ABSTRACT

Cash is critical to any commercial venture. The flow of that cash in terms of both its amount and its timing will largely influence the viability and ultimate success of a project.

A great deal of research has been carried out on cash flow trends within the Construction Industry but this has been almost entirely biased towards contractor's cash flow requirements rather than developer's financial forecasts which must take both expected outlays and revenues into account. The problem is that insufficient research has taken place in Singapore on Developers Cash Flow Projections which means that there is a lack of information on the most important development variables and their consequent effect on cash flows and a lack of information on the cash flows themselves resulting in a dearth of data upon which the developer can base his assessment of a project's feasibility and performance.

The more information a developer has on a potential project and the more accurate that information is may ultimately affect the developer's decision to proceed (or not). Accurate cash flow predictions affect the developer's profitability which ultimately affect the success of the Industry itself. The accuracy of the Developers Cash Flow Projections may well hinge on the amount of effort directed towards the most significant elements within the cash flow and the objective of this paper is to investigate several projects to establish the most important development variables and to suggest how those variables can best be managed so as to improve the probability of successful performance of the project and optimise the developer's profit.

Contractors 'S' curve cash flows have been established within the industry indicating significant differences between residential, industrial and commercial projects. It is not possible in this paper to investigate all of these areas and this dissertation therefore concentrates on commercial projects in this region where the developer does not intend
to sell upon completion of construction and retains ownership of the development for the foreseeable future.

Ten commercial projects have been selected for study and sensitivity analyses over a range of values for four major development variables have been carried out. In total 200 sensitivity analyses were prepared and these have been converted into graphs (Figures 3.1 to 3.40 inclusive) and summarised in two tables (Tables 4.1 and 4.2) which clearly illustrate the most significant variables affecting a developers cash flow. The results are interesting and although it has not been possible to establish any precise curves for developers cash flows the information obtained may be applied on a project-to-project basis and will enable the developer to productively concentrate his efforts on the most significant development variables.

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