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Dorm rentals continue to climb despite more beds, constraining growth in foreign worker numbers



Rental rates have continued to soar, employers said, with some dorm beds now costing upwards of \$600 per month. ST PHOTO: KUA CHEE SIONG

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The ongoing shortage of bed spaces for migrant workers here is likely to crimp further growth in foreign manpower numbers – at least for the next two years.

While a range of measures have added close to 17,000 new dormitory beds since December 2022, this is still outstripped by the surge in demand caused by new worker arrivals since the economy reopened in January 2022, said the Ministry of Manpower (MOM).

Responding to The Straits Times' queries about the ongoing supply crunch, MOM warned that demand for migrant worker housing here cannot continue to increase unabated.

The ministry reiterated its earlier calls for employers to reduce their reliance on foreign labour by raising productivity, or to consider building their own worker housing, such as construction temporary quarters (CTQs), to house their workers.

CTQs refer to temporary worker housing located within a construction site or parts of buildings still under construction.

“Employers should secure housing for their workers before arrival in Singapore and take into account their ability to house new workers before they take on more projects,” said MOM.

The strong demand for dorm beds has partly been due to employers hiring more foreign workers as Singapore's economy recovered from the impact of Covid-19, Manpower Minister Tan See Leng said in a written parliamentary reply to Yio Chu Kang MP Yip Hon Weng earlier in July.

As at May 2023, there were about 434,000 foreign work permit holders in the construction, marine and process sectors here.

This was 18 per cent more than in 2019, before Covid-19 struck, and 35 per cent higher than in January 2022.

In short, the Republic added 112,000 workers to just these sectors in the past 18 months.

Coupled with increasing operating costs, the surge in demand caused median monthly rent for commercial dorm beds to shoot up from \$280 per worker in the first quarter of 2021 – about the same rate as before Covid-19 – to \$420 per worker in the first quarter of 2023, Dr Tan said.

Rental rates have continued to soar, employers said, with some dorm beds now costing upwards of \$600 per month.

Asked about the rising rents, MOM said the authorities are monitoring the supply and prices of dorm beds, and will continue to work with the industry to make more beds available.

For instance, since February 2023, employers operating factory-converted dorms (FCDs) have been allowed to rent out their spare beds to other companies.

Dorms with excess space can also retrofit their premises to add extra beds as long as they keep to regulatory standards, while some facilities previously used for quarantine and isolation have been converted to commercial beds for rent.

For new projects, the Government has planned for contractors to build more CTQs at their worksites to further ease the pressure on bed demand and prices.

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Meanwhile, the Urban Redevelopment Authority had in February eased its guidelines to encourage more employers to build FCDs, as well as temporary quarters near construction sites. But new applications have been lower than expected, said MOM.

“Even with all these measures to increase the supply of dormitory beds, demand cannot continue to increase unabated,” added the ministry.

On its part, JTC Corporation said it has received more interest from customers looking to convert parts of their industrial premises into new FCDs, as well as increased interest in renewing or expanding existing FCDs.

There was a fourfold increase in such applications between February and July 2023, compared with the period between August 2022 and January 2023, it added.

There are currently 760 FCDs located on JTC’s industrial land, with tenures of between one and five years. Their capacities range from 10 to a few hundred beds.

Dormitory Association Singapore Limited (DASL) president Johnathan Cheah said dorm operators here are working closely with MOM to address the current bed shortage.

However, adopting some of the easing measures, such as converting communal spaces into beds for rent, involves additional costs and could potentially disrupt business operations.

The application process can also be complex as it involves multiple agencies, said Mr Cheah, who is also managing director of S11 Dormitories.

He said rising rental rates for dorm beds are not solely due to the current shortage, but also reflect the fact that financing and operational costs have gone up significantly for dorm operators.

While DASL has advised its members to consider practising “empathetic and sustainable price adjustments”, Mr Cheah said the association believes the current bed supply situation may continue to present challenges going forward.

DASL previously said that new purpose-built dorms (PBDs) are unlikely to come up until 2025. That is when the first of two PBDs run by a government-linked corporate entity will become operational in Jurong with 2,400 beds, as will another 1,650-bed dorm by Centurion Corporation in Ubi.

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Centurion, one of the largest dorm operators here with nine facilities totalling almost 34,000 beds, highlighted mounting inflationary pressures on its business, particularly for energy and manpower.

Chief executive Kong Chee Min said a steep rise in interest rates has likewise had an impact, and that the firm's costs are expected to stay high or keep rising.

The dorm operator has been making efforts to add supply in the short term, he added. In February, it started a spare beds programme to free up leased but temporarily unoccupied beds for employers in urgent need.

It also got approval from JTC to add a total of 888 more beds to two of its quick-build dorms (QBDs) in Jalan Tukang and Tuas West Avenue 2.

QBDs are temporary structures built during the pandemic to create additional bed space.

The QBDs were built to pilot specifications that required 6 sq m of living space per bed, while current specifications require only 4.2 sq m living space per bed. This means it is possible for each unit to house six residents, instead of the current five.

However, it will take up to a year to add all 888 beds due to the refurbishment works needed, said Mr Kong.

Mr Hooi Yu Koh, chief executive of construction services firm Kori Holdings, said that firms in the construction sector have needed to hire more as construction work returned to full swing.

He is now in discussions with his clients to see if they can allow his workers to stay in their CTQs.

Noting that CTQ beds are as expensive as those in regular dorms, he added: "Everyone is raising the rental rates because the demand is so huge."

If there is one silver lining, the high rents have prompted firms like his to invest more in machinery and methods such as pre-casting to cut their manpower needs, said Mr Hooi.

However, Mr Ian Teo, director of THL Construction, said it is not easy for smaller builders to implement such productivity measures, as they are much more reliant on physical manpower.

"Smaller companies like us are at the mercy of dorm operators," said the president of the Micro Builders Association, Singapore.

He added: "I don't think the situation will get any better in the next one or two years unless (more) is done about it. If it is left to the market to decide the pricing of dorm beds, it will only get worse."

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