SUMMARY

In this dissertation, it was established that developers adopt three different basic bidding strategies in sealed-bid tenders for 99-year residential land. Developers adopting the aggressive strategy include the Far East Organization, Sembcorp and Pidemco. These developers bid with the objective of winning. We also speculate that in an oligopoly, large developers have an incentive to bid aggressively so as to influence prices and enhance the value of their existing land bank. Developers adopting the conservative strategy include Wing Tai, Keck Seng, Tacwealth, Sim Lian and Swee Hin. These developers appear to be bottom fishing, hoping to acquire land at a low price, in the event the aggressive bidders abstain from bidding. It was generally observed that the aggressive bidders tend to be large firms while the conservative bidders are smaller firms. The third category of bidders are neutral bidders and include a broad spectrum of developers such as City Developments, DBS Land, Allgreen, First Capital Corp, Keppel Land, Centerpoint Properties, Bonvest, and Ho Bee. These developers bid at a price they consider as fair value, neither overpaying for the site in order to remain profitable nor under paying so as to remain competitive.

This study also attempts to explain the different bidding strategies of developers with different ownership structure. While it was determined that Government Linked Companies were aggressive bidders, we could not conclusively say that the listing status of a company had any influence on bidding behaviour. Neither could we ascertain that bids submitted by Join Ventures were more aggressive than bids submitted by a lone developer.

In the final part of the dissertation, regression analysis was conducted to study whether firm size, land bank composition, gearing ratio and profitability had any influence on bidding behaviour. The results do not support this hypothesis. This could be partly explained by the limitations of the study relating to the use of accounting information for analysis. The other possible explanation could be that developers bid according to their preferences and outlook of how property prices would behave, regardless of the firm specific factors in our study.

Keywords: Sale of Sites, Residential Properties, Firm Characteristics, First-Price Sealed Bid Tender, Ownership Structure, Bidding Strategies.