2019
Singapore
International Construction Costs
Smart decisions creating long-term value
Singapore city spotlight 2019

Singapore remains the fourth most expensive city in Asia for construction costs in this year’s International Construction Costs. Singapore’s construction market faces challenges ahead with a slowdown in public sector construction and nervous financial markets as the government and industry embrace digital transformation.

Reduced economic growth rate
Asia is one of the world’s fastest developing regions with an expected Gross Domestic Product (GDP) growth rate of 6% in 2019. GDP growth rate for ‘Advanced Asia’, on the other hand, is approximately 2% in 2019. Correspondingly, Singapore’s GDP growth in 2019 is expected to slow to 2.5% from 3.2% in 2018. This reduced growth is due to a challenging environment for exports, trade conflicts and volatile financial markets.

Anticipated growth in construction demand
Singapore’s economic dip was echoed in the construction sector which shrank by 3.4% for the whole of 2018. This is primarily due to a slowdown in public sector construction activities. However, an improvement is expected in 2019 as successful en-bloc transactions awarded from 2017 to the first half of 2018 are likely to translate into strong activity in the first half of the year. Additionally, the total construction demand of actual awarded contracts in 2018 reached S$30.5 billion, an increase of approximately 23% based on 2017. The breakdown of awarded contracts saw public sector projects contribute around 60% at S$18.4 billion, which was mainly due to a strong demand for institutional buildings and civil engineering projects.

Global leader in adoption of technology
The Singapore government is globally renowned for its progressive attitude towards the adoption of technology and its ambition to reach smart city status. One of the programs to achieve this is the Construction Industry Transformation Map (ITM), which has the ambitious plan to train 80,000 tech-ready construction professionals by 2025. A core component of the ITM is the Integrated Digital Delivery (IDD), which aims to integrate and digitalize the built environment value chain, connecting key project stakeholders through Building Information Modelling (BIM), cloud and collaboration platforms.

As smart as the people
For the construction industry, there is a need to prioritize the financing of training programs to upskill the current workers and the next generation. In response, the Singapore government has outlined a S$72 million training fund to move the construction industry away from labour-intensive methods, to more smart and efficient processes.

The Building and Construction Authority (BCA) forecasts that construction demand will remain strong in 2019, exceeding S$30.5 billion. It’s expected that the construction demand in Singapore will grow by 5% in 2019, and the tender price index to increase by 1-3%.

The Arcadis International Construction Costs Comparison 2019

This year’s report builds upon its strong heritage as the leading reference point in relative comparison of global construction costs. It now compares 100 major cities, increasing from 50 in 2018. From New York to Hong Kong, Mumbai to Buenos Aires, and Barcelona to Sydney, this is one of the largest comparisons of its type and covers every major construction market. Apart from providing a comparative indexation of construction costs around the world, the report also provides market insights and recommendations on the factors clients should be considering in order to continue being successful in the future.

There are multiple factors that influence a city’s position in the index. Expense of living in a city, which is the price of goods and services, is influenced by the cost of labour and the location of a project affects overall costs and productivity.

In parts of the world where productivity is higher, the relative costs of completing a project will be lower. Additionally, the cost of construction materials is another prominent factor, but globalization means that prices are not as dependent on location, as more and more globally-sourced materials are available on the market.

A city’s position in the index will also be strongly influenced by the quality, complexity and functionality levels that are typical in that city. Where projects are generally of a higher quality and complexity, and where specifications are usually more sophisticated, construction costs will typically be higher. Finally, because the ranking is based on the strength of the USD versus the currencies of local cities, this is a key factor in determining the index value.
Arcadis developed its comparative Construction Cost index for 100 cities, covering 20 building functions, based on a survey of construction costs, review of market conditions and professional judgement from its experts globally. An indicative range of average prices by building function was built – a low and high mark – for each city. These figures were converted into USD. Next, the figures were subjected to additional analysis and indexed against the price range for London, using this as the index base. The value of 100 was assigned to the middle point in London’s price range and this was made the baseline for comparing the cost ranges for the other cities. Then the other city price ranges were plotted on a graph, relative to that baseline. The index incorporates local specification data used to meet the various building functions and market needs. As a result, the index is a comparison of the relative costs of delivering the same building functions in each city. Differences in building specification standards can vary significantly across parts of the world, but the index does not account for these distinctions.

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