SUMMARY

Developers who bought the first few landed housing sites from the Government Land Sales Programme (GLSP) in 1991 and 1992 did not foresee that prices of landed houses would have shot up to the levels seen in 1993 and 1994. As a result, the realized profit margins were much higher than the expected profit margin. However, the situation was the opposite when developers bid for sites after 1994, as the regional financial crisis from 1997 weakened the residential market sentiment and reduced developer's profits. Most developers had to offer hefty discounts in order to sell the units while some developers choose to defer the launch of the project.

The focus of this dissertation is the study of derived profit margin for mixed landed housing developments on state land acquired from the government. The study will focus on the 47 sites sold during the period between 1991 to 1997.

Property consultants and developer firms indicate that the expected profit margins are usually about 15% to 20% for landed housing developments. However, developers tend to vary their expected profit margin based on the perceived risks of the project. The study looks into developers bidding behavior and the extent to which such behavior affects the attainable profit margins. This is used to ascertain whether the rule of thumb expected profit margin of 15% to 20% adopted by real estate consultants and developers in determining their bid prices is valid.

The finding of this study shows that the derived profit margin for sites sold from 1991 to 1993 was significantly higher than 20% and fell within a range of 37% to 57%. Although there was a brief period in 1994 when developers suffered from low profit margins and in some cases loses of up to 19%, the trend was gradually reversed by more realistic and cautious bids for development land and developers strategic decision to defer the launch of the development when market sentiment improved. As land cost had decreased at a higher rate than the decrease in sales prices, most developers were able to secure profit margins in the range of 15% to 30% from 1995 to 1997.

The study therefore supports the use of the rule of thumb expected profit margin at 15% to 20% adopted by real estate consultants and developers in determining their bid prices for landed development sites subject to variation based on the perceived risk of the project.

The study shows that the most popular areas for landed housing are the east and northeast region followed by the central and north region. The general observation is that FEO and Allgreen were the only two developers who were aggressive in building up their land bank of sites for landed development during the period of study.

The study also shows that the market sentiment for cluster housing development has picked up and developers who opted for this housing option have managed to secure higher profit margins.