SINGAPORE REPORT

CONSTRUCTION MARKET QUARTERLY UPDATE

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Sengkang General Hospital (SKH) is currently the biggest new hospital with 1,000 beds. The attached Sengkang Community Hospital (SKCH) has 400 beds. It is conveniently located next to Cheng Lim LRT station and diagonally across from the Sengkang MRT station with easy access to amenities such as the bus interchange and retail complexes.

This integrated hospital development is a 10 storey building with 2 basements. It will deliver holistic, multi-disciplinary and patient-centric care by partnering with primary care physicians, polyclinics and intermediate-and-long term care providers to residents. The two Sengkang hospitals share a central kitchen which can deliver up to 1,500 meals per meal period. It can also provide a variety of normal meals and cater to special dietary requirements. There is also a modern rehabilitation centre with the latest equipment to help patients recover as fully as possible.

With a strong community focus, Sengkang Health had envisioned building an ecosystem of healthy living for the benefit of residents in northeastern Singapore by creating an innovative and cost-effective way to deliver health-care services through and to optimize the use of Singapore’s health-care capacity. As part of the new generation of public general hospitals, SKH adapts to the evolving healthcare needs of an ageing population through its sustainable and operationally efficient design, meeting BCA’s Green Mark Platinum standards.

Rider Levett Bucknall Singapore is proud to be the Project Manager for this significant healthcare project.
The gross domestic product (GDP) grew by 3.9% on a year-on-year (y-o-y) basis in the 2Q 2018, easing from the 4.5% growth in the previous quarter. Despite rising trade tensions, the manufacturing sector fared well on the back of moderate yet healthy demand for high-end electronics as well as the boost from the biomedical sector.

According to the Ministry of Trade and Industry (MTI), the manufacturing sector grew by a robust 10.2% y-o-y, extending the 10.8% growth in the previous quarter. All clusters within the sector expanded, with the electronics, biomedical manufacturing and transport engineering clusters contributing the most to growth. In contrast, the construction sector remains weighed down primarily by public sector construction works as construction output contracted by 4.6% y-o-y, easing from the 5.2% y-o-y decline in the previous quarter.

Headline inflation was stable in July with the consumer price index (CPI) up 0.6% y-o-y, in line with economists’ expectations and unchanged from June, according to a Department of Statistics. Increases in global oil prices in 1Q 2018 had a major impact on the cost of electricity and gas as they rose steeply 12.7% in July from the 3.7% in June. On the back of higher electricity tariffs, core inflation, which excludes the cost of accommodation and private road transport, rose 1.9% y-o-y from June’s 1.7% rise. This is the fastest pace since August 2014, when it climbed 2.0%.

The Singapore government is cautious about the possibilities of a sharp fall in global business and consumer confidence, resultant from any further escalation of the ongoing trade conflicts between the US and other major economies. These conflicts may have a severe impact on global trade flows and long term global growth when countries start to implement a vicious cycle of tit-for-tat trade measures.

In a survey of professional forecasters conducted by the Monetary Authority of Singapore (MAS), it noted that heavily export-dependent Singapore stands to lose as much as S$22billion in the case of a full-blown trade war which could hurt the domestic manufacturing sectors and financial markets. Hence, Singapore is increasing intra-regional trade with its ASEAN trade partners by signing long-standing free trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the ASEAN Economic Community (AEC) Blueprint 2025 to support open and inclusive trading across the region.

MTI says the pace of economic expansion is projected to moderate in 2H 2018. The economy will continue to be supported primarily by outward-oriented sectors, such as manufacturing, wholesale trade as well as transportation and storage, which are expected to remain on an expansionary path.

Barring a materialisation of downside risks from the global and domestic economic environment, MAS maintained that Singapore’s economy is on track to expand at a “slower but still firm pace” for the rest of this year. The GDP growth forecast for the whole of 2018 is maintained at “2.5% to 3.5%”. 
MARKET TRENDS

SINGAPORE PROPERTY MARKET

The Ministry of National Development (MND) acknowledged there continues to be strong demand for land from developers and transaction volumes are also rising. There is a healthy supply of private housing in the pipeline which will be able to meet home buyers’ demand over the next 1 to 2 years, and to meet the population’s housing needs.

As a pre-emptive move to ensure the property market does not decouple from economic fundamentals, in early 2H 2018 the Government introduced adjustments to the Additional Buyer’s Stamp Duty (ABSD) rates and Loan-to-Value (LTV) limits on residential property purchases. These property curbs are expected to cool the impact on land acquisitions and prevent speculative buying. This is also the first set of major cooling measures since June 2013 when the total debt servicing ratio (TDSR) framework was introduced.

In order to address the surge in en bloc sales that is slated to create an oversupply in the private residential market, the government raised the ABSD to 30% for developers. Individuals taking up their first housing loan will face tighter borrowing limits under the new rules. This means they have to put up more cash for their residential property purchases. For foreign purchases of residential property, the additional buyer’s stamp duty increases to 20% from 15%, while for Singapore citizens, the extra charges apply only from their second home purchase.

Private residential prices rose by a cumulative 7.4% in 1H 2018. Prices climbed by 3.4% in 2Q 2018, following the previous quarter’s 3.9% gain. The market witnessed a rush by developers and buyers to beat the new cooling measures. Developers launched a record number of residential units in five years while private home sales resulted in the most number of units sold in 16 months. Analysts noted that the bulk of the deals were inked on 5 July 2018, which was a day before the new measures took effect. URA data showed there were 997 caveats lodged that day.

For the rest of the year, market observers expect new home sales to slow significantly as prospective buyers adopt a wait-and-see approach. The luxury residential market could be the hardest hit, they added.
Construction output in Singapore continued to be weighed down primarily by public sector construction works with the construction sector showing a 4.6% year-on-year (y-o-y) contraction for 2Q 2018. While this marked the sector’s eighth straight quarter of contraction, the decline eased from the previous quarter’s negative 5.2%.

The underperforming construction sector was showing signs of bottoming out towards the end of the year on the back of the slew of en bloc sales and the support from public sector projects, which form between 60% and 70% of the construction projects coming on stream. However, with the most recent property curbs introduced in July 2018, where stamp duties for developers were increased and borrowing limits were tightened, smaller construction firms were reportedly facing more debt woes as the clampdown on property speculation has worsened their tight liquidity. Market observers pointed out that on top of enduring thin profit margins, smaller domestic construction firms also face rising interest rates and delays in fee collections from customers.

The full impact of the property curbs are not seen yet but both the public-sector projects announced last year as well as the strong en bloc transactions and rising contract value of contracts awarded, are expected to help prop up the weakened construction sector. The government is keeping the residential land supply for the 2H2018 Government Land Sales (GLS) Programme on par with that from the 1H2018 GLS Programme.

The construction sector continues to strive towards innovation and digital technology. The Singapore Contractors Association Limited (SCAL) Academy plans to bring the industry forward by enhancing its training courses.

This year, the National Robotics Programme was expanded to cover the built environment and construction sectors, to develop robotic solutions to transform work processes in areas such as Design for Manufacturing and Assembly (DfMA). This is part of a broader effort to tap the research, innovation and enterprise capabilities in research institutes, and universities and polytechnics to help local companies innovate and stay competitive.

To date, Singapore’s green building journey has ‘greened’ more than 3,400 buildings, covering more than 100 million square metres of gross floor area across the country. In line with the focus of the 3rd Green Building Masterplan on occupant’s wellbeing and the growing emphasis of green workplaces around the world, the Building and Construction Authority (BCA) is collaborating closely with the Health Promotion Board (HPB) to develop the new BCA-HPB Green Mark for Healthier Workplaces. Offices will be assessed on their sustainable design and management, energy and resource management, office environment as well as the provision of health-related policies and programmes for their employees, among others.
In the United Kingdom (UK), despite a global trade war and Brexit hinging on the country’s economic growth, the Office for National Statistics (ONS) said GDP increased by 0.4% in 2Q 2018 from a rate of 0.2% in the previous quarter. The manufacturing sector however, fell into recession in 2Q 2018 as local manufacturers cut spending plans ahead of the UK leaving the European Union (EU) in 1Q 2019.

Amid rising trade tensions, China’s GDP expanded at a slower pace in 2Q 2018 as compared to the previous quarter, with a reading of 6.7%. The GDP growth in 1Q 2018 was 6.8%. Growth is projected to ease further in 2H 2018 on the back of a moderation in exports growth as well as investment growth. The escalating trade conflict between China and the U.S. may also hurt the region’s economy because many local businesses are part of Chinese companies’ supply chains, Bloomberg reported.

Economic growth in key ASEAN nations, namely the Philippines, Malaysia, Indonesia, Thailand and Singapore, calculated as a weighted average, maintained a 5% growth for 2Q 2018, slightly slower than the 5.3% in 1Q 2018, according to data compiled by the Asian Development Bank (ADB). The emerging economies in the region are more susceptible to policy tightening and a stronger US dollar. There are also election uncertainties in Indonesia and Thailand as well as questions around the new Malaysian government’s commitment to fiscal consolidation. Overall growth in the key ASEAN economies is expected to be stable for the rest of the year, supported by sustained improvements in domestic demand as well as merchandise exports. The ADB projects regional GDP growth to stay flat at 5.2% for the whole of 2018.

The global economy is experiencing a trend of politics and governance that is more short-term and populist. The Trump administration’s policies have led to an escalation of a trade war between the United States (US) and China as well as tit-for-tat tariffs with the European Union, Canada and Mexico. All these pose a risk to the US economy.

The US economy logged its best performance in nearly 4 years as gross domestic product (GDP) increased at a 4.2% annualized rate, according to the Commerce Department’s estimate. Consumer spending remained strong but the housing market weakened further with homebuilding rising less than expected in July and sales of new and previously owned homes declining. GDP growth however expected to ease in the second half of the year but will continue to be supported by domestic demand. Resilient labour market conditions are likely to support private consumption, while private investment, which has been boosted by the tax reforms implemented at the start of the year, is expected to remain firm.

According to estimates from Eurostat, GDP for the euro area rose by 0.4% in 2Q 2018. Growth in the Eurozone economy came in weaker than anticipated in 1H 2018, and is likely to remain largely subdued for the rest of the year. Nonetheless, domestic demand is expected to provide some support to growth in 2H 2018. In particular, labour market conditions are likely to improve further, thereby supporting private consumption, while financing conditions are expected to remain largely accommodative.

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Variances between the RLB and the BCA Tender Price index arise from differences in the index derivation methodology, the basket of items and weightages used for each index and the variety of building projects utilised. The index basket here excludes piling works and Mechanical & Electrical services.

Base Year 2010 = 100

* Average indices as at 2nd Quarter 2018
**COMMODITY PRICE TRENDS**

**METAL PRICES**

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Data Source: London Metal Exchange (LME)

**STEEL REINFORCEMENT (16 - 32MM HIGH TENSILE) SUPPLY PRICES**

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Data Source: BCA

**CRUDE OIL PRICES**

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Data Source: IndexMundi

Note: Crude Oil Prices above are expressed as monthly average prices of UK Brent, Dubai and WTI oil classifications.
Prices of rebar other than 16-32mm dimensions may be subject to surcharge.
Prices of granite and concreting sand exclude local delivery charges to concrete batching plants.
The market prices of rebar (without cut & bend) are based on fixed price supply contracts with contract period 6 months or less.
The market prices of ready mixed concrete are based on contracts with non-fixed price, fixed price and market retail price for Grade 40 Pump.

Note: Exchange rates above are expressed in terms of currency units per US Dollar, averaged monthly from daily unit rates.
Notes:
CFA - Construction Floor Area is the area of all building enclosed covered spaces measured to the outside face of the external walls including covered basement and above ground car park areas.

GFA - Gross Floor Area is the area of building enclosed covered spaces excluding car park and driveway areas calculated for purposes of planning submissions.

All Singapore construction prices stated herein are as at 2nd Quarter 2018, and include a general allowance for foundation, carpark and external works. The price ranges herein are indicative and due consideration should be given to the impact of varying design, specifications, size, location and nature of each project when utilising this information. Prices described here may not fully reflect the extent of current market forces and tendering conditions on any specific project.

Exclusions:
• Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Loose furniture, fittings and works of art (unless otherwise stated) • Tenancy work • Site infrastructure work • Diversion of existing services • Green Mark cost premiums • Resident site staff cost • Models and prototypes • Future cost escalation • Goods and Services Tax

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Cover: Singapore skyline overlooking Marina Bay area
PROFESSIONAL SERVICES

RIDER LEVETT BUCKNALL (RLB) is an independent, global property and construction practice with over 3,500 people in more than 120 offices across Asia, Oceania, Europe, Middle East, Africa and the Americas, serving major local and international clientele.

RLB’s global expertise and significant project experience provides comprehensive services and solutions to the development and construction of the built environment, extending to building and civil infrastructure, commercial, residential and hospitality buildings, healthcare, industrial and civil engineering projects.

As a multi-disciplinary group, RLB offers a full range of services required by clients in the property and construction industry, ranging from cost consultancy and quantity surveying, project management, advisory services and market research.

RLB Research’s expertise in economic and market studies, industry participation and research publications position us as the choice consultant for advice on construction cost trends and market updates for the regional construction markets.

The extensive range of professional consultancy provided by RLB covers the following core services:

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