Chapter 3: Feasibility Study in Development Process Introduction oDevelopershaveastrongintuitivef eelforaproject's viabilitybasedonearlystages.Balancing Feasibility Analysis oOverdoingthefeasibilityan alysiscan extendthe developmentprocessandwastetimeandmoney.Elements of Cost Estimates oLandcost oSiteandinfrastructurecosts(on-siteandoff-site) oDesignfees(architectureandengineering) oHardcosts(laborandmaterials) oEntitlementcosts(consultants,publicagencyfees) oFinancingcosts(loancommit mentfees,intere st, loanfees) oMarketingcosts(promotion, advertising,lea sing commissions) oPreopeningoperatingcosts oLegalfees oAccountingandauditcosts oFieldsupervision(inspection)costs oOverhead oPropertytaxes oContingencies oDevelopmentfees Feasibility Analysis &GAlZdGEwGYslsGEAYE&sYAYDsAuWdZuGDlsZYE Features and Amenities ??????????????????Key Points of Graaskamp's Definition oFeasibilityneverdemonstratescertainty oSatisfyingexplicitobjectives oExecutionandtimingmatter oTestedwithinspecificconstraints oBroaddefinitionbeyondvalueexceedingcost Initiating the Feasibility Study oA typicalfeasibilitystu dyincludesanex ecutive summary,marketstudy,re venueprojections, preliminarydrawings,maps,costes timates, financinginformation,gove rnmentconsiderations, andvalueestimates.Maps, Drawings, and Other Visuals oMaps,drawings ,andothervisualsshowthel ocationan d siteofthed evelop menttoori entreviewers.Architectural renderingsandphotographso fthesubje ctproperty,as wellascomp lement aryandcompetitiveprojects,help completethevisualsummary.Complex Project Example oExample:A5,000-acremas ter -plannedcommunity (MPC).Involvesex tensiveinfrastructure,lo ng-term trends,andnumerousp rofession alssuchas architects,planners,andengineers.Steps in a Market Study oExaminenationaleconomicconditions oSegmentationofthepopulationfore castan dthejobgr owthforecastisusuallyan extremelyimportantpartoftheanalysis.oInvestigatecomparableproperties oTode terminethefeatures,function s,andbene fitsofthosepropertiesthatar e importanttothemarket.oProjectabsorptionschedules oHowmany unitsatwhatp riceoverwhattim eperio dwillthetarg etmarketbelikel y toabsorb?Communication with Contractors oDiscussingcostestimateswi thcontractor sand subcontractorshelpsrefinepr ojectdetails,makin git moreattrac tivetotenants,lessexpensiveto construct,andmorecost-effectivetooperate.Critical Analytic Elements oSensitivityanalysis oReviewofrisks,wi thappr opriateriskmanagem ent techniques;and oConfirmationoffeasibilityforeachparticipant The Market Study oThemark etstudyisthebasisofthefea sibili ty analysis.Consistency and Teamwork oUsingthesamearchit ectandengineerthroughoutthe entireprocesshel psmaintainconsistency ,minimizes learningcurves,andprom otesunderstandingofth e developer'sobjectives.Responsibility for Management oDeterminingresponsibilityiscruc ial:Isitthe developer,thetenant,orhasthe riskbeenp assedon throughanuncondi tional presaletoalong-term investor?Definition of Feasibility oA realestatepr ojectis'feasible'whenitsati sfies explicitobjectiveswith inspecificconstraintsand limitedresources.Preliminary Drawings