

Flat screen television with freeview channels construction essay



**ASSIGN
BUSTER**

Introduction

A major international hotel /leisure operator is seeking to expand the number of hotels they operate in a new, attractive and profitable market. This report has been prepared to inform the board of the organisation how they may acquire and develop a site for a hotel, with an additional 'leisure' element.

Location

According to Millington 2000 the selection and purchase of the most appropriate site is crucial if an organisation is seeking to maximise its profits. It has been further suggested that for retail developments other considerations has to be taken into account such as, easy access for clients travelling by a range of forms of transport including car, rail, bus, and foot and access for suppliers to deliver goods. The selected location for the development is West Bay Lagoon, in Doha. Doha is the capital and economic powerhouse of Qatar, one of the richest countries in the world and an enthusiastic investor in tourism and real estate. The selected plot of land is located near to the new Lusail Iconic Stadium, with a capacity of 86, 250, where 2022 FIFA World Cup will be hosted. Doha International Airport is within 6 kilometres distance (20 minutes drive) and there is good public transport links although the preferred transport mode in the area is by car. Furthermore it benefits from its close proximity to popular attractions such as Doha Golf Club, City Centre Mall and Aladdin's Kingdom amusement park. The Qatar Exhibition Centre and Qatar University is within walking distance. Its position close to the central district and diplomatic area will be a key advantage for business travellers.

Development Process

Millington suggests that the development process can be regarded as a several number of different stages of activity which may be carried on consecutively, but in some cases they are likely to be carried simultaneously. The various stages will be explained in this section of the report. The first and one of the most important stages of the development is the development concept. The development occurs as a result of imagination and creative thinking; the sector depends on visionaries who can see what could be rather, than what exists. For the process to be initiated there needs to be demand for it, the developer needs to be able to detect and understand the market demand, where suitable sites are located, the size and style for each development, to relate the vision with the environment where the site for the development and evaluate the development financially. ' No development can be risk free and the success of individual development initiatives cannot be granted' (Millington, 2010, p. 10). In order to minimise risks preliminary investigations are crucial if the developer wants to identify the risks which might arise during the development and market research will be carried out in this stage. A site search and site study should be undertaken fairly soon after the original concept has been accepted as being sound, various geographical areas and its economic characteristics will be identified however a more detailed research will investigate in fact which are the geographical areas suitable for the proposed development considering networks such as rail and road links and the economic situation of the market. The next task will be identifying suitable and available sites within that area; it may happen that no suitable site is found in that case the project should be abandoned. Before acquiring the site the developer must

<https://assignbuster.com/flat-screen-television-with-freeview-channels-construction-essay/>

carry out different investigations which normally are carried by a land surveyor which considers different factors including: neighbour sites, the legal interest which is for purchase, the likely cost of acquisition, the size and shape of the site, its physical characteristics and soil structure, the planning situation in the locality and planning considerations affecting the site itself, the availability of access both for construction work and for use after development is completed and availability at acceptable cost of all required services for the development. The developer might consider planning investigations at an early stage as unless a planning permission is hold no development cannot be proceed, even if the planning permission is likely to be granted, it is necessary to find out the conditions which may be attached to it. Once a possible site has been identified and planning permission is likely to be granted an initial financial appraisal can be undertaken. It might consist in a fairly simple estimate but remarkable competent valuers will even be able to make remarkable reliable estimates. The objective at this stage is to gain an understating whether the proposed development is sound in financial terms. The arrangement of finance is another crucial part of the development project, unless enough funds can be granted the development cannot be started. The developer might have good relationships with financial institutions which will ensure all costs will be covered. AT this stage a detailed finance appraisal will be need in order to specify all the costs. At this stage the developer can consider the site acquisition legal investigation, ownership of the site, existing planning permission, rights of way have to be taken into account as it can affect the viability of the development. The next stage is de design and costing, this stage might determine factors such its size and fundamental design criteria. Plans are prepared showing the layout

<https://assignbuster.com/flat-screen-television-with-freeview-channels-construction-essay/>

& outline specification, there the need to estimate initial cost of proposed development and is needed to make sure that at each appropriate stage the design and cost estimates are complete to avoid delays. Once building control approval has been obtained the developer can prepare the tender documents and construction contract with prospective building contractor then the construction places a contract to construct the development the aim of this stage should be construct a good quality building on time & on budget. The developer while the construction of the building is taking place or even before needs adopt marketing plan rent or sell the development, the campaign will inform potential buyers/tenants, of the existence of the development popular ways to promote properties include: Internet, site boards, sale particulars, brochures, advertisement. The last stage of the development is rent or sell developed property, if every step has been complete successfully the developer will get its profit from it.

Development Plan

The project consists of building a five stars hotel with 260 rooms and would be principally located within a 52 storey tower. It will cater for business travellers week days however; during weekends where the business demand tends to be lower it will be compensated by leisure travellers. The hotel will fall into Boutique/lifestyle category. The Boutique and Lifestyle Lodging Association (BLLA, 2011) described as this type of hotels as design-orientated hotels that intend to provide a unique, personalised experience for visitors. The following table provides a summary of the facilities the hotel will have.

Level

Facilities

Basement - 4Car parkingBasement - 3Car ParkingBasement-2,-1Loading bay, ball Room, maintenance, housekeeping -bin Store, laundryGroundHotel lobby/lounge, bar, outdoor swimming pools, private beachLevel 1Plaza, electronic games room, kids play roomLevel 2Boardroom, meeting and conference rooms, pantry , winter gardensLevel 3-6Guest rooms, pantry, boardroom, meeting rooms , libraryLevel 7 - 23Guest roomsLevel 24Hotel restaurantLevel 25Swimming pool, sauna, gym, hotel barLevel 26Spa treatment rooms and beauty saloonLevel 27 - 48VIP guest roomsLevel 49 - 50HelipadThe majority of the bedrooms would have an average of 50m², which is typically the room size of a luxury plus hotel; the room facilities will include:

Room Facilities

Air ConditioningBathroom with shower within roomJacuzzi in the VIP guest roomsFree access to high-speed wireless internetDirect dial phone with voicemail & wake-up callsRefrigerator/microwaveFlat Screen Television with Freeview ChannelsSame day laundry service/dry cleaning serviceTea/coffee facilities within roomHair dryer and Iron /ironing boardPersonal electronic safeMini sofa setPC's, fax and copying available in some roomsFresh flowers

Analysis

Qatar benefited from strong economic performance over the first quarter of 2012. Qatar is now ranked as having the world's highest GDP per capita, at US\$ 102, 891, according to the IMF.' General demand for all types of real

estate will be further realised through the Government's investment plans in respect of the 2022 FIFA World Cup. Spending on World Cup related projects and infrastructure is expected to reach US\$ 64 billion between now and 2022. Demand for hotel accommodation remains strong, which is primarily driven by MICE tourism. However, there are 77 hotels planned or under construction which could impact on levels of occupancy and average room rates. Demand for hotel accommodation remains strong, which is primarily driven by MICE tourism. However, there are 77 hotels planned or under construction which could impact on levels of occupancy and average room rates." Under Qatari law, foreigners are allowed to buy property in specific areas of the country, for 99 years, extendable for a further 99 years, and the property is transferable to their heirs. Foreigners who buy in any of these areas are automatically granted residency, which extends to the owner's family, for the whole duration of the ownership." Cabinet Resolution No (20) of 2004 provided that non-Qataris may own land, buildings and residential units in the abovementioned projects, together with the right to dispose of, or exploit, those interests in accordance with the applicable laws.

Residual Valuation

Assumptions:

Gross Floor area: 51, 000sqm Current Yield of 8% Interest on Finance is 9% p.

a. Rental value: £ 70 per sqm Build Rate: £280per sqm Contingency sum

5% Professional fees 12. 5% Marketing costs £10, 000 12 Month construction time, no void period

Gross Development Value = 125, 000, 000

1) Building Cost: (Gross floor area x building rate)

$$51,000 \times \text{£}280 = 14,280,000$$

2) Finance for Construction: (1/2 buildings cost @9% interest)

$$14,280,000 \div 2 = 7,140,000 \quad 7,140,000 \times 9\% = 642,600$$

3) Professional Fees: (12.5% interests of building cost)

$$14,280,000 \times 12.5\% = 1,785,000$$

4) Interest on Fees: (Interest on 3/4 of the professional fees)

$$1,785,000 \times \frac{3}{4} = 1,338,750 \quad 1,338,750 \times 9\% = 120,488$$

5) Promotions & Marketing: 10, 000

6) Contingency Sum: (5% of the building cost)

$$14,280,000 \times 5\% = 714,000$$

7) Agent's Fees: (3% of GDV + 10% of the rental)

$$125,000,000 \times 3\% = 3,750,000 \quad 70 \times 51000 = 3,570,000 \quad 3,570,000 \times 10\% = 357,000$$

$$3,750,000 + 357,000 = 4,107,000$$

8) Developer's Profit: (15% of the GDV)

$$125,000,000 \times 15\% = 18,750,000$$

Gross Development Cost 40, 409, 088

Residual Valuation

Gross Development Value Less 125, 000, 000
Gross Development Cost 41, 493, 475

<https://assignbuster.com/flat-screen-television-with-freeview-channels-construction-essay/>

Land Surplus 84, 590, 912

PV £1 $\frac{1}{(1+r)^n}$ [$\frac{1}{(1+0.09)}$] 77, 823, 639
 Less acquisition costs @4.5%
 3, 502, 064 [77, 823, 639 X 4.5%]

74, 321, 575

Notes:

Building Costs: Estimated costs of building calculated on gross floor area.

Finance for construction: The cost of borrowing half of the building costs @9% interest, as it is assumed that the developer has half of total money

needed and contractors are paid in instalments. Professional fees: fees charged by engineers, architects, quantity surveyors 12-15% of the building

costs Finance costs: interest charged for borrowing the money for the development based on half the building costs and $\frac{3}{4}$ of the professional fees.

Promotion and Marketing: Money which will be spent to promote the

development Contingency sum: If anything goes wrong an allowance of 2.

5%-5% of building costs to cover the cost of unexpected items is made.

Developer's profit: The profit that will be made by the developer usually 15%

of the GDV Agent's fees: The cost of letting and selling the premises usually

3% of GDV + 10% of the rental value. Land surplus: include costs of

acquisition and finance

Conclusion

Profit Method

This based on the assumption that the value of some properties will be related to the profits which can be made from their use.

Income

Bedrooms £19, 000, 000. 00Bar/ Restaurant £3, 500, 000. 00Conference facilities £7, 000, 000. 00Spas facilities £2, 500, 000. 00

Total £32, 000, 000. 00

Cost of Sales £1, 700. 000. 00

Working Expenses

Salaries £ 1, 500, 000. 00Electricity, gas, water £ 1, 000, 000. 00Running costs £2, 000, 000. 00General expenses £300, 000. 00Marketing £500, 000. 00

Total £5, 300, 000. 00

Assume a yield of 8 %

Valuation of the Hotel

Gross Receipts (income) £32, 000, 000. 00Less: Cost of Sales - £1, 700. 000. 00Gross Profit £30, 300, 000. 00Less: Working expenses -£5, 300, 000. 00Net Profit £25, 000, 000. 00Less: Tenant's share 60% -£15, 000, 000. 00Available for Rent £10, 000, 000. 00YP at 8% 12. 5

Capital Value £125, 000, 000. 00