

STEADY DEMAND FOR THE CONSTRUCTION SECTOR PROJECTED FOR 2024

- *Total construction demand in 2024 is projected to be between S\$32 billion and S\$38 billion, with the public sector contributing about 55 percent of the total demand.*
- *Enhancement of Public Procurement Framework to support consultants in Built Environment sector and encourage more sustainable business practices.*
- *Enhanced Public Procurement Framework to adjust allocation of risks as well as maintain fair and timely remuneration for consultants.*

Singapore, 15 January 2024 – The Building and Construction Authority (BCA) projects the total construction demand, i.e. the value of construction contracts to be awarded, to range between S\$32 billion and S\$38 billion in nominal terms in 2024.

2. The public sector is expected to drive total construction demand in 2024, reaching between S\$18 billion and S\$21 billion, mainly from public housing and infrastructure projects. Some of the major upcoming public sector projects scheduled to be awarded in 2024 include the Housing and Development Board's (HDB) new Built-To-Order (BTO) developments, additional Cross Island MRT Line contracts (Phase 2), infrastructure works for the future Changi Airport Terminal 5 (T5) and Tuas Port developments and other major road enhancement and drainage improvement works.

3. Private sector construction demand is projected to be between S\$14 billion and S\$17 billion in 2024. BCA anticipates that private sector construction demand in 2024 will come mainly from residential developments under the Government Land Sales, expansion of the two Integrated Resorts, redevelopment of commercial premises, as well as development of mixed-used properties and industrial facilities.

Preliminary Construction Demand in 2023

4. The preliminary construction demand for 2023 reached S\$33.8 billion, due to an uptrend in tender prices, expediting of construction awards for several private residential projects and ramping up of HDB's public housing projects. This exceeded BCA's forecast of S\$27 billion to S\$32 billion in January 2023.

5. Public sector construction demand reached S\$19.5 billion in 2023, driven by major projects including Cross Island MRT Line (Phases 1 & 2), institutional building developments and HDB's BTO developments. Private sector construction demand also improved from S\$12.5 billion in 2022 to S\$14.3 billion in 2023, due to residential developments under the Government Land Sales and past en-bloc sales sites, integrated developments and major hotel refurbishment projects.

Forecast for 2025 to 2028

6. BCA expects a steady improvement in construction demand over the medium term. It is projected to reach between S\$31 billion and S\$38 billion per year from 2025 to 2028.

7. The public sector will continue to lead the demand and is expected to contribute S\$19 billion to S\$23 billion per year from 2025 to 2028, with building projects and civil engineering works constituting about 70 percent and 30 percent respectively. Besides public housing developments, public sector construction demand over the medium term will be supported by various major developments, such as MRT projects including Cross Island Line (Phase 3) and Downtown Line Extension to Sungei Kadut, Alexandra Hospital redevelopment, a new integrated hospital at Bedok, Toa Payoh Integrated Development, Siglap South Integrated Development and redevelopment of various Junior Colleges. BCA also expects private sector construction demand to remain stable in the medium term at between S\$12 billion and S\$15 billion per year from 2025 to 2028.

Construction Output

8. Based on the contracts awarded in the past few years and considering the construction demand forecast for 2024, the total nominal construction output (i.e. the value of certified progress payments) in 2024 is projected to increase to between S\$34 billion and S\$37 billion, from the estimated S\$34.8 billion in 2023. The continued uptrend

is expected to be supported by a consistent level of construction demand in the last few years and the expected increase in 2024 demand.

Year	Construction demand (Value of contracts awarded, S\$billion)			Construction Output (Value of certified progress payments, S\$billion)
	Public	Private	Total	Total
2023p	19.5	14.3	33.8	34.8
2024 f	18 – 21	14 - 17	32 - 38	34 - 37
2025 – 28 f	19 - 23 per year	12 - 15 per year	31 - 38 per year	

p: Preliminary, f: forecast

Accelerating industry transformation

9. While there is steady demand in the sector, there are geopolitical and economic uncertainties, which the sector needs to manage. BCA will continue with efforts under the Built Environment Industry Transformation Map to build the sector's resilience amid a more challenging environment.

Improvements to the Public Procurement Framework

Enhancing the Standard Consultancy Agreement

10. One such effort is the review of the Standard Consultancy Agreement, which is a common contract form used for public sector construction-related consultancy tenders across the various disciplines, i.e., architectural, engineering, quantity surveying and project management.

11. This review is part of our regular effort to ensure that our procurement approach remains fair and progressive. BCA has worked with the relevant Trade Association and Chambers as well as various consultancy firms to identify common pain points and develop a suite of proposed enhancements to tackle these issues. The intended outcomes of these enhancements are as follows:

- a. a clearer definition of scope of services for consultants upfront so that agencies and consultants are aligned in their understanding of the consultants' roles and responsibilities, and consultants can accurately size the expected effort and price their tender bids accordingly;

- b. maintain fair and timely remuneration for consultants, commensurate with the scope of work provided e.g., by making clear that consultants may request for fee adjustments for additional services required by agencies during a project, by updating the man-hour rates used to compute the fee adjustments; and
- c. a more balanced allocation of risk, e.g., providing cost sharing in the event of significant construction delays, where the delays are due to issues beyond the consultant's control.

12. BCA plans to implement these enhancements later this year.

Enhancements to the Quality Fee Method Framework

13. BCA has also refined the Quality Fee Method (QFM) Framework, which provides government agencies guidelines on the evaluation of construction-related consultancy tenders.

14. To place greater emphasis on quality, BCA will make the following enhancements to the QFM, among others:

- a. Enhance the framework for temporary suspension of consultancy firms which are found to have poor performance so that it prevents them from taking on additional public sector projects and encourage firms to uphold high standards in their existing projects¹;
- b. Require more projects to be shortlisted for tender via evaluation of quality scores instead of through balloting; and
- c. Enhance differentiation in quality scores by revising the quality scoring formula and creating wider spread in tenderer's quality scores.

15. BCA will also explore how to further encourage sustainable bidding behaviour by piloting a revised fee-score formula. This will disqualify unsustainably low fee bids and reduce the score for bids that are substantially lower than other tenderers in public sector projects.

¹ Sufficient lead time will be given for firms to improve their performance. The enhanced suspension framework will only be implemented a year from now.

16. Details of the enhancements to the Standard Contracting Agreement and Quality Fee Method Framework are in Annex A and B respectively.

Issued by the Building and Construction Authority on 15 January 2024

About Building and Construction Authority (BCA)

The Building and Construction Authority (BCA) champions the development and transformation of the Built Environment sector, in order to improve Singapore's living environment. BCA oversees areas such as safety, quality, inclusiveness, sustainability, and productivity, all of which, together with our stakeholders and partners, help to achieve our mission to transform the Built Environment sector and shape a liveable and smart built environment for Singapore. For more information, visit www1.bca.gov.sg.