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University of Khartoum

Deleted: Consultancy  
Corporation

Investment Administration

Pre-Feasibility Study

For

# Four Star Hotel

May 2010

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## 1. Introduction: The University of Khartoum

The University of Khartoum (UofK) is significant as to its rise early last century and its development history. The precursor of present U of K had been Gordon Memorial College that established in November 8, 1902 representing the early years of U of K.

The U of K embraces 19 faculties, 12 institutes, research and training centers, a printing and publishing house in addition to University Hospital, other hospitals, a National History Museum, a center for research and training and a center for medical and health services.

The U of K has graduated generations of different specializations in medicine, health, engineering, agriculture, veterinary science, humanities, education and others. U of K graduates have distinct advantages in their academic performance, which qualifies them to occupy leading and pioneering positions in the Sudanese society. The university also has its contribution in advancing scientific research and in provision of distinct post-graduate programs (higher diplomas, master and Ph.D. degrees) to serve the Sudanese society and neighboring communities as well.

The U of K is one of the richest institutions in Sudan in terms of land holdings in prime locations both in Khartoum State as well as in other states within Sudan. The U of K has recently embarked on an ambitious scheme to capitalize on those valuable resources in order to generate revenues that are badly needed to develop and upgrade the university. The present pre-feasibility study is on several projects that the U of K intend to launch.

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## 2. Project Description

### 2.1. Location and Site Characteristics

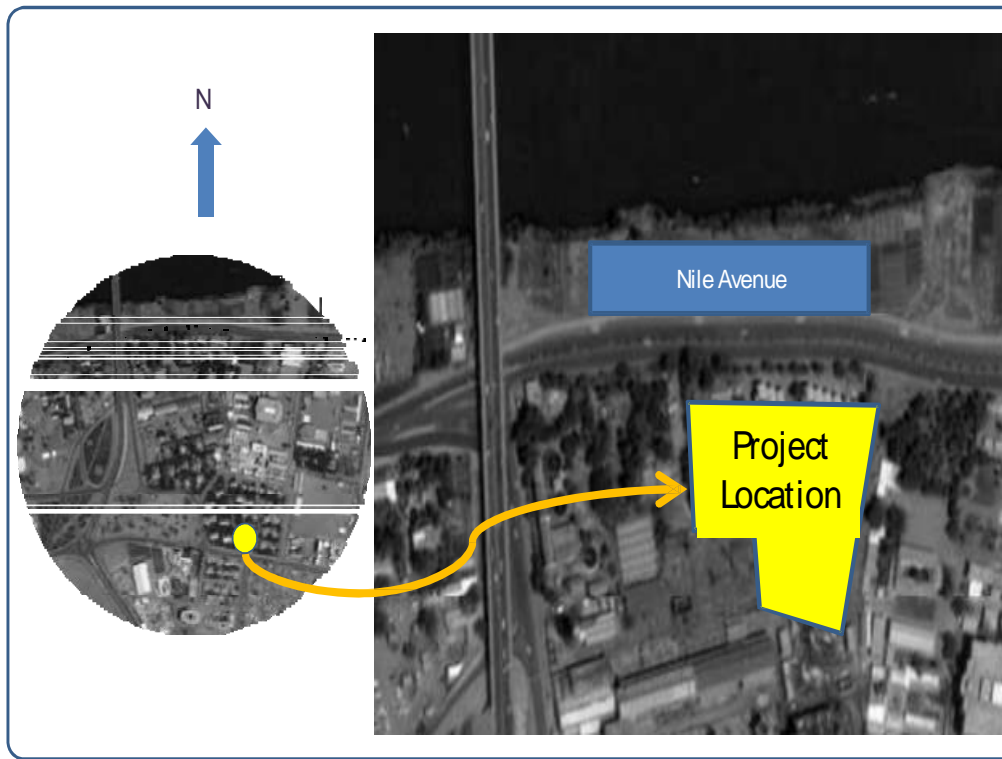
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The Project is located in Khartoum only about three kilometers of its commercial and administrative center. The project location is easily accessible since it faces the Nile Avenue and is only about 500 meters east of the Armed Forces Bridge (Figure 1). Owned by

University of Khartoum, the total area of the site is 15,952m<sup>2</sup> an average land price in this area is estimated at \$900 – 110 square meter.

Facing the Blue Nile, the location is a prestigious one accommodates different kinds of functions. The local characteristics and its ease of accessibility make it attractive business organizations and investors. The project is located strategic location from an investment point of view since it lies area near the city center adjacent to substantial business activities. Figure (2) shows the location of international organizations, governmental organizations (NGOs), and embassies in the center of Khartoum forming the main target group for the hotel services. Figure (3) shows the competitors within the vicinity of the project and hotels that provide similar services form a cluster, which adds to the attractiveness of the location. Figure (4) shows the distribution of restaurants and cafeterias in the area of the project.

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Figure (1): Project Location

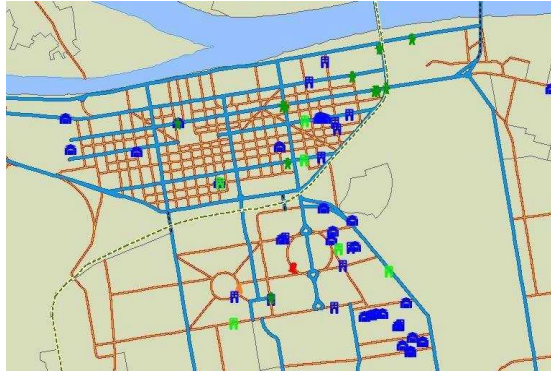


Fig (2): The distribution of international organizations, NGOs and embassies in the center of Khartoum

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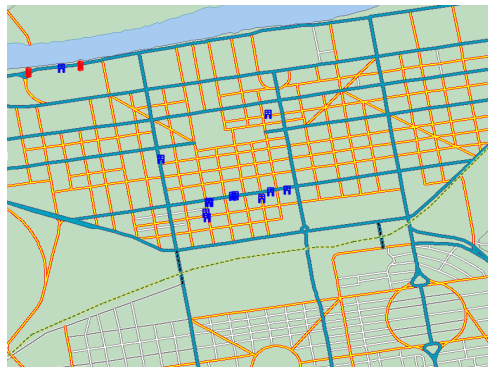


Fig (3): Hotels in the center of Khartoum



Fig (4): Restaurants and cafeterias in the center of Khartoum

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## 2.2. Functions and Spaces

The proposed project serves as a four-star hotel. It is composed basement, sub-basement, a ground floor, and twenty floors gross built-up area is 31,800 m<sup>2</sup>. The following table show functions in each floor and its corresponding area.

Table (1): Functions in Each Floor

Floor	Area (m2)	No. of Floors	Total Area (m <sup>2</sup> )	Main Functions
Basement	2400	1	2,400	Parking, Plants, Kitchen, Laundry..e
Sub-basement	2400	1	2,400	Parking
Ground Floor	2100	1	2,100	Reception, Cafe, Shops, Administration
1st Floor	2100	1	2,100	Conference Hall, Restaurant, Beauty Center & Spa,
2nd - 14th Floor	1,200	13	15,600	Single Rooms
15th - 20th Floor	1,200	6	7,200	Double Rooms & Suites
<b>Total</b>		<b>23</b>	<b>31,800</b>	

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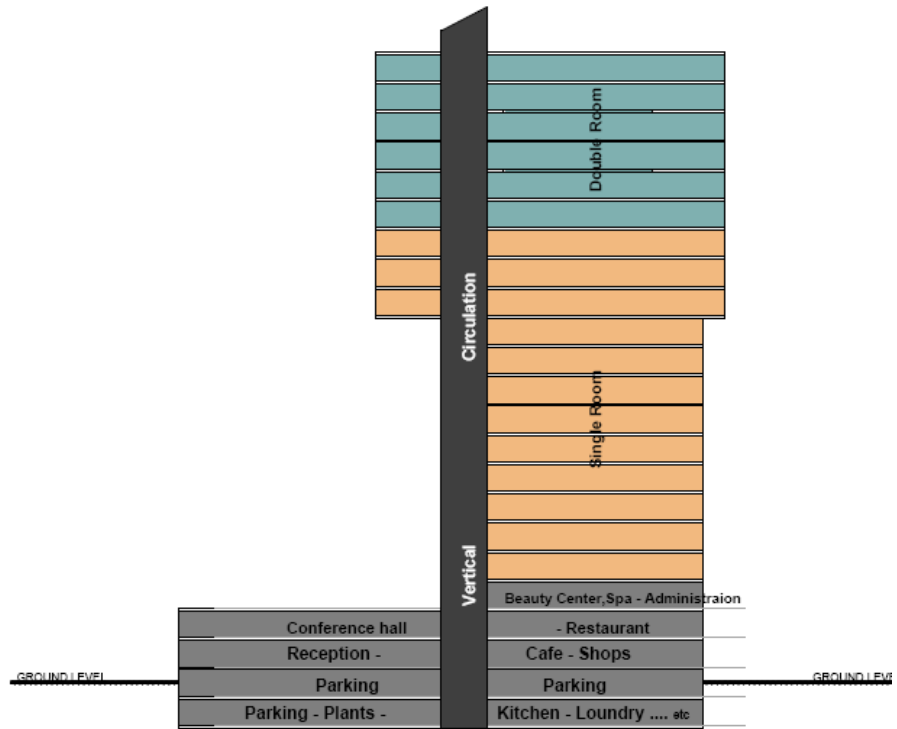


Figure 5: Cross Section of the Hotel

### 3. Study Assumptions

The following tables show all the assumptions on which the study is based;

Table (2): Project Components, Cost Estimate

Item	Description	Area m2	Rate (\$)	Total (\$)
1	Land	15,952	1,000	15,952,0
2	Excavation and site Treatment	15,952	250	3,988,0
3	Foundation and Basement	2,400	800	1,920,0
4	Sub-basement	2,400	800	1,920,0
5	Ground Floor	2,100	1,200	2,520,0
6	1 <sup>st</sup> Floor	2,100	1,200	2,520,0

7	2nd Floor- 14th Floor	15,600	1,000	15,600,0
8	15 <sup>th</sup> Floor- 20th Floor	7,200	1,000	7,200,0
9	Main Services			800,0
10	Total construction cost including land			52,420,0
11	Total construction cost excluding land			36,468,0

Table (3): Finance Components

Components	Estimates
Construction Cost Estimate	52,420,000
Cost of Land	15,952,000
Land Cost To Construction Cost Ratio	0.30
Equity to Loan Ratio	0.30
Required Finance	36,468,000

Table (4): Vacancy Rates for Different Spaces

Year	Single Room	Double Room	Retail	Conference Hall	Average
1-2	40.0%	50.0%	25.0%	25.0%	25.1%
3-5	26.7%	33.3%	16.7%	16.7%	16.7%
6-10	17.8%	22.2%	11.1%	11.1%	11.1%



Table (5): Expected Net Income and Annual Growth

Item	Single Room	Double Room	Retail	Confe Hall
Rent Unit	No.	No.	m <sup>2</sup>	No.
Amount (Available per month)	273	84	3654	1
Daily Income US\$/Unit	200	250	-	-
Monthly Income US\$/Unit	6,000	7,500	15	10,000
Annual Income US\$/Unit	72,000	90,000	180	120,00
Income	19,656,000	7,560,000	657,720	120,00
Vacancy	40%	40.0%	25%	25%
Net Income	11,793,600	4,536,000	493,290	90,000
Rent Growth	2.5%	2.5%	2.5%	2.5%

Table (6): Operating, Maintenance, and Management Cost Estim

Variable	Single Rooms	Double Rooms	Retail	Conference Halls
Services	10%	10%	10%	8%
Management	5%	5%	5%	2%
% of Operating & Maintenance Cost	15%	15%	15%	10%
Maintenance & Operating Cost	1,769,040	680,400	73,994	9,000

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Table (7): Net Operating Income (NOI) in year1 before and Taxes

Item	Single Rooms	Double Rooms	Retail	Conference Halls	Total
NOI year 1	10,024,560	3,855,600	4`19,297	81,000	14,299
Tax Rate	10%	10%	10%	10%	
Taxes	1,002,456	385,560	41,930	8,100	1,429,

CFAT	9,022,104	3,470,040	377,367	72,900	12,869
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#### 4. Extraction and Analysis of Economic Indicators

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Based on all the above-mentioned assumptions, the next part study shows the general calculations of the investment analysis gives the details of expected income, costs, and loan repay (Table 8). The analysis assumptions form a basis for the extraction of the economic indicators of the investment as a criterion for decision making. The indicators are shown for both the total capital equity. Taxes are also considered in the economic indicators.

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Table (8): Economic Indicators for the Project (Cost of Finance 5.

Item	Total Capital Calculations	Equity Calculations	Total Capi After
ΣCF	333,621,464	186,531,630	217,4
P.V. Of Total Capital (Initial Investment)	-86,200,000	-15,952,000	-52,4
ΣDCF	141,857,646	66,944,363	86,51
NPV of Total Capital	55,657,646	50,992,363	34,09
IRR of Total Capital	20.9%	48.70%	24.2
Profitability (With Discounting)	164.6%	419.66%	165.0
Profitability (Without Discounting)	387.0%	1169.3%	414.7
Pay Back Period (Without Discounting)	6 Yrs	-	5 Yrs
Pay Back Period (With Discounting)	9.5 Yrs	-	8 Yrs

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Based on the economic indicators shown in Table 8, the project considered feasible given all the project assumptions.

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### 5. Summary

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Based on all the information, assumptions, calculations, and pr alternatives stated above, the project is considered highly fe with high rates of return. All the assumptions are based o economic performance and the trends in the real estate mar Khartoum state. Decision-makers are supposed to consider assumptions when they plan for the investment. The stu summarized as follow:

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The project is located in a central and highly acce location in Khartoum with an area of 15,952 m<sup>2</sup>. The ave price of land in the area is about 900-1100\$ per square m Therefore, the value of land is estimated at \$15,952,000 rate of \$1000 per square meter.

The study assumed that the project is equity-loan financed land value represents the equity meanwhile the construction cost represent the required loan.

The cost of finance required for construction is assumed at an annual rate of 5.5%.

The loan is assumed to be re-paid after the construction two years of operation at two years intervals.

The construction is expected to have duration of 24 month

The study considered the feasibility of the investment regard to Governmental taxes.

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— The project is considered feasible given all the assumption functional components for both the total capital and equi

