Critical Feasibility Study

Commercial Complex Investment Project

Prepared by: [Your Name], MBA
Date: [Report Date]

---

1. Executive Summary

This feasibility study critically examines the financial and strategic viability of developing a commercial complex. The project includes office spaces, residential apartments, multi-purpose halls, and a penthouse.

Key Findings:

- **Investment Cost:** USD 2,200,000
- **Annual Revenue:** USD 112,800
- **Annual Running Costs:** USD 39,000
- **Net Profit:** USD 73,800 per year
- **Return on Investment (ROI): ~3.35% per year**
- **Payback Period: ~30 years** (21.62 years with 3% annual growth)

Critical Observation:

- The financial return is **low** for an investment project.
- The payback period is **long**, making this project less attractive to investors.
- Without substantial revenue growth or cost reduction, the project may not meet standard investment expectations.

---

2. Introduction

2.1 Purpose of Study

This feasibility study aims to assess whether the commercial complex is a financially viable investment. It evaluates the market demand, technical feasibility, financial outlook, and associated risks to determine whether funding should proceed.

2.2 Project Scope

The proposed commercial complex includes:

- **Office Spaces** (Floors 1 & 2)
- **Residential Apartments** (Floors 3 & 4)
- **Multi-Purpose Halls** (Floor 5)
- **Terrace and Penthouse** (Floor 6)

This development intends to serve businesses, retail outlets, and residential occupants in a mixed-use setting.

---

3. Market & Technical Feasibility

3.1 Target Market

- **Business Tenants:** SMEs and professionals renting office space.
- **Retail & Service Providers:** Stores, restaurants, or small businesses.
- **Residential Tenants:** Middle-income professionals seeking apartments.

3.2 Market Analysis & Demand

- **Strengths:** The location has business potential and growing demand for mixed-use spaces.
- **Weaknesses:** Market competition and rental affordability constraints.
- **Risks:** If occupancy rates are lower than expected, financial performance could decline further.

3.3 Technical Feasibility

- **Location:** Adequate infrastructure and accessibility.
- **Building Plan:** Multi-floor structure with parking, security, and modern amenities.
- **Regulatory Compliance:** Meets zoning and environmental standards.

---

4. Financial Feasibility

4.1 Investment & Cost Structure

Cost Component	Amount (USD)
Construction & Development	1,500,000
Interior & Furniture	520,000
Total Investment	**2,200,000**

Operating Component	Amount (USD)
Annual Running Costs	39,000

4.2 Revenue Model

Revenue Source	Units	Monthly Price (USD)	Total Monthly Revenue (USD)
Office Rooms	30	100	3,000
Apartments	8	500	4,000
Multi-purpose Halls	2*	400 (per booking)	1,600
Terrace (Mobile Tower Rent)	1	500	500

Revenue Source	Units	Monthly Price (USD)	Total Monthly Revenue (USD)
Penthouse	1	300	300
Total Monthly Revenue			**9,400**

> *Multi-purpose hall revenue is based on two bookings per month.

- **Annual Revenue: USD 112,800**

4.3 Profitability Analysis

- **Annual Net Profit:**
  [\text{Net Profit} = \text{Annual Revenue} - \text{Annual Running Costs} = 112,800 - 39,000 = 73,800 , \text{USD}]
- **Return on Investment (ROI):**
  [ROI = \left(\frac{73,800}{2,200,000}\right) \times 100 \approx 3.35%]
- **Payback Period:**
  [\text{Payback Period} = \frac{2,200,000}{73,800} \approx 30 , \text{years}] With 3% annual growth, the period reduces to **21.62 years**.

4.4 Critical Observations

- **The ROI of 3.35% is low**, making the project unattractive to profit-driven investors.
- **A 30-year payback period** is **too long** for an investment project.
- If revenue growth or cost reductions are not achieved, the project may struggle to be financially sustainable.

---

5. Risk Assessment & Mitigation

5.1 Key Risks

- **Financial Risks:** Low profitability and long-term capital lock-in.
- **Construction Risks:** Delays, budget overruns, and regulatory issues.
- **Market Risks:** High dependency on occupancy rates and rental market fluctuations.

5.2 Mitigation Strategies

- **Enhance Revenue Streams:** Increase rental prices or add premium services.
- **Reduce Operational Costs:** Optimize management and reduce maintenance expenses.
- **Partnerships & Funding Alternatives:** Secure co-investors or subsidies to lower financial burden.

---

6. Strategic Considerations

- **Critical Question:** Does this project provide enough return on investment to justify funding?
- **Alternative Approaches:**
  - Optimize financial structure to improve ROI.

- Consider mixed-use revenue models, such as co-working spaces or service-based rentals.
- Reassess if non-financial benefits (community growth, branding) can justify lower returns.

---

7. Conclusion & Recommendations

7.1 Conclusion

- The financial viability of the project is **weak** from a traditional investment perspective.
- **Without revenue growth or cost reduction, returns remain low, and payback is too long.**
- **Investors may find alternative projects with higher returns more attractive.**

7.2 Recommendations

1. **Improve Financial Metrics:**
   - Increase rental rates, introduce new revenue streams, or reduce operational costs.
2. **Mitigate Financial Risks:**
   - Secure co-investment or donor partnerships to spread financial risk.
3. **Consider Alternative Projects:**
   - If investment-focused, seek projects with better ROI and shorter payback periods.
4. **Strategic Decision Needed:**
   - Either **revise the financial model** for better returns or **reposition the project** for strategic, non-financial benefits.

---

8. Final Decision Point

- **Proceed with funding if:**
  - Revenue growth strategies are successfully implemented.
  - The investor prioritizes strategic/community benefits over financial ROI.
- **Reassess or pivot if:**
  - Financial return remains below investment standards.
  - There are alternative projects with higher profitability and quicker returns.

Next Steps:

- Explore revenue optimization strategies.
- Conduct further market analysis.
- Engage stakeholders for alternative investment models.