SUMMARY

As modern developments are increasing in size and value, this study is timely in that it examines how a S$1.2 billion mixed use retail-cum-hotel development was financed during the 1984/85 recession in Singapore. The subject of the study is Marina Centre which comprises a 59,000 square metre retail mall and three international class 5-star hotels. The approach adopted is to examine theories, principles and concepts in real estate financing; such as the various alternative sources and costs of raising debt and equity capital, debt to equity ratio, traditional and Modigliani-Miller theories on the capital structure of a company, financial gearing, tax shield, optimum level of gearing and some of the commonly used financial instruments by private and public companies in raising funds for developments. Detailed studies are made of the financing structure adopted for the development of Marina Centre. Its unique Two Stage, Five-Phase Approach in financing the development by loan syndication and Convertible Unsecured Loan Stock ("CULS") structure with option for conversion given to the developer is innovative. CULS are beneficial to the developer, and shareholders are able to receive a form of equity return during the long construction period.

Interestingly in reality, the case study demonstrated little adherence to rigid theories, principles and concepts of financing and three main reasons are offered for this deviation.

A simple comparative study is then carried out to examine how two other comparable large scale projects in Singapore are being financed in the real life. Each project is found to be unique in adopting its own financing structure which depends mainly on its shareholding structure and investment philosophy.

Finally, the study shows that geographical, political and economic characteristics of Singapore offer strong prospects for real estate capital appreciation. As a result, most developers do not follow strictly to theoretical principles and concepts of financing that have been propounded because the cost of financing is relatively insignificant compared to other development cost components and the capital appreciation that can be obtained.