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Alternaty Feasibility Study and Development Recommendation Sample



Prepared by:

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Highly Commended - Best Property Consultancy
(Vietnam), at the 2013 South East Asia Property Awards.

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Alternaty Feasibility Study and Development Recommendation Sample Executive Summary

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Feasibility Study and Development Recommendation Report
Executive Summary

Methodology

- Summary of Vietnam as a supply, demand
- Property development opportunities
- Detailed recommendations overall concept, Management, guest, and hotel
- In total there development positioning in
- A comprehensive Recommendation provides details

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Feasibility Study and Development Recommendation Report
Executive Summary
Market

- [The City] Market Supply
 - Market supply has years, leading to fire Center], but also in same guest (mid to
 - Increased supply in help promote [The the perception of [challenge is that [T
 - On the other hand, segment is highly c detrimental for ope
- [The City] Market Demand
 - Although overall vis
 - In the previous year strategy, and the Ci to quickly switch to
 - Both [National] guest budget, and do not spend much on additional tourism and local
 - These two markets tend to push out more higher paying markets d polite behaviour.
 - [The City] has so far failed to attract sufficient international direct flight upgrade the international airport, [The City] has been more success

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Feasibility Study and Development Recommendation Report
Executive Summary
Development Recommendations

- Critical Success Factors:
 - Differentiate the product from single direct booking and no market.
 - Control of Construction costs, oversized swimming pools, or facilities and landscape. Avoid well".
 - Associate with an international companies will supervise design mistake to be prevented and International chain will also have
 - Plan in advance and avoid de
 - Focus on operation efficiency, should be kept at minimum n effective solutions. The number employees. Training program; quality employee at lower pay
 - Offer where possible larger r

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Feasibility Study and Development Recommendation Report
Executive Summary
Purpose

- Alternaty (Vietnam) Co., Ltd. ("**Alternaty**") has prepared this Feasibility Study and Development Recommendation report dated [ddmm2016] for [The Client]. The report comprises of Site Description, Development Recommendation and Feasibility Study for a mixed-use project at [The City] - The "**Subject Development**".
- The Subject Development is bordered by the [The Property] on the north and [The Property] on the south.
- Study Scope
 - The objective of this assignment is to determine the highest and best use of the site as well as to analysis the financial feasibility of the proposed development scheme.
- Fieldwork
 - Fieldwork for this assignment was conducted by the Alternaty Team 2016 and the analysis was performed shortly thereafter.
- Dedicated Project Team:
 - Rudolf Hever, Executive Director
 - Mauro Gasparotti, Executive Director
 - Trang Vo, Senior Investment Analyst
 - Uyen Nguyen, Investment Analyst

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Alternaty Feasibility Study and Development Recommendation Sample Property Descriptions

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Feasibility Study and Development Recommendation Report
Location & Accessibility

- The site is located in prime location north – south and east – west traffic Route 1A and North – South rail line from Ho Chi Minh to City.
- The distance to the site from International Airport is 15 minutes driving by car.
- Visitors can arrive to Vietnam via International Airports in Vietnam (after HCMC and Hanoi) and Hanoi to Da Nang. There are airlines such as Vietnam Airlines and Jetstar Pacific who provide services for domestic routes. A large number of international routes to The City such as Vietnam Airlines, Korean Air, Cathay Pacific, China Southern, etc.
- An alternate mode of access is via the Reunification Express, from Ho Chi Minh City to Da Nang takes approximately 16 hours to reach the City.
- Visitors also can access the City via the Highway which carried close to 22,614 vehicles per day.
- Another access option is road via the Highway. There are various reputable domestic and international road routes to the site. There are small amount of foreign tourists from Laos, arrived to via road.

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Feasibility Study and Development Recommendation Report
Project Description

Surrounding Area

- The site is located on a site of [] m in City and just off the main road (The Street) which connects the site and M. This main road separates the site and Pham Van Dong Beach on two sides.
- The site shares its borders with Loseby Street on the south, The Street on the east, an empty land on the north and residential houses on the west.
- The topography of the subject site is described to be a flat area which is clean and ready to be developed.

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Feasibility Study and Development Recommendation Report
Project Description

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Development Parameters

Land

Land Parameters	Land Use sm	Max Site Coverage Ratio	Plot Ratio	Note
Site Area	7,190			
- Leasehold Land	7,190			50 years given by the developer
- Freehold Land	0			given by the developer
Buildable Area	5,033	70.0%		given by the developer
Total Maximum GFA (inc. basements)	226,485		31.5	43 floors, given on the MP
Maximum Buildable GFA above ground	216,419			
Buildable Basements GFA	10,066			2 floors
Land Costs	Confidential			given by the developer
Existing building assumed size	500			assumption

- The total site area is 7,190 sm. The adopted buildable area is 5,033 sm (comprising of total building footprint of hotel guestrooms, back of house, parking, public areas and facilities), given the site coverage ratio of 70%.
- The assumed land cost is [Confidential] psm, which results in total land cost of US\$[Confidential].



Alternaty Feasibility Study and Development Recommendation Sample Phasing and Area Program

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Feasibility Study and Development Recommendation Report
Phasing

	Units	GFA	2016	2017
Luscabe Hotel	300	20,271		
Open Space Retail		3,836		
Condotel - Front Tower	200	19,201		
Condotel - Back Tower	350	35,015		

- The Hotel component will be constructed and the room hotel will be completed and opened in the second half of 2016 and opening will be in the first half of 2017.
- The Open Space Retail will be constructed in the second half of 2016 and opening will be in the first half of 2017.
- Condotel will launch the sales in 2016. Sales period is expected to be 3 years.

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Feasibility Study and Development Recommendation Report
Area Program

Rooms	Unit	NFA/Room
Average Bay/Modules Size		30
Standard Rooms	m ²	30.0
Junior Suites	m ²	45.0
Executive Suites	m ²	60.0
Disabled Rooms	m ²	30.0
Subtotal of Room	m²	

Circulation and Corridors Support Areas

Total Rooms GFA

- Total rooms is 300, which results in the total GFA of 13,273 sm, which is a good efficiency but also be able to preserve a competitive rate.
- The majority of key count are standard rooms (%) to promote operation efficiency, in which:
 - Standard rooms are 250 units (%) with room size of 30 sm, exclusive of balcony which results in total GFA of 10,125 sm.
 - Junior Suites are 36 units (%) with room size of 45 sm, exclusive of balcony which results in total GFA of 2,187 sm.
 - Executive Suites are 12 units (%) with room size of 60 sm, exclusive of balcony which results in total GFA of 972 sm.
 - Disabled Rooms are 2 units (%) with room size of 30 sm, exclusive of balcony which results in total GFA of 81 sm.

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Feasibility Study and Development Recommendation Report
Area Program

Meeting and Functions	Unit	Seats	NFA per seat	Total NFA	Total GFA
Ballroom	m ²	No.	No.	225	293
Small Meeting Rooms	m ²	No.	No.	120	156
Pre Function Area/Foyer	m ²	% of sub net area	No.	121	157
Kitchen/Storage Area	m ²	% Included as BOH	No.	0	0
Miscellaneous supporting rooms	m ²	% of sub net area	No.	52	67
Subtotal of Meeting and Functions	m²			518	

Gross Circulation, Toilets, Corridor & Support

% on the net area

155

673

Fitness & Spa	Unit	Area	Total NFA	Total GFA
Public Area/Lobby/Reception	m ²	50	50	65
Treatments Rooms	m ²	30	240	312
Gym	m ²	50	50	65
Lockers	m ²	60	60	78
Admin	m ²	50	50	65
Subtotal of Fitness	m²		450	

Gross Circulation, Toilets, Mechanic and Support

% on the net area

135

585

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Alternaty Feasibility Study and Development Recommendation Sample Financial Structure

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Feasibility Study and Development Recommendation Report

Investment

Investment Assumptions			
Land cost	43,140,000	which equals	6,000 USD/m2
Building construction cost	104,209,145	which equals	1,331 USD/GFA
Financing cost	13,178,162		
"Turn-key" investment cost	160,527,306	which equals	2,050 USD/GFA

Overall Assumptions			
Assumed holding period	10	years	
Annual increase in hotel cash flows at terminal period	5.0%	inflation rate	
Terminal yield upscale hotel	10.0%	equal to a	10,000 times
Terminal yield condo management business	18.0%	equal to a	5,556 times
Terminal yield retail	12.5%	equal to a	8,000 times
Reversion expenses	2.0%	of gross sales price	
Desired total property discount rate (overall hurdle rate)	16.1%	WACC method	
Construction cost escalation	5.0%	every	3 years
Desired equity before tax discount rate (hurdle rate)	20.0%	including operation period	

- Total land cost of US\$[Confidential], equivalent to an average of US\$[Confidential] psm (on total site area)
- Total construction cost amounts to US\$104.2 million (unescalated cost including hard costs, soft costs and contingency) which equals an average of US\$1,331 psm of total GFA. Considering that the construction is contractually fixed with the main contractor, a % rate of escalation every 2.5 years has been applied to the contingency amount.
- Financing cost amounts to US\$13.2 million over the 7 years duration of the loan (excluding 2.5 years of grace period).
- The assumed holding period for the subject development is 10 years, at which point in time the hotel is assumed to be sold at a terminal cap rate of % with transaction costs amounting to % of the gross sales price.
- The adopted overall hurdle rate (discount factor) is equal to % and is calculated taking into account the return and risks involved.

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Feasibility Study and Development Recommendation Report

Financing

Lending Parameters			
Loan to Value Ratio (LVR)	43.7%	Construction Costs (2016 -2018)	29,072,939
Mortgage amount	25,013,395		
Grace period	30	months	
Capitalised mortgage amount	27,578,586		
Interest rate (VND)	11.0%	fixed	
Amortization term	10	years (inc. grace period)	
Amortization term	7	years (exc. grace period)	
Annual debt service	6,177,964		
Balloon payment	0		

Loan Drawdown	Dev Cost	Construction Costs	Pre-sale/EBITDA	Contrib. %	Amount	Loan Contrib. %	Amount	Dev. Contrib. %	Amount	Drawdown %	Drawdown Amount	Interest	End Bal.
2016	7,760,596	7,760,596	0%	0	11%	3,492,268	1%	4,263,328	1%	3,492,268	192,075	3,684,343	
2017	15,376,540	15,376,540	0%	7,620,047	11%	6,150,616	1%	1,605,877	2%	6,150,616	1,081,845	10,916,805	
2018	35,935,802	35,935,802	3%	19,013,392	11%	16,171,111	1%	751,299	6%	16,171,111	2,979,671	30,067,586	
Total	59,072,939	59,072,939	3%	26,633,439	11%	25,013,395	1%	6,628,506	10%	25,013,395	4,253,591	30,067,586	

Amortization Table (Year)	Beginning Bal.	Interest	Principal	End Balance
1	30,067,586	3,158,197	3,019,767	27,047,820
2	27,047,820	2,808,753	3,369,211	23,678,609
3	23,678,609	2,418,872	3,759,092	19,919,517
4	19,919,517	1,993,875	4,194,089	15,725,428
5	15,725,428	1,498,539	4,679,425	11,046,003
6	11,046,003	987,042	5,220,922	5,825,081
7	5,825,081	352,883	5,825,081	0
Total		13,178,162	30,067,586	

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Alternaty Feasibility Study and Development Recommendation Sample Construction Costs

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Hotel	Area (sm) per sm	Cons. Cost/ Room	Total Cons. Cost	% 2016	% 2017	% 2018
Hard Costs						
Infrastructure, Greenery & Landscape	42,000		2,163,273	865,309	1,081,637	216,327
Buildings						
- Component 1	23,754		19,255,616	4,813,904	11,553,370	2,888,342
- Component 2	8,745		2,121,855	424,371	1,485,299	212,186
- Component 3			680,882	0	544,705	136,176
Subtotal of Buildings Costs	32,499		22,058,353	5,238,275	13,583,374	3,236,704
Total Hard Costs			24,221,626	6,103,584	14,665,010	3,453,032
% of Total Construction Costs						
Soft Costs		% of Hard Costs	3,647,346	2,370,775	911,837	364,735
% of Total Construction Costs						
Pre Opening Costs (inc working cap)		% of Total Costs	1,632,727	0	816,363	816,363
% of Total Construction Costs						
Contingency		% of Total Costs	3,152,840	794,481	1,908,891	449,468
% of Total Construction Costs						
TOTAL CONSTRUCTION COSTS			32,654,539	9,268,840	18,302,101	5,083,598

We have adopted the following input:

- Site works/infrastructure costs of US\$[]sm have been applied on the total area. A rate of US\$[] psm has been applied for the room construction costs
- The total resulting hard costs amount to US\$24,221,626. We have adopted a soft costs equal to US\$1,632,727
- We have allowed pre opening cost and working capital for a total amount of approximately US\$3,152,840
- Total construction cost amount to US\$32,654,539



Projection of Hotel Demand & Occupancy



Feasibility Study and Development Recommendation Report

Projection of Hotel

- We have considered as a competitive set of [The Competitors].
- In order to project the market demand & occupancy of the hotel, we have analyzed the total usable room analysis as following:

- Analyze the current room night sold in the market
- Derive the competitive set average occupancy
- Segment the demand by three main categories
- Forecast the yearly variation (growth or decline)
- Include the expected future supply coming in the market
- Derive the **Base Market Occupancy**
- Include a penetration factor for the subject property
- Derive the **Subject Hotel Occupancy**

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Feasibility Study and Development Recommendation Report

Projected Penetration &

- The projected market occupancy has taken into account the current market occupancy.
- The proposed subject property's opening date will anticipate that it will be necessary to employ room rate in the market. It is forecasted that the proposed subject property will be given the proposed position and scale of development.
- Based on the preceding analysis, the hotel's occupancy is projected as follows:

Year	2016	2017
Projection of Market Occupancy	59.8%	63.8%
Projection of Project Occupancy		
Project's Assumed Penetration	0%	0%
Project's Assumed Occupancy	0.0%	0.0%

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Feasibility Study and Development Recommendation Report

Historic Market Demand & Occupancy

HOTEL PERFORMANCE

Property	No. of Room	Competition Level	2015			
			Occupancy	Annual Supply	Annual Demand	Market Occupancy
[The Competitor]	279	55%	65.0%	56,009	36,406	
[The Competitor]	280	60%	55.0%	61,320	33,726	
[The Competitor]	120	70%	67.0%	30,660	20,542	
[The Competitor]	154	85%	75.0%	47,779	35,834	
[The Competitor]	680	70%	60.0%	173,740	104,244	
[The Competitor]	227	80%	72.0%	66,284	47,724	
Total	1,740			435,792	278,477	63.9%

Demand by Segmentation	%	Annual Demand
Leisure	60.0%	167,086
MICE/Business	35.0%	97,467
Others	5.0%	13,924

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Residential Cash Flow

Price	Type	Units	NSA per unit	Total GFA	Price psm	Price/unit inc. furn.
Front Tower	Studio Units			4,888	US\$psm	US\$
	1 Bed Units			6,843	US\$psm	US\$
	2 Bed Units			3,450	US\$psm	US\$
	Subtotal	200		15,180	US\$psm	
Back Tower	Studio Units			10,075	US\$psm	US\$
	1 Bed Units			14,105	US\$psm	US\$
	2 Bed Units			5,200	US\$psm	US\$
	Subtotal	350		29,380	US\$psm	
	Total	550		44,560		
Take Up Rate	Type	Units	% 2017	% 2018	% 2019	
Front Tower	Studio Units		% 43	% 30	% 13	
	1 Bed Units		% 43	% 26	% 17	
	2 Bed Units		% 15	% 9	% 6	
	Subtotal	200	100	64	36	
Back Tower	Studio Units		% 70	% 54	% 31	
	1 Bed Units		% 70	% 47	% 39	
	2 Bed Units		% 18	% 12	% 10	
	Subtotal	350	158	113	80	
	Total	550	258	177	116	



Residential Cash Flow

		Instalments	2017	2018	2019	2020	
Front Tower	Deposit	%	2,926,060	2,038,725	1,356,933	0	
	Installments	%	0	4,964,785	1,356,933	0	
	Installments	%	0	0	6,321,717	0	
	Installments	%	0	0	0	6,321,717	
	Handover	%	0	0	0	3,160,859	
	Final Payment	%	0	0	0	3,160,859	
	Subtotal		31,608,586	2,926,060	7,003,509	9,035,582	12,643,434
	Selling Expenses	%	-152,155	-364,182	-469,850	-657,459	
	Net Sales Proceeds		29,964,940	2,773,905	6,639,327	8,565,732	11,985,976
Front Tower	Deposit	%	5,111,964	3,970,424	3,337,677	0	
	Installments	%	0	9,082,388	3,337,677	0	
	Installments	%	0	0	12,420,065	0	
	Installments	%	0	0	0	12,420,065	
	Handover	%	0	0	0	6,210,032	
	Final Payment	%	0	0	0	6,210,032	
	Subtotal		62,100,324	5,111,964	13,052,811	19,095,419	24,840,130
	Selling Expenses	%	-265,822	-678,746	-992,962	-1,291,687	
	Net Sales Proceeds		58,871,107	4,846,142	12,374,065	18,102,457	23,548,443
	TOTAL SALES PROCEEDS		88,836,047	7,620,047	19,013,392	26,668,190	35,534,419



Alternaty Feasibility Study and Development Recommendation Sample Hotel Cash Flow

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Year	1	2	3	4	5	6	7
PERFORMANCE	Soft Opening	Startup Period	Stabilization				
Available Days for Rental	365	365	365	365	365	365	365
Occupied Rooms/Room Sold	37,843	52,034	61,495	61,495	64,333	64,333	64,333
Room Occupancy	40.0%	55.0%	65.0%	65.0%	68.0%	68.0%	68.0%
Average Daily Rate (ADR)	116	122	130	137	137	143	150
RevPar	46	67	85	89	93	97	102
REVENUES	1	2	3	4	5	6	7
Hotel	4,380,823	6,324,814	7,994,376	8,394,095	8,781,515	9,220,590	9,681,620
Operating Income (OI): -							
Total Room Revenue (net S.C.)	4,380,823	6,324,814	7,994,376	8,394,095	8,781,515	9,220,590	9,681,620
Rooms	4,380,823	6,324,814	7,994,376	8,394,095	8,781,515	9,220,590	9,681,620
Food & Beverage	2,248,017	2,927,251	3,729,880	3,916,374	4,097,130	4,301,986	4,517,085
Other Operating (Spa)	386,378	487,875	683,811	718,002	751,140	788,697	828,132
Rental (shops & other license)	9,835	17,564	24,866	26,109	27,314	28,680	30,114
GROSS OPERATING REVENUE (GOR)	7,025,054	9,757,504	12,432,933	13,054,580	13,657,099	14,339,954	15,056,951
EXPENSES: Department Cost & Expenses	1	2	3	4	5	6	7
Rooms	1,182,822	1,201,715	1,359,044	1,426,996	1,492,857	1,567,500	1,645,875
Food & Beverage	1,573,612	1,756,351	1,864,940	1,958,187	2,048,565	2,150,993	2,258,543
Other Operating (Spa)	212,508	243,938	273,525	287,201	300,456	315,479	331,253
Rental (shops & other license)	3,934	5,269	7,460	7,833	8,194	8,604	9,034
TOTAL COST OF SALES	2,972,876	3,207,272	3,504,968	3,680,217	3,850,073	4,042,576	4,244,705
Department Gross Income	1	2	3	4	5	6	7
Rooms	3,198,001	5,123,099	6,635,332	6,967,099	7,288,657	7,653,090	8,035,744
Food & Beverage (Restaurant & Banquet)	674,405	1,170,900	1,864,940	1,958,187	2,048,565	2,150,993	2,258,543
Other Operating (Spa)	173,870	243,938	410,287	430,801	450,684	473,218	496,879
Rental (shops & other license)	5,901	12,294	17,406	18,276	19,120	20,076	21,080
TOTAL GROSS INCOME (DEP. PROFIT)	4,052,177	6,550,232	8,927,965	9,374,363	9,807,026	10,297,377	10,812,246
Undistributed Operating Expenses	1	2	3	4	5	6	7
Sales & Marketing	562,004	585,450	621,647	652,729	682,855	716,998	752,848
Administrative and General (inc. "others")	1,053,758	1,073,325	1,118,964	1,174,912	1,229,139	1,290,596	1,355,126
Property Operation & Maintenance	491,754	487,875	559,482	587,456	614,569	645,298	677,563
Energy Cost	632,255	683,025	745,976	783,275	819,426	860,397	903,417
TOTAL UNDISTRIBUTED EXPENSES	2,739,771	2,829,676	3,046,069	3,198,372	3,345,989	3,513,289	3,688,953
GROSS OPERATING PROFIT (GOP)	1,312,406	3,720,556	5,881,896	6,175,991	6,461,037	6,784,089	7,123,293
Management Fee & Other Expenses	1	2	3	4	5	6	7
Basic Management Fee (on GOR)	105,376	146,363	186,494	195,819	204,856	215,099	225,854
Provision for FFE (on GOR)	140,501	195,150	248,659	261,092	409,713	573,598	602,278
Incentive Management Fee (on GOP)	91,868	260,439	411,733	432,319	452,273	474,886	498,631
Other non Op costs/ insurance (on GOR)	70,251	97,575	124,329	130,546	409,713	430,199	451,709
TOTAL MANAGEMENT FEE& OTHERS	407,996	699,527	971,215	1,019,775	1,476,555	1,693,782	1,778,471
NET OPERATING PROFIT (EBITDA)	904,411	3,021,029	4,910,682	5,156,216	4,984,482	5,090,306	5,344,822