SIMPLE REAL ESTATE DEVELOPMENT CALCULATION PROFORMA (REQUIRING MICROSOFT EXCEL 97)

Zpredpfa.xls

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1. Introduction and Notes

This Simple Real Estate Development Calculation Proforma (hereafter called "Proforma") is meant for **obtaining very preliminary / ballpark real estate development estimates and further detail analyses are usually required or highly recommended**. It is by no means a guarantee of profitability or predictory tool and should not be construed as such. The proforma assumes a very straightforward scenario whereby a real estate development project is built and sold at completion and the development time assumed ranges from 2 to 5 years. Cases outside these parameters are beyond the scope of this proforma and require custom-designed proformas.

Notes :
a) The proforma requires **Microsoft Excel 97** (or other compatible versions) and complimentary computer equipment and operational capacity.
b) Seek advice from appropriate consultants prior to usage if unsure.
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f) The proforma works better if the user has prior knowledge and experience working with Microsoft Excel.
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h) The proforma is to be used by the user intended only and no copying, duplicating, distributing, unauthorized usage and the like shall be done except with the prior written approval from Zeppelin.

2. Input Procedures

a) Overall Proforma Structure and Concept : There <u>are all together 6</u> <u>"Sheets" within the file "zpredpfa.xls"</u>, namely "About Zeppelin", "Summary", 2, 3, 4 & 5 year scenarios. **The Summary Sheet is mainly the INPUT Sheet (with a summarized output) while the rest mostly are OUTPUT Sheets**. For 2 -5 year scenarios, there is a timeless straight column (i.e. not done on a cash flow basis) estimate next to a discounted cash flow estimate ranging from a 2-year development program (in 2 year scenario) to a 5-year development program (in 5 year scenario).
b) Summary INPUT Sheet : All input cells are in *italics* and colored green. Input from top of page downward :
(1) Project Name
(2) Date of Calculation
(3) Date of Calculation Update if applicable
(4) Currency used
(5) **F**or Revenue Items : Input ONLY the ones which are applicable e.g. if the development project contains residences, then input the total floor area, the estimated price per floor area, and the expected appreciation [+%] or depreciation rate [-%] per year. Make sure the measurement units used are consistent and compatible e.g. if the total floor area is in square meters, then make sure the price per floor area is also in square meters. Skip the revenue items which do NOT apply and / or enter zeros in the relevant cells. [Parking spaces are measured in number (No.) while miscellaneous items are entered as a lump sum]. The revenues for residential, retail, office and parking will be calculated automatically. The figure for miscellaneous items has to be inputted by the user.
(6) For Expense Items : Input the Land Price and related stamp duty /agency fees where applicable. Then input a % allowance for construction floor area (generally construction floor area are larger than the gross floor area as the latter, depending on the related regulatory / government building authority, may not include ancillary floor area for accommodating building services equipment and so on. If not, input zero percent and the construction floor area will be equal to the gross floor area). Then input the estimated cost per construction floor area and the expected appreciation or depreciation rate per year. The total construction cost will be automatically calculated. Then input a % allowance for Soft Costs (based on the construction cost) and its related expected appreciation or depreciation rate per year. The soft costs will be calculated automatically. Then input the leverage % for the land if

applicable i.e. if part or all of the land cost is paid for by borrowed money. Then do the same for the construction cost. Input the averaged-out interest rate and the anticipated development time in (full numbered) years i.e. no 2.25 years or 4.5 years etc. Then input a % allowance for marketing cost (based on the total revenues obtained) and its related appreciation or depreciation rate per year. The marketing cost will be automatically calculated. Input the Discount Rate to be applied.

3. Output

Output Sheets (2-5 year scenarios) are automatically derived except for the construction spending pattern, expressed in % [totaling 100% over the development / construction years]**. Go to the relevant output sheet based on the anticipated number of years** the development project will take. For instance, for a 3-year development project program, go to 3 year scenario. Input the construction-spending pattern mentioned above. The Net Present Value (NPV) and the Internal Rate of Return (IRR) will be calculated automatically. Also, **the results for all scenarios are listed in Sheet 1 for quick reference**.

4. Contact

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