

XXX ARCHITECTS business case

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1. Executive summary & financial analysis

ABC Company is seeking an equity investment of ZAR XXX million to set-up a modern apartment complex located at XXX. The company has worked on major construction and property development worth a combined value of over ZAR XXX million around South Africa, mostly concentrated in XXX - across the education, health, retail and residential sectors ABC Company has already contributed over ZAR XXX as sunk costs towards acquiring XXX. The residential complex will have XX units.

While there are some scattered small XXX accommodations across XXX, there is no other modern, apartment-living style complex in XXX.

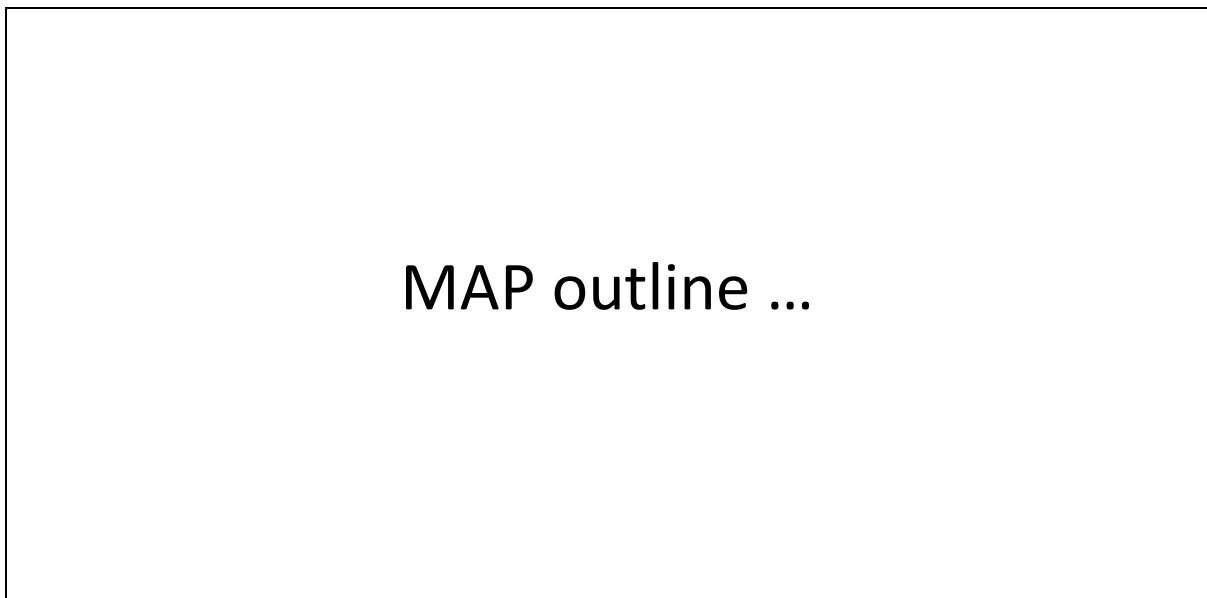


Figure 1.1: Map outline of

The ZAR XXX million investment is required in the form of XXX investment. As expected, owner's equity increases over the years as the business makes consistently increasing profits from year X to year X as displayed below.

Debt vs equity analysis X years

Figure 1.2: Debt to equity ratios across the first X years

As depicted in the chart below, starting with XXX debt, RONA increases at the same rate as ROE to reach XX % in year five. While XXX's ROE is lower than that of other businesses in the XXX and XXX industry in South Africa – which averages XX% in the year XXX - it is indicative of the conservativeness of our projections.

ROE vs RONA

Figure 1.3: ROE and RONA for ABC Company across the first X years

In order of size, our revenue streams will be in the form of XXX unit rentals at XX%, refundable deposits at XX %, XXX unit rentals at XX% and non-refundable admin fees at less than XX% of total revenues.

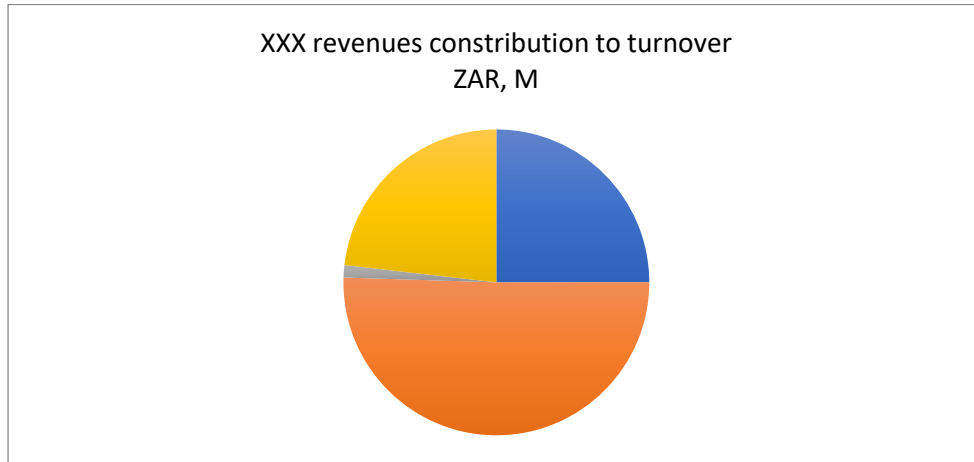


Figure 1.4: Contribution to turnover within the x year of operation

2. Required funding motivation

We are seeking a total loan investment of RXXX million to set-up our construction company in XXX Province.

Below is a detailed breakdown of how the funds will be allocated:

Allocation	Amount required	Percentage
Capital expenditure	RXXX	XXX%
Operational expenses for 1 year	RXXX	XXX %
	Total: RXXX	100%

The above investment will allow us to generate revenues of RXXX within the first year of operation ramping up to RXXX by Year X. The venture will be profitable from the first year with profits of RXXX ramping up to RXXX by Year X. The loan amount will further allow ...

3. The situation analysis

THE SITUATION

Over the years, the XXX industry has proven to be quite resilient and reliable as it continuously adapts to the ever-evolving industry trends. The XXX industry as a whole is very competitive, and it is imperative to be open to change and continuously improve XXX. Even though there is competition in the market, there is still a challenge in finding XXX, thus presenting the following gaps:

- Industry gap 1 ...
- Industry gap 2 ...
- Industry gap 3 ...
- Industry gap 4 ...
- Industry gap 5 ...

THE PROPOSED RESOLUTION

In addition to South African consumers being concerned about XXX when it comes their accommodation. ABC company will fully address these concerns and fill in the gaps outlined above.

- **Convenience:** ...
- **Affordability/ value for money:** ...
- **Safety:** ...
- **Quality:** ...
- **XXX:** ...
- **XXX:** ...
- **XXX:** ...

Some images follow to give the reader an idea of what the setup will be





4. Company overview

ABC Company is a Durban-based, 100% black owned company with vast experience across various sectors within the industry. The company was established in ... The company's accumulative experience gained throughout the years translates to effective design of the highest standards. Our objectives are to leverage experience and to motivate project completion on time and within budget.

We are associated with the following major construction and property development projects:

RESIDENTIAL

- The project was based on XXX
- It took XXX years to complete
- It cost RXXX million to complete ...

RETAIL

- The project was based on XXX
- It took XXX years to complete

- It cost RXXX million to complete ...

HEALTH

- The project was based on XXX
- It took XXX years to complete
- It cost RXXX million to complete ...

EDUCATION

- The project was based on XXX
- It took XXX years to complete
- It cost RXXX million to complete ...

4.1. Company SWOT analysis

We at ABC Company value quality and affordability, therefore, we continually examine both industry-wide and company-specific strengths, weaknesses, opportunities and threats to prepare adequately, and to use our strengths and opportunities to give our tenants the best possible housing solution.

Strengths

- XXX will be leading the company as he is a professional architect with over XX years' experience in XXX, XXX, and XXX. As the managing director, he will lead the project from conception
- Location ...
- ...
- ...
- ...

Weaknesses

- Capital investment ...
- ...
- ...
- ...

Opportunities

- South Africans' biggest expenses being housing, and utilities presents an opportunity for ABC Company as we are entering a space where average households spend about XXX% of their income on housing
- ...
- ...
- ...

Threats

- There is a real threat of dealing with unruly tenants ...
- The economy ...
- Crime ...
- ...

4.2. ABC Company values, vision & mission

We will serve our tenants and run ABC Company with the following values in mind...

- **Quality:** We develop homes that are of excellent quality, inside and out
- **Value for money:** ...
- **Transparency:** ...

- ...
- ...
- ...

Vision and mission statements

- Our vision is to bring together functionality & design to create a space that you can call home
- Our mission is to ...

4.3. The proposed location

Choosing an ideal location is one of the most important decisions made before operating. The location needs to be ideal and within proximity to the main roads and other amenities...

The location for ABC Company will have the following elements:

Area	Units	Square metres	XXX
Parking lot	xxx cars	xxx	xxx
Back office & boardroom	xxx	xxx	xxx
Outdoor entertainment (braai) area	xxx seats	xxx	xxx
Outdoor activity area	xxx children	xxx	xxx
Storage	xxx	xxx	xxx
Staff Quarters/ Lockers/ Change rooms	xxx	xxx	xxx
XXX	xxx	xxx	xxx

Our identified location will be ideal for both couples and families due to amenities within relatively close proximity. According to the Executive summary, the tenants’ children will have several school options: XXX Senior Primary School, XXX Primary School and XXX Primary School.

In addition to the idealness of the location, the tenant will enjoy the following major benefits of renting an apartment:

- *No down payment:* a rental deposit is typically considerably lower than the down payment needed when purchasing a home
- *No real estate taxes:* these taxes can be hefty and with property going up in size, the taxes can become a significant financial burden
- *No maintenance/repair costs: ...*
- ...
- ...

5. Products & services

Below is a snapshot of our current products/ services portfolio

- XXX 1-bedroom apartment
- XXX 2-bedroom apartment
- XXX 3-bedroom apartment

Product life cycle

Understanding the product life cycle aids ABC Company to take advantage of the seasons when sales are at their highest and to plan and prepare for seasons when sales decline. The image below depicts that once sales have reached maturity, with time, they tend to decline. The four life product states are further explained below.

Product life cycle graph

Stage 1: Introduction

- The most expensive stage – costs associated with research, marketing and launching
- ..
- ...

Stage 2: XXX

- Strong growth in sales, with substantial profits
- ...
- ...

Stage 3: XXX

- ...
- ...
- ...

Stage 4: XXX

- ...

- ...
- ...

Potential and proposed new product developments

- Year 2019: operate ...
- Year 2020: apply for ...
- Year 2021: include ...
- Year 2022: renew ...

Export potential

Our aim is to build a well-recognized ... According to XYZ, over the past XXX years (XXX to XXX), the XXX export sector has weathered the economic storm:

- Its contribution to the country's GDP increased from XX% in year X to XX% in year X
- This growth is attributed to the XXX category, which accounted for XX% of the growth as displayed below



Figure 5.1 Contributors to the XXX sector in South Africa in year X

6. Summary of the industry

According to ABC, Johannesburg is an upper middle-class city with a population of about XXX million people with a GNI per capita of US\$ XXX. Furthermore, it is relatively easy to start and operate a rental residential accommodation business within South Africa, as it ranks XX/XX in terms of ease of doing business.

Categories that were evaluated are illustrated below:

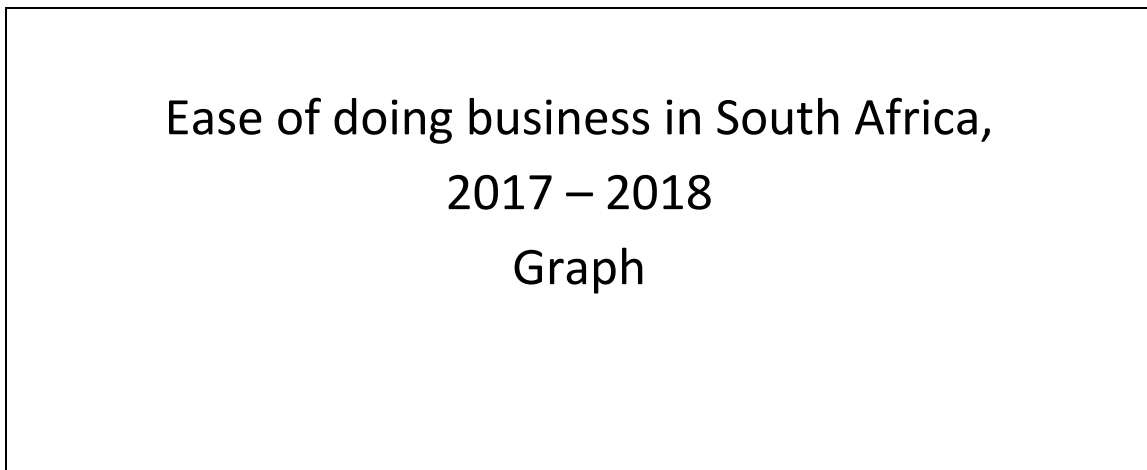


Figure 4.1: Ease of doing business in South Africa

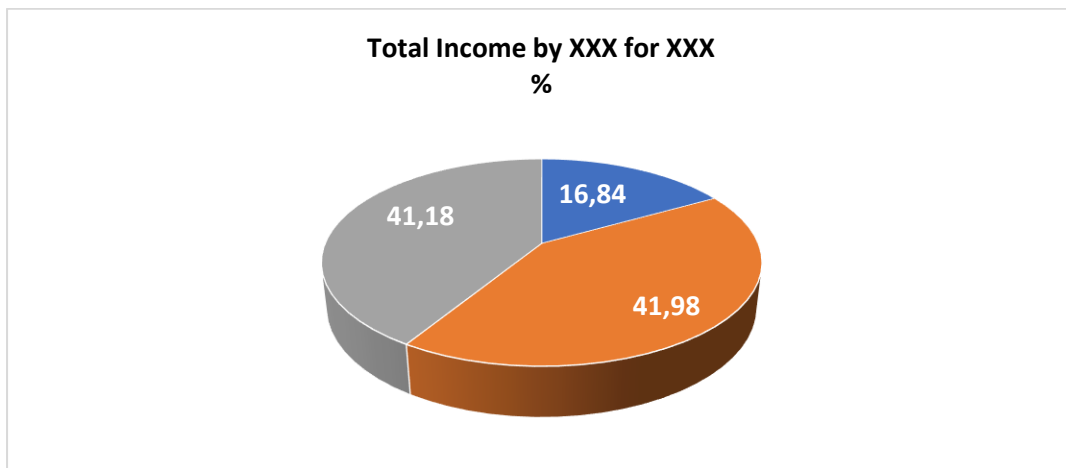
It is imperative to get all the relevant licenses and permits in order to fully operate, else various penalties can be levied against XXX by the different authorities

- **Reserve the company name** online with the CIPC; X day to complete at RXX
- **Register the company** at the CIPC; ~X days to complete at RXX
- ...
- ...
- ...

Size and growth of the industry

According to research, apartment living is on the rise in South Africa

- Homeowners are increasingly keen on apartment living
- Flats have grown increasingly popular surpassing the construction of townhouses



Industry drivers

Identifying key drivers of the residential accommodation industry is critical to boosting profitability as key drivers have major impact on the performance of our business. Understanding the major drivers will help us formulate strategies to either take advantage or mitigate the drivers:

- **A growing urban population** is expected to place pressure on the availability of residential development – this is expected to influence the demand for compact living spaces such as townhouses and flats
- ...
- ...

Recent developments and industry trends

An analysis of what tenants generally expect or prefer when choosing a rental home helps ABC Company to cater to the needs of the tenants, which might lead to higher tenant retention. Per research from ABC and XYZ, the following are some of the trends that we can expect in this space:

- **Safety and security:** This are a big factor and includes secure locks on doors and windows,
- **Location ...**
- **Parking ...**
- ...

Pricing within the XXX space in South Africa, according to XXX was as follows:

- 1-bedroom apartment ZAR XXX
- 2-bedroom apartment ZAR XXX
- 3-bedroom apartment ZAR XXX

Trends and recent developments in the space

SECURITY TRENDS

- ***The concept of safety and security is on the rise:*** consumers are looking for ...
- XXX ...
- XXX ...

TECHNOLOGY TRENDS

- ***Technology for security:*** Installation of CCTV cameras will ensure ...
- ***The use of mobile apps and websites:* ...**
- ***Data security is crucial:* ...**
- XXX ...

EXPERIENCE TRENDS

- XXX ...
- XXX ...
- XXX ...

Applicable industry ratios

Industry ratios are mean or median financial ratios for a particular industry and reflect the typical performance one should expect when comparing an individual business' projections or actual financial performance to the industry averages.

The below are the major ratios to consider within this space:

- **Return on Equity (ROE):** This is the amount of net income returned as a percentage of shareholders equity ...
- **The current ratio:** ...
- **XXX ...**
- **XXX ...**

Cyclicalities and seasonality

- **Peak season ...**
 - ABC Company's strategic response: We will incorporate ...
- **Normal season ...**
 - ABC Company's strategic response: ...
- **XXX: ...**
 - ABC Company's strategic response: ...

Growth opportunities presented by major trends in the industry

- The South African XXX Industry projects that the number of consumers will increase to XX Million during the year XXX to year XXX
- The rise of XXX continues to create consumer demands for XXX
- Incorporating XXX and adapting to the XXX is another opportunity for growth

Constraints

- The rising costs of XXX in the current South African economy, especially when coupled with stringent government regulations, may present a constraint to growth
- Establishing a great brand identity ...
- Data security ...

7. Competition

7.1. Porter's 5 forces

Porter's five forces looks at five different variables in a market which holds potential risk for a new or established entry. These five forces are: the threat of new entrants, the bargaining power of suppliers, the bargaining power of tenants, the threat of substitution and the level of competition among rival companies

Threat of new entrants: LOW - HIGH

Threat of new entrants refers to ...

These barriers include:

- Entrants must make a big financial investment to ...
- Regulatory red tape ...
- Established ...

Bargaining power of tenants: XXX

- This refers to ...
- The greatest threat here is ...

Bargaining power of suppliers: XXX

- This refers to ...
- The greatest threat here is ...

Threat of substitute products: XXX

- A substitute product/service refers to ...
- Substitutes include either XXX or XXX

Rivalry within the food services industry: XXX

- This is usually the largest force to consider because ...

7.2. Key competitor overview

Competitors	Backroom accommodation	Hostel	XXX
Overview	Rent an outside room or a bedroom within a house	...	...
Type of accommodation	Shell of a room – need to move in with major furniture such as wardrobe, stove etc.	...	...
Location/s	- Township - Information settlement	...	...
Prices	RXXX- RXXX	...	...
Target customer profile	LSM 1-3 with a part-time or full-time job and is merely concerned about having a place to sleep at night	...	...

XXX major players in the market in South Africa:

- XXX
- XXX
- XXX
- XXX

8. Market analysis

According to XXX from Statistics South Africa, South Africans' biggest expenses are housing and utilities

Average South African Household income and expenditure graph

Figure 8.1: Average South African household income and expenses

According to Figure 8.1 above, an average household of XX members has an income of RXXX with an average annual expenditure of RXXX. A household spends about XX% of its income on housing and rates, that is about RXXX per annum.

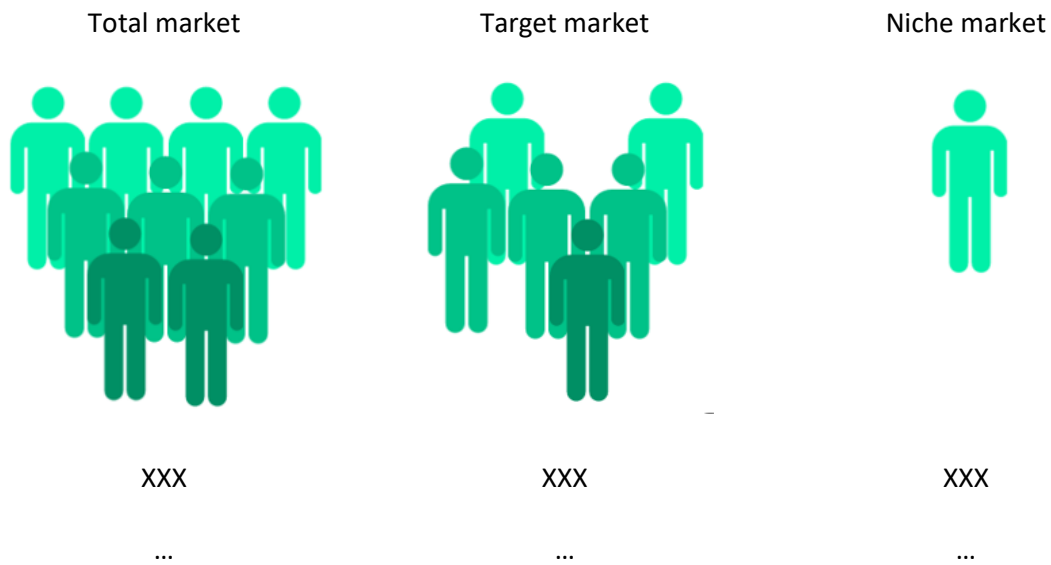
8.1. Market segmentation

The XXX industry in South Africa is made up of XXX distinct categories namely the long-term accommodation, short-term accommodation and XXX. The market is segmented because the XXX main categories vary in their contribution to the county's GDP, experiences offered and their primary clientele base.

- **Long-term family accommodation** includes services such XXX; contributed RXXX billion to the GDP and they typical client profile is looking for ...

- **Short-term** contributed RXXX million to the GDP and the typical client profile is seeking ...
- **XXX** ...

Based on the XXX research and dissecting the LSM X-X market research, below is our consumer profile.



8.2. Consumer profile

XXX ...

- Demographics: ...
- Geography: ...
- Social Structure: ...
- Psychographics: ...
- Behaviour: ...
- Presence: ...

9. Marketing strategy

Based on research presented, we will use the 7Ps of marketing to penetrate the market



(1) Product/ service: ...

(2) Place: ...

(3) Price: ...

(4) Promotion: ...

(5) Physical evidence: ...

(6) People: ...

(7) Process: ...

Consumer decision journey (CDJ)

Consumer decision journey graph 4 stages analyzed

At each stage of the consumer decision journey, ABC Company will implement specific strategies

- INITIAL REALISATION of need occurs when ...
- ACTIVE EVALUATION will play a role when ...
- MOMENT OF PURCHASE is reached when ...
- ABSOLUTE AFFIRMATION is reached when ...

Website development

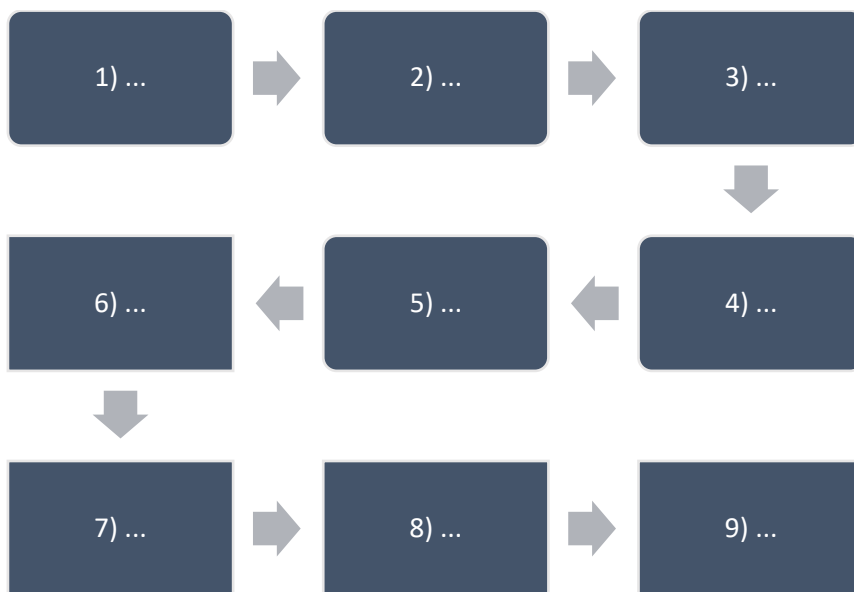
Our website might be the first point of contact for potential consumers, so it is imperative that it relates with our brand and offering. The website will promote ...

- *General information:* ...
- *Images:* ...
- *Easy navigation:* ...
- XXX ...
- XXX ...

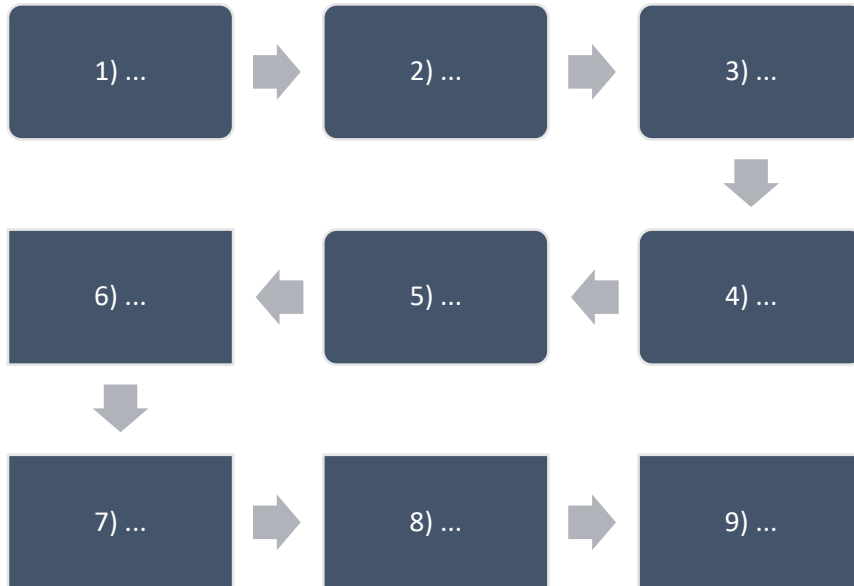
10. Operational analysis

This general process flow depicts the typical steps that both the applicants and the XXX team will go through from the time a tenant searches for residential accommodation to the application being rejected or accepted.

Front-end production processes



back-end production processes



*Relevant documents to be submitted with an application

- ...
- ...
- ...

Staff turnover

Staff turnover in XXX industry is defined as the percentage of the workforce an employer loses in a year

- XYZ publication emphasizes that turnover tends to increase when the industry grows ...
- According to the XYZ publication, the XXX sector has a turnover rate of XX%
- The entry level employees are often ...
- Younger employees are ...

We will mitigate the turn over by ...

11. Team overview

Manager Director – with a salary of R XXX pm

- ...
- ...
- ...

Property caretaker – with a salary of R XXXX pm

- ...
- ...
- ...

The rest of the team ...

XXX

- Qualifications/ Education
- Experience
- Skills
- Salary

XXX

- Qualifications/ Education
- Experience
- Skills
- Salary

12. Summary of all internal & external risks

The purpose of a PESTEL analysis is to identify the various external political, economic, social, technological, legal and environmental factors that might affect a business...



The acronym stands for:

P – Political

E – Economical

S – Social

T – Technological

E – Environment

L – Legal

The POLITICAL space

- These factors relate to how and to what degree the South African government intervenes in the economy...
- The current political landscape is characterised by ...

The ECONOMIC space

- These factors include economic growth, interest rates, exchange rates, inflation, and disposable income ...

- Particularly poignant is the come-back of the South African Rand (ZAR) from an all-time low of ZARXXX to the United States Dollar (USD) in XXX to its present ZARXXX to USDXXX
- South Africa's GDP of RXXX Billion USD is also at its strongest since XXX, showing an annual growth of XX percent
- The country remains the XXX largest economy in Africa

The SOCIAL space

- These are known as socio-cultural factors; these are the areas that involve the shared belief and attitudes of the population...
- Economic inequality is the major social issue that affects ...

The TECHNOLOGICAL space

Technological factors affect marketing and the management thereof in three distinct ways:

- New ways of communicating with target markets ...
- New ways of producing services
- ...

The ENVIRONMENTAL space

- These factors have become important due to the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company, and XXX targets set by governments
- At present, the city of Cape Town is one of many South African cities dealing with a water crisis ...

The LEGAL space

- Legal factors include health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety...
- ...
- ...

13. Socio-economic benefits

Socio-economic benefits are benefits offered to a community as a whole through the development and management of our residential property. These benefits have a long-term impact on the social and economic well-being of the community

- Employment ...
- Economic growth through taxes ...
- De-stress ...
- Healthy living ...
- Family bond ...