistics and warehousing demand. Under the Industrial Government Land Sales for 1H2021, there are three industrial sites in the Confirmed List and three in the Reserve List, with a total site area of 3.86 ha.

Singapore continues to thrive as a regional digital hub and while there has been amplified demand for data and 5G, there is currently a temporary moratorium on new data centres. Interest to invest and build data centres remain high, but there is no clarity yet when the freeze will be lifted. As such, we expect the data centres sector will be quiet in 2021, compared to the last two years. In land scarce Singapore, industry players are now exploring the development of floating data centres, and if successfully implemented, it could become an attractive and viable alternative to traditional land-based data centres.

Institutional



After hitting a high in 2019, the construction demand for institutional sector is expected to drop to between S\$2.9 billion to S\$3.9 billion.

Healthcare projects in the upcoming pipeline includes polyclinics in Khatib, Tampines North, Serangoon, Kaki Bukit, Tengah, and Yew Tee. An integrated general and community hospital has been earmarked for development in Bedok, while Alexandra Hospital will also undergo redevelopment progressively. Chill @ Chong Pang, a new integrated community development is also in the pipeline. Construction is expected to commence next year and completed by 2027.

At the recent Budget Debate, the Ministry of Defence announced a new S\$90 million biosafety containment lab, the first such facility in Southeast Asia, to prepare for the next pandemic or biological threat. Tender activities should commence this year, with construction works to begin in 2022.

45 Armenian St, the site of the former Substation arts centre, and Singapore Art Museum have been earmarked for renovation works this year, alongside the ongoing renovation of The Peranakan Museum and The Singapore Philatelic Museum in the vicinity.

As part of the government's initiatives to fight the spread of COVID-19 and to improve living conditions of foreign workers, seven new Quick Build Dormitories (QBD) that can house up to 8,000 workers were completed last year, with eight more of such dorms to be completed by this year.

Infrastructure

With Changi Airport's Terminal 5 put on hold and the Kuala Lumpur–Singapore High Speed Rail project terminated, the government is set to pump-prime the construction sector by bringing forward civil engineering projects. BCA projected that the demand could reach as much as S\$10.9 billion, which will become the highest demand in recent years.

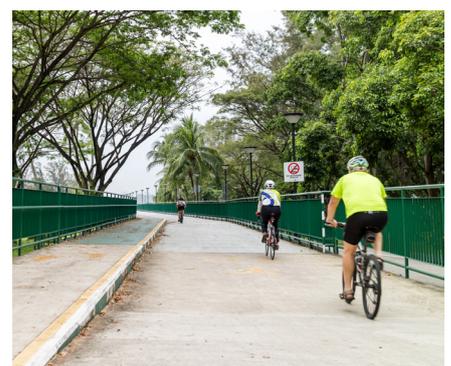
The construction of the Integrated Transport Hub at Jurong East, which was recently awarded at S\$477 million, will start in Q2 2021.

The bus interchange was relocated in December last year to facilitate the construction of the hub.

The expansion of the Sengkang-Punggol Light Rapid Transit depot should commence later part of the year, while LTA has recently awarded the civil contract to design and construct the bored tunnel between Aviation Park station and Loyang station for the Cross Island Line Phase 1. Following the award of the Woodlands North Station and CIQ building, the second civil contract for the construction of the Johor Bahru – Singapore Rapid Transit System (RTS), covering the RTS link viaduct and tunnels in Singapore was also recently awarded. Construction works should commence in Q2 2021.

A new 62km long walking and cycling route is in the future pipeline. The Coast-to-Coast Southern Trail, Northern Trail, Central Corridor, and Eastern Corridor are the four new routes to be completed by 2030, and will form part of a network of eight recreational routes spanning 360km. The Ministry of National Development will commit S\$315 million to develop these new routes and to expand parks and Park Connector Networks.

Coastline protection studies to protect Singapore's coastline with measures such as sea walls, polders and mangrove planting will commence this year, and over the next 5 years, the government will commit up to S\$1.36 billion on drainage works to mitigate inland flood risks.



Tender Price Movement

2020 has been a volatile year for the construction sector with serious disruption of existing construction activities due to COVID-19 pandemic cases in migrant workers dormitories. The tender prices for 2020 has generally gone up by 5% to 10% due to shortage of migrant workers, additional compliance requirements for safe accommodation, transportation and work site with risk allowance for the loss of productivity under the new safety distancing requirements.

For the next six months, we expect the tender price level to remain high. While vaccinations have commenced for migrant workers, there are still uncertainties lingering around labour and manpower. Some foreign workers have departed permanently, while workers from China are apparently getting the same level of pay in China, as they were previously in Singapore. We observe that there is a general shortage of 10 – 20% foreign workers in the existing projects. The government has eased up restrictions to allow new work permits and S Pass applications across all sectors, but the Singapore Contractors Association Ltd (SCAL) has received feedback from members who are facing difficulties in applying for entry dates for foreign employees. The labour crunch is set to stay for a while, with borders remaining closed, and COVID-19 safety measures in place for the next few years. This means that the industry must continue to rely on resources that is available in Singapore, rather than new intake of foreign workers.

From recent tender exercises, we note that there was a lower level of interest from contractors. Most of the contractors are focused on completing existing projects on hand to further minimise delay and risk exposures. We also see higher tender pricing returns, particularly for projects with a longer construction timeline. Copper prices continue its hot streak, and may surge to an all-time high in the next 12 months, as a result of strong demand from China's clean energy drive.

For 2021, we forecast that tender price escalation will remain volatile in the region of 10% to 15%, driven by the uncertainty in the return of foreign workers due to stiff border control to stop the spread of coronavirus, surge in steel and copper prices, and higher logistics and transportation costs.

Singapore

Construction Prices (as at 4q 2020 prices)

Development Type	Cost Per CFA S\$/m ²
Carpark	
Above Ground	800 - 900
Basement	1,300 - 1,500
Residential	
Mass Market	2,250 - 2,450
Mid-market	2,450 - 2,650
High End	3,400 - 3,500
Office	
Grade A	2,900 - 3,000
Grade B	2,450 - 2,650
Retail	
Mass Market	2,650 - 2,850
High End	3,400 - 3,600
Industrial	
Light	900 - 1,100
Heavy	1,200 - 1,400
Hotel	
4-star	3,750 - 3,950
5-star	4,450 - 4,650
Institutional	
Nursing Home	2,150 - 2,450
Primary School Secondary School	1,800 - 2,100

List of Exclusions:

- Land costs
- Development charges/differential premium
- Authority submissions fees
- Finance charges
- Site staff cost
- Professional fees
- Tenancy fit-out works
- FF&E (Furniture, Fittings and Equipment)
- Green Mark
- Contingency
- Escalation
- Goods and Services Tax

CFA (Construction Floor Area)

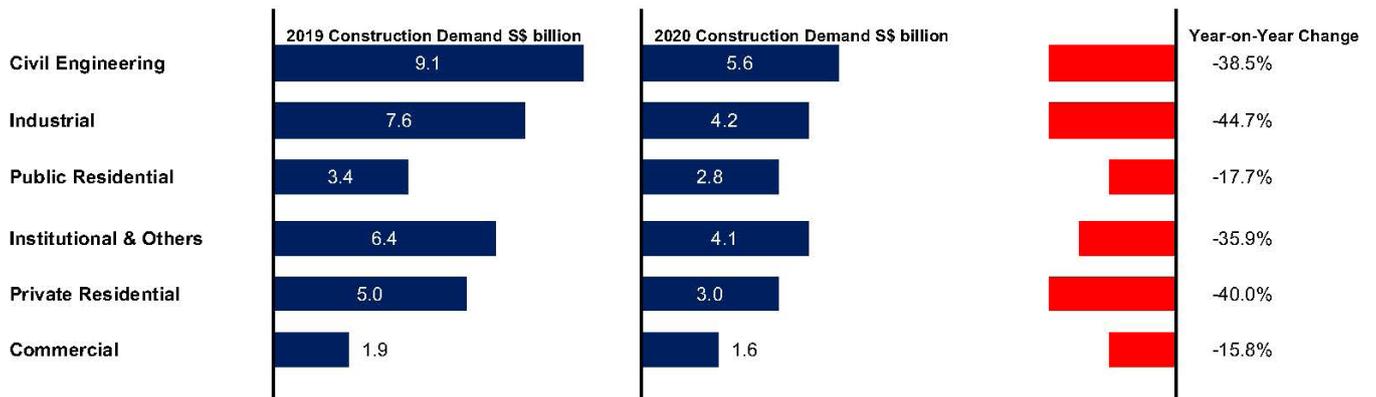
Construction Floor Area is the area of all the building's enclosed covered spaces measured to the outside face of the external wall, including covered basement carpark and above ground carpark areas

Note:

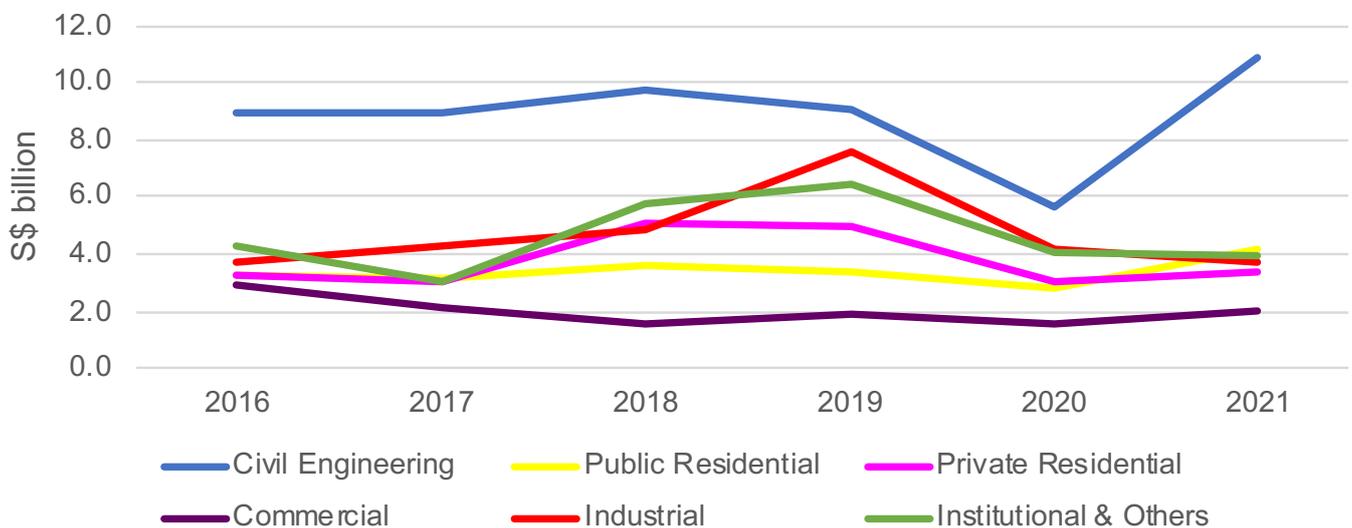
The price ranges stated herein are indicative only, and may vary subject to design, specifications, site conditions, size, nature, and location of project.

Annex A

Construction Demand

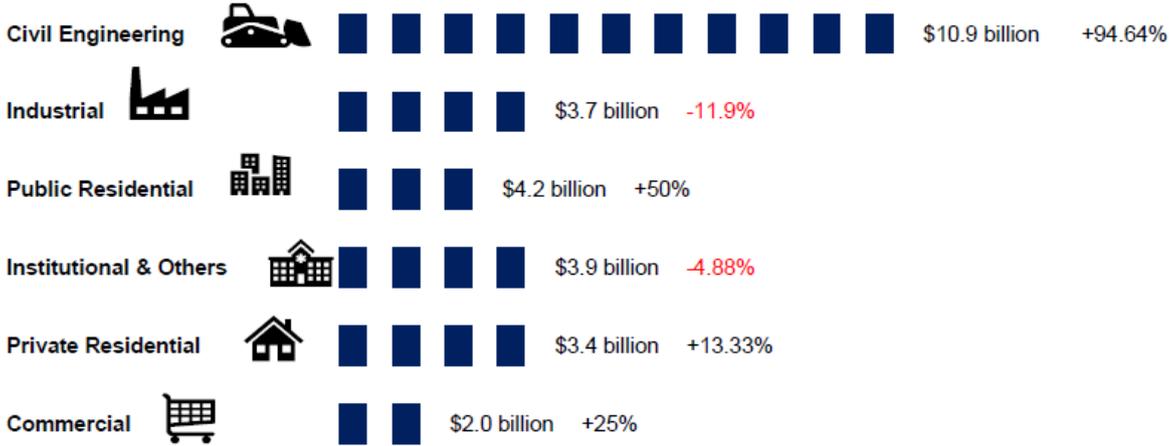


Annex A.1: Construction Demand, 2019 vs 2020
 Source: Building and Construction Authority, Singapore



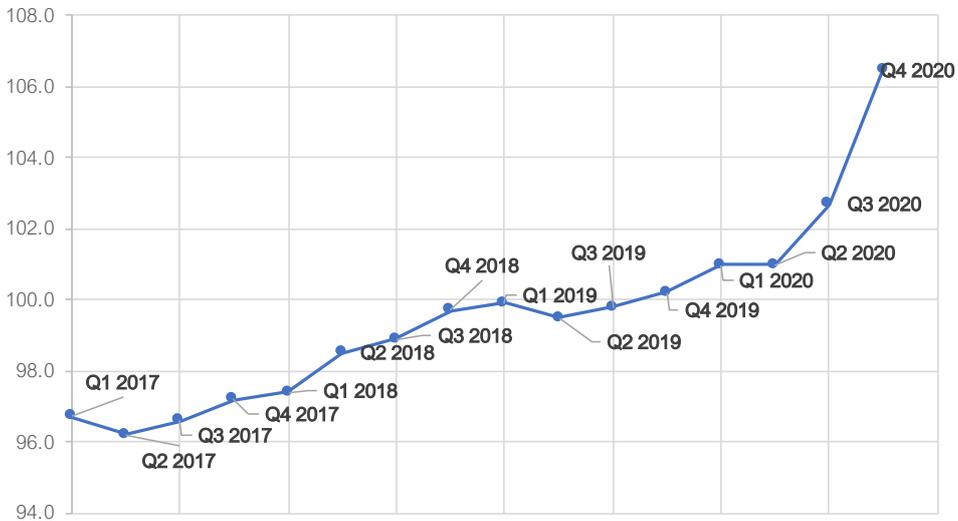
Annex A.2: Construction Demand, 2016 -2021
 2021 based on projection
 Source: Building and Construction Authority, Singapore / Department of Statistics Singapore

Project Construction Demand in 2021: S\$28.1 Billion



Annex A.3: Construction Demand, 2021 projection (upper bound)
 Source: Building and Construction Authority, Singapore

Annex B Tender Price Movement



Annex B: Tender Price Index Movement, Annual/Quarter
 Source: Building and Construction Authority, Singapore

About ThreeSixty Cost Management

Threesixty Cost Management Pte Ltd, a member of the Surbana Jurong Group, is a quantity surveying and cost management consultancy in Singapore. The company comprises senior practitioners whose experiences span over three decades under the leadership of Mr Seah Choo Meng, a respected practitioner in the construction industry. Threesixty Cost Management has an extensive track record and expertise in both the private and public sectors and are experienced in providing in-depth cost management and contractual administration to clients from project inception to completion. Its Cost Research unit is specialised in reliable cost estimates and cost benchmarking, and publication of cost research papers on market trends and new technologies in the construction market.



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