ABSTRACT

The regional financial turmoil which started in September 1997 has weakened residential market sentiments. Since then, developers have been offering hefty discounts and handing out freebies to push slow sales. Developers are still reluctant to reduce prices because of the high land costs since a price cut usually results in losses.

The focus of this dissertation is on developers’ realized profit margins for condominium sites sold under the Sale of Sites Programme (SOSP). The scope of the study covered the non-landed sites sold from 1991 to 1996.

The analysis shows that the realized profit margins were above 20% prior to 1994 when tender prices were relatively lower. Tender prices rose sharply after 1994 which raised land cost and thus reduced the realized profits. The study also confirms the general belief that developers realized higher profit margins from developments in the central area. The bidding strategies of the various developers show that some developers were aggressive in acquiring land for their landbanks whereas some were only acquiring sites in prime locations or sites where they already have development or land bank in the vicinity.

(Keywords: Realized profits; Residential property market; Condominium sites; Sale of sites programme; Residual method; Tender prices)