

FEASIBILITY

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PROJECT FEASIBILITY

The client would like to contribute to the community by providing a service that is sustainable in terms of efficiency and productivity.

His personal interest in the project has resulted in capital costs that are 20% higher than those projected for a development of this nature.

The client is also of the opinion that this development should be used and seen as a community development opportunity and as such, the additional costs for on the job training and labour intensive methods of construction are justifiable.

ONGOING COSTS

Economic Viability of the development

The development is to cater for the erection of a crematorium complex complete with a welcoming centre housing administrative buildings, priest interview rooms and ablution facilities. One main chapel and two smaller chapels complete the total development to the north of the site. To the south of the property a crematorium building adjacent a memorial garden needs to be provided. The overall area of the development is 2000m².

Profitability

The development has been calculated to break even after a period of 10 years, according to the owner this is acceptable as the development must be seen as a community driven project. The internal rate of return is estimated to be in the region of 10.38% and is on average with the local economy should the client have rather invested his money in the bank.

Over the past few years there has been a marked increase in the number of cremations taking place, and with the depletion of suitable land for burial cremation is set to become the norm when it comes to the disposal of the dead. For the sake of calculation an increase in the quantity of cremations has been estimated at an average of 7% per annum thus these calculations have been calculated on a 75% efficiency [74].

PROJECT FEASIBILITY

STONE BRIDGE MEMORIAL PARK		R
FINANCIAL COMMITMENT		
Estimated current building cost of buildings and other improvements		11,500,000
Memorial Chapel and Auxillary Functions		5,000,000
Crematorium and Auvillary Function		3,250,000
Gardens of Remebrance		1,750,000
External Works and it assoclated works		1,500,000
Allowance for escalation :-	0	1,627,000
up to tender date (pre-contract) :		
11,500,000 x 0.65 % pm x	7 months	523,300
from tender date up to completion date (in-contract) :		
12,023,300 x 0.85 % pm x	18 months x 1.00 x 0.60	1,103,700
Estimated cost of buildings and other improvements including escalation (date)		13,127,000
Professional fees and disbursements	12.50 %	1,640,900
Local authority fees for approval of plans and other sundry disbursements and fees		110,000
Land value including agent's fees and transfer charges		3,500,000
Rates and taxes, etc. during the construction period		100,000
Loss of Interest and/or Interest on Bond or Opporunity Cost over the contract period b (interest compounded monthly)		
18,477,900 x 12.00 % pa x	20 months 0.4161	1,876,300
		20,354,200
LESS : Interim income		--
FINANCIAL COMMITMENT - CAPITAL COST		20,354,200

PROJECT FEASIBILITY

STONE BRIDGE MEMORIAL PARK**NET INCOME (FIRST YEAR)**

					R
Cremation Cost	198	No / mnths	@	R 1,000.00 per No	198,000
Rentals of Chapel for Funeral Servic	198	No / mnths	@	R 250.00 per No	49,500
Rentals of Chapel for Church Servic	4	No / mnths	@	R 100.00 per No	400
Sales of Urn	99	No / mnths	@	R 100.00 per No	9,900
Sales of Urn Placement	99	No / mnths	@	R 100.00 per No	9,900
Sales of Funerary Miscellaneous	1	Sum	@	R 50,000.00 per No	50,000
Estimated Gross Monthly Income					317,700
Estimated Gross Annual Income (First Year)					3,812,400
LESS : Estimated Annual Expenditure					1,986,000
Staff emoluments					750,000
Cleaning materials and general servicing expenses					250,000
Special maintenance and operating expenses					750,000
Insurances etc.					50,000
Property rates and taxes					36,000
Administration charges					150,000
NET INCOME (First Year)					1,826,400

NOTE :

1 Assumption has been made that the facilities will be operated at 75% of its maximum potential.

RETURN ON FIRST YEAR

This is the Net Annual Income expressed as a percentage of Total Financial Commitment

Based on the foregoing information, the Developer can expect a return on his total Financial Commitment in the first year of :-

8.97 % per annum

PROJECT FEASIBILITY

ECONOMIC VIABILITY ANALYSIS
FOR A LETTING SCHEME

CHAPLIN CORNER OFFICE DEVELOPMENT

PROVISIONAL INTERNAL RATE OF RETURN

Assumptions:-

Growth in annual net income is at 12%

Annual Cash Flow - 20 Years						
Year	Gross Income	Expenditure/ Operating Costs	Net Cash Flow	Cumulative Cash Flow	Notes (See Below)	Return
0	-	20,354,200	(20,354,200)	(20,354,200)	1	0.00
1	1,826,400	0	1,826,400	(18,527,800)		8.97
2	1,826,400	0	1,826,400	(16,701,400)		8.97
3	1,826,400	0	1,826,400	(14,875,000)		8.97
4	1,826,400	0	1,826,400	(13,048,600)		8.97
5	2,100,360	0	2,100,360	(10,948,240)	2	10.32
6	2,100,360	0	2,100,360	(8,847,880)		10.32
7	2,100,360	0	2,100,360	(6,747,520)		10.32
8	2,100,360	0	2,100,360	(4,647,160)		10.32
9	2,268,389	0	2,268,389	(2,378,771)	2	11.14
10	2,268,389	0	2,268,389	(110,382)		11.14
11	2,268,389	0	2,268,389	2,158,006		11.14
12	2,268,389	0	2,268,389	4,426,395		11.14
13	2,449,860	0	2,449,860	6,876,255	2	12.04
14	2,449,860	0	2,449,860	9,326,115		12.04
15	2,449,860	0	2,449,860	11,775,975		12.04
16	2,645,849	0	2,645,849	14,421,824	2	13.00
17	2,645,849	0	2,645,849	17,067,672		13.00
18	2,645,849	0	2,645,849	19,713,521		13.00
19	2,645,849	0	2,645,849	22,359,370		13.00
20	23,000,049	0	23,000,049	45,359,418	3	113.00
Average						15.37

Notes :

- Total Financial Commitment
- Assume the Following Income Growth

Year 1 to Year 4	No Growth
Year 5 to Year 8	15% Growth in Year 5 and remain same to Year 8
Year 9 to Year 12	8% Growth in Year 9 and remain same to Year 12
Year 13 to Year 15	8% Growth in Year 12 and remain same to Year 15
Year 16 to Year 20	8% Growth in Year 16 and remain same to Year 20
- Terminal value equal to Total Financial Commitment added to Year 20 Income

Internal Rate Of Return :

Based on the above the Developer can expect an Internal Rate of Return (IRR) of :-

IRR = 10.38%