

# Feasibility Study Template

For Real Estate developments

**Feasibility.pro**  
Learn Feasibility Analysis Online

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# What is a Feasibility Study?

Feasibility analysis can mean different things to different people. Let's first define the term feasibility. The word "feasibility" is derived from "feasible", which simply means capable of being done or accomplished. And feasibility studies aim to logically find the strengths and weaknesses of a proposed project, opportunities and the resources required to carry through, and ultimately the prospects for success.

There can be various types of feasibility studies – Technical, Economic, Legal, Operational and Scheduling. It is represented by the acronym TELOS.

When we talk about the feasibility analysis of a real estate project, we mostly talk about economic feasibility or financial feasibility. It is not so that we ignore the other factors in a real estate feasibility study. Most often we incorporate all of them in the economic feasibility. The final result of a real estate feasibility analysis is inclusive of technical, legal, operational and scheduling feasibility studies.

# What are the Key Metrics?

When we look at the final outcome of a feasibility analysis we look at the key metrics to judge the project's merit. What should be included in the key metrics depends on the type of project, funding strategy and legal structure. The most common metrics include Net Present Value (NPV), Internal Rate of Return (IRR), Developer's Margin and Return on Equity (RoE).

For more information on this see [Key Metrics of a Feasibility Study](#)

# Components of Feasibility Study

This is what we call Feasibility Study Template. It should have following components:

- Part 1: Background or Introduction
- Part 2: Overview of the project
- Part 3: Economic Overview of the Area
- Part 4: Site and Location Analysis
- Part 5: Market Assessment
- Part 6: Operations
- Part 7: Financial Analysis
- APPENDICES

# Background or Introduction

You should start with the background of the study organizing information under following heads:

- Introduction
- Objectives of the Study
- Information Sources

You should write small introduction describing the project and client's instruction. Objective of the study should describe the intent and who commissioned the study and for what purpose. You should also write about the information source – the information which client provided and the information you collected. All the information, either provided by the client or collected by you should be part of appendices.

# Overview of the project

In this part you should cover the basic components of the project. If client has provided the concept drawing, then you should give your opinion and suggestion. If it is a mix-used project, then who decided the product mix? If client has provided the product mix, what do you think about this? If you have done the [product mix optimization](#), you should include complete analysis in this section. If the product mix provided by the client is not optimized, you should optimize it and run a scenario in the feasibility analysis or financial analysis section.

# Economic Overview of the Area

This is one of the most important parts of the report. The economic overview of the area can be organized under following heads:

- General Overview
- Gross Domestic Product
- Investment Indicators
- Inflation
- Population and labor
- Tourism

The “area” in the “economic overview of the area” can be either the city, or the state or even the country where the project is located. When you are working on a project located in Qatar (Area = 11,437 SqKm, population = 1.85 million) you should cover the whole country. But when you are doing a project in Mumbai (Area = 603 SqKm, population = 12.5 million), you can either cover the city or can go for the state Maharashtra (Area = 307,713 SqKm, population = 112.4 million).

# Site and Location Analysis

This is sort of micro analysis of the project location. The information can be organized under the following heads:

Site and Location Overview

Location Assessment and Accessibility

The Location of the Project within the City

SWOT Analysis of the Project Site

You should visit the site and check the road connectivity, presence of utilities and other projects in the area. Location analysis for a retail project is entirely a different ball game and we will be covering the same in some other post.



# Market Assessment

This is another most important part of the report. This part will involve lot of data collection, analysis and forecasting. The information should be organized under following heads:

- Supply, Demand and Projected Absorption
- Development Concept and Market Fit Analysis
- Product Mix Overview
- Product Positioning
- Competitive Position of Project Site

You should collect data about current supply, future supply, demand, demand drivers and forecast the absorption of the project components.

If you have suggested a product mix other than the client provided, in this section you should justify it. You should also give your opinion on the product positioning. High-end luxury serviced apartment in a mid-income populated area can be a bad idea.

# Operations

This part will be required if the development will be part of real estate portfolio of the developer. I.e. the developer will be holding it. If the development is for sale, you just have to worry about community charges, and some replacement reserve. If it is hotel, resort or shopping mall it is going to be the part of developer's portfolio. Information of this section should be organized under following heads:

- Operator Decision
- Staffing Issues
- Various Operating Model
- Maintenance Issues
- Other Operational Issues

You need specific industry knowledge to write this section. We will cover some of these topics in future posts.

# Financial Analysis

This is the heart of the feasibility study report. Here you will do all the financial analysis and report the various performance indicators. The information of this section should be organized under following heads:

Supply, Demand and Projected Absorption

Pricing Strategy

Estimated Required Investment (land cost, development cost, financing cost etc.)

Unleveraged IRR or Project IRR

Leveraged IRR and Funding Strategy

Various Financial Performance Indicators

Scenario Analysis

Sensitivity Analysis

I have written about some of these topics and will be writing more in near future. For more info visit us at [Feasibility.pro](http://Feasibility.pro)

# APPENDICES

You should organize other information, calculation, data etc. in this section. It up to you to decide what should be part of main report and what should go in the appendix. As a general practice you should put the followings in the appendix:

- Information & Market Data and its Source
- Unleveraged IRR calculations
- Leveraged IRR Calculation and Funding Strategy
- Revenues Forecast
- Profit and Loss statement
- Replacement Reserve Calculations

# About Feasibility.pro

At **Feasibility.pro**, I blog about Real Estate Investment and Finance. I also offer few training courses to make you awesome in Real Estate Investment Analysis and Feasibility Study.

I can help you with a wide range of real estate and finance consulting, including,

- Feasibility and Development Analysis
- Location Analysis
- Optimal Product Mix Analysis for mixed-use Development
- Optimizing Capital Structure and Deal Structuring
- Real Estate investment strategy and Asset Allocation
- Custom Excel based dashboards & reports for Development Tracking

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