

# Raising land supply may aggravate housing issues

More residential land can be released, but an unintended consequence may be stiffer fight for labour, materials that lead to higher costs and price increases for homes

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## Singapore

ADJUSTING the additional buyer's stamp duty (ABSD) remission deadline on government land sales (GLS) sites and allowing a change of use for hospitality properties may help reduce pressure on housing developers in the short run, amid the construction industry's labour shortage.

Those were the suggestions by Lee Nai Jia, deputy director of the Institute of Real Estate and Urban Studies (IREUS) at the National University of Singapore, as the foreign workforce in the construction industry continues to shrink while the number of private homes and executive condominiums under construction remains little changed.

Noting a supply-side "dilemma" in the residential market, Dr Lee said that while more GLS sites may need to be released to prevent land prices from soaring, that will also likely further heat up competition for labour and construction materials.

Developers' land bids remain high, demand for housing has been robust, and prospective homebuyers are facing fewer options due to the dwindling supply of unsold, uncompleted private homes, he noted. If GLS plots are in short supply, real estate developers with depleting landbanks may turn to smaller collective-sale sites, Dr Lee said.

However, releasing more GLS sites will drive up construction activity and thus the costs of raw materials and manpower, adding upward pressure to prices of private homes and HDB resale flats, he said.

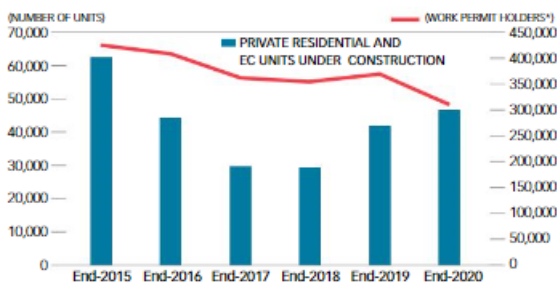
This comes as the construction sector is already facing an increasingly acute labour shortage.

The number of private residential and executive condominium (EC) units under construction as at the end of 2020 and 2016 were similar, at 46,452 and 44,149 respectively, but there were fewer workers last year. At end-2020, the construction, marine and process sectors had 311,000 Work Permit (WP) holders, down 24 per cent from 2016, the Ministry of Manpower's annual figures showed.

Last month, Minister for National Development Desmond Lee said the number of construction WP holders had dropped about 15 per cent from pre-Covid levels, and is expected to fall further in the months ahead due to the ongoing Covid-19 situation. Worsening the labour shortage are

## Manpower crunch

Developers will likely need more time to complete private homes and ECs as the shortage of foreign workers persists



\*In the construction, marine and process sectors

Sources: NUS IREUS, URA Realeis, Ministry of Manpower, Department of Statistics

the recent border restrictions on India and Bangladesh, the home countries of the bulk of foreign workers in Singapore's construction sector.

Meanwhile, private residential and EC units under construction as at end-March 2021 kept largely steady at 45,324, ticking down by 2.4 per cent from end-December 2020, according to quarterly data from the Urban Redevelopment Authority.

Median wages of construction WP holders climbed 15-30 per cent in March this year compared to pre-Covid times, due to competition for the limited supply of workers, affecting both new and ongoing projects, Mr Lee said.

IREUS' Dr Lee expects the shrinking workforce to make it harder for developers to meet deadlines.

Dr Lee suggested that in the immediate term, the supply of GLS residential sites may be increased to satiate the strong demand for housing, but this could ideally be accompanied by an extension of the typical five-year ABSD remission deadline for developers. "It may be worthwhile to review the deadlines for GLS sites, especially the larger plots, to give developers and contractors more room to manoeuvre. That'll help ease pressure on resources and manpower."

ABSD is a form of tax, levied at 30 per cent on the land price. Developers can get an ABSD remission of 25 per cent of the land price if the project sitting on the land is finished and fully sold within five years.

Given delays due to Covid-19, developers have been granted relief from the government via a 12-month

extension of both the project completion period and ABSD remission timeline for completion.

Another option Dr Lee proposed is to allow some existing properties such as hotels and serviced apartments to be converted into condominiums.

Depending on the condition of the existing property, changing its approved use to residential use may require less manpower and resources than building on new sites, Dr Lee noted. That being said, there could be ramifications if these conversions are allowed, such as a possible shortage of non-residential properties after the Covid-19 pandemic, he added.

The Singapore government has rolled out several measures to support the built environment sector during this period, including temporary flexibility for construction firms to recruit workers from China. While Dr Lee finds these measures helpful, he said they may not resolve the manpower crunch in the immediate term.

For one thing, China's construction workers now have "more options", given the country's surge in infrastructure spending, so they may not come to Singapore to work unless they are paid "much higher wages", Dr Lee noted. It will also take some time for them to be trained and adapt to the work in Singapore, he added.

Likewise, the Construction Industry Joint Committee earlier said that workers from China tend to be specialised in certain trades and command higher salaries, thus it will not be feasible for companies to hire them to carry out general works.