SUMMARY

This is a case study on tender price negotiation of an on-going residential building project called Lavinia Gardens. This project was chosen because preliminary assessment indicated there were ample opportunities for a comprehensive analysis to be conducted over a wide range of tender price negotiation issues. The scope of study is within the ambit of the construction industry and the real estate market.

The purpose of this study is to provide research material for real estate players to better understand and acquaint themselves with the issues relating to tender price negotiations, and its negotiated outcome.

The three objectives of this study are: to analyse the negotiation process; examine the factors affecting the tender price negotiations; and to determine the other factors (apart from tender price) affecting the negotiation outcome.

Interviews were conducted with the developer, main contractor, and the professional consultants to compile case data for analysis. Literature reviews were used as reference materials. The reviews stated that different schools of thought have their respective approaches to solving a negotiation issue.

The scope of the study starts off with an in-depth analysis of the three negotiation stages. Whilst, the focus of the study is on the three macro factors believed to be affecting the tender price negotiations.
Analysis showed that the three macro factors of parties' interests, negotiation environment, and negotiation process, have a direct impact on the tender price negotiation during the pre-negotiation and the negotiation stages respectively. Whereas, important micro factors such as parties' interests, negotiation strategies, real estate market, construction industry, and the influences of consultants affected the direction of the tender price negotiation.

However, analysis reveals that in the post-negotiation stage, a negotiation outcome is not entirely determined by tender price negotiation alone. Other equally relevant factors such as long-term relationships, expectations and attributes of the parties, contributions by consultants, and the developer's overall business interests also have a direct impact on the negotiation outcome.

In conclusion, it is hoped that the findings of this case study can be applied to pre-empt any relationship troubles and solve all contractual problems arising from the tender price negotiation.