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Singapore construction demand for 2021 expected to rise up to \$28b



The public sector will contribute about 65 per cent of the overall construction demand for 2021. ST PHOTO: LIM YAOHUI



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SINGAPORE - Construction contracts for the built environment sector are expected to grow to between \$23 billion and \$28 billion this year, as the sector recovers from the impact of the Covid-19 pandemic, National Development Minister Desmond Lee said on Monday (Jan 18).

This is up from the \$21.3 billion worth of projects estimated to have been awarded last year - projections for which were revised downward by \$10 billion after demand took a hit owing to the pandemic, with projects postponed in light of market uncertainties and disruption.

“The growth of the construction industry in the medium term will be supported by public sector developments such as public housing, transport and healthcare infrastructure. Private sector demand is projected to improve steadily, in tandem with the recovery of the global economy,” said Mr Lee.

“In sum, we expect sustained recovery of construction demand over the next five years,” he said at a seminar organised by the Building and Construction Authority (BCA) and the Real Estate Developers’ Association of Singapore.

The public sector will contribute about 65 per cent of the overall construction demand for 2021, Mr Lee added. This figure - which ranges from \$15 billion to \$18 billion - is higher than the \$13.2 billion worth of public sector projects last year.

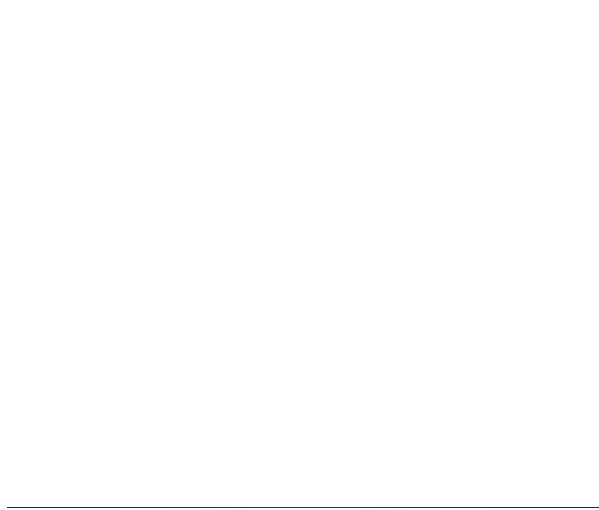
Public sector projects include the Jurong Region Line, the Cross Island Line and Phase 2 of the Deep Tunnel Sewerage System, which will convey used water from the western part of Singapore to the Tuas plant for treatment.

There will also be around \$6 billion worth of smaller public sector projects which are less than \$100 million in contract value, such as cycling paths, parks, and upgrading works - comparable with the annual average before Covid-19 hit, Mr Lee noted.

Demand for projects by the private sector is unlikely to return to pre-Covid-19 levels, as investors are likely to remain cautious, he added. Hence, demand in 2021 is expected to be between \$8 billion to \$10 billion - similar to the figure of \$8.1 billion in 2020, a drop from \$14.5 billion in 2019.

But as the global economy gradually recovers, construction demand in the private sector is also expected to improve steadily in the medium term to reach between \$11 billion and \$14 billion per year from 2022 to 2025, the BCA said. But this is still contingent on the successful deployment and effectiveness of Covid-19 treatment and vaccines as well as easing of lockdown restrictions.

This forecast does not take into consideration the potential new contracts for Changi Airport Terminal 5 and the expansion of the two Integrated Resorts, as the project timelines are still under review due to Covid-19 disruptions.



Mr Lee acknowledged that the construction industry is still facing significant headwinds, especially with the tight manpower situation.

“Manpower costs have increased and become a lot more uncertain,” he said, adding that the Government will continue to monitor the situation and adjust measures to support the sector.

The private property market has remained resilient, with the pace of increase in private housing prices gathering momentum since the second quarter of 2020, he noted. He urged developers to remain prudent in their land bidding and work with agents to market their projects responsibly, and for households to exercise caution in their property purchase decisions.

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Efforts to encourage the industry to adopt technology and reduce reliance on foreign workers will also be stepped up, said Mr Lee. This includes taking a "more aggressive approach" to drive Design for Manufacturing and Assembly (DfMA) across the entire sector in the coming years. More will also be done to drive Integrated Digital Delivery (IDD), he added.

DfMA involves construction being designed for manufacturing off-site in a controlled environment, before being assembled on-site, while IDD uses digital technologies to integrate work processes and connect stakeholders working on the same project throughout the construction and building process.

A spokesman for the Singapore Contractors Association Limited (Scal) said the improved outlook for this year was “not unexpected”.

But while firms resume their projects, they are still grappling with challenges such as supply chain disruptions, rising material and manpower costs, and “pressing demands” to make up for lost time in the completion of projects, said Scal.

Mr Thomas Ang, president of the Specialists Trade Alliance of Singapore, said it will be some time before the construction industry sees a full recovery.

Mr Ang, along with Scal, said financial relief measures such as foreign worker levy rebates or waivers can help ease cash flow issues faced by construction firms.

Scal added that the Government could provide greater incentives for the adoption of technology by contractors.

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