National University of Singapore

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Challenges for sector could last for rest of year, survey finds

The construction industry's challenges could continue for the rest of the year at least, despite support from the Government, trade associations and banks.

About 88 per cent of developers recently polled by the National University of Singapore (NUS) indicated they were "very concerned" about high labour costs in the next six months, higher than the 71 per cent in the first quarter.

Around 58 per cent said they were worried about elevated building material costs, compared with 45.8 per cent in the first quarter.

It was the first time since NUS started gathering data that respondents had indicated such a high level of concern over construction costs, said Professor Sing Tien Foo, head of the Department of Real Estate at NUS Business School.

He noted that the costs are usually stable, adding that "it will take time before border restrictions are lifted for migrant workers. By then, we will also need to compete with other countries for labour".

Mr Ian Teo, president of the Micro Builders Association, Singapore, said it could take one to three years for things to return to normal.

Trade associations and the Government have extended support.

Measures include allowing foreign workers in the construction, marine shipyard and process sectors to renew their expiring work permits for up to two years, even if they do not meet the renewal criteria. Property developers were given extensions to complete outstanding residential, commercial and industrial projects, while banks have provided liquidity relief to the building sector.

However, the Ministry of Trade and Industry estimates that the sector's value-added is now still 29 per cent below pre-pandemic levels.

On the flipside, residential property demand and prices are expected to tick higher.

About 54 per cent of the developers surveyed by NUS in the second quarter expect more units to be launched in the next six months, while 63 per cent expect prices of new launches in the next six months to be substantially higher.

Mr Steven Tan, director of property agency OrangeTee, said demand for public and private properties has been rising and listings for both new launches and resale flats are being snapped up on the same day. "Buyers are more willing to spend on bigger but older flats due to work-from-home requirements."

He added that overall home prices may rise by 6 per cent to 9 per cent this year, possibly driven by resale volumes.

Consequently, the Building and Construction Authority expects construction demand to be worth between $23 billion and $28 billion, up from the preliminary estimate of $21.3 billion last year.

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