This thesis is a feasibility study which aims to determine whether the purchase and development of a certain project in the center of Athens can generate sufficient return for the investors in order to proceed with the investment.

Strictly private and confidential

Feasibility study: Purchasing an unfinished building consisting of 27 units in the center of Athens

Neapolis University, Paphos, Cyprus

MSc in Real Estate

Author: Antreas Michael
Supervisor: Thomas Dimopoulos
Date of Submission: October 2020

Abstract

The purpose of this thesis is a feasibility study of a real estate development project. The researcher aims to investigate the different parameters affecting the feasibility of a project such as the External environment, the internal conditions, the competition, the financials, the Open Market Value and the sensitivity analysis. All the mentioned parameters are used towards the concept of finding the *highest and best use* of a project, showing that it is crucial to explore the different options, conducting sensitivity analysis and following the process presented in the study when evaluating investment proposals for real estate developments.

The study reveal the common problems that people face while evaluating such projects and combines the use of professional appraisal techniques with a feasibility study. The results of the case study show that the method used for the analysis of real estate projects with development potentials is effective in evaluating multiple scenarios along with all aspects and details, answering the sub-questions and the research question whether this project is feasible.

The process used in this study can be beneficial for researchers, using this structure as to guide them when evaluating the feasibility of projects with development potentials. The outcome reveals that there are parameters that cannot be generalized for all development projects due to the complexity involved.

Table of Contents

1. Executive summary

This feasibility study aims to determine if the purchase and development/ completion of this specific project under construction in the center of Athens, Ayios Artemios area, called "ViewTower1" ("the Project"), can generate sufficient return based on the instructions received from F.S Houses4You Ltd ("the Company"). After analyzing the Project itself, the external environment, the competition, the financials (income and expenses), a valuation report is being carried out to determine the optimum scenario (highest and best use). All these will be discussed after conducting a sensitivity analysis challenging factors that affect the aforementioned development.

The proposal is to purchase and develop a 6 storey building with a nice view of Acropolis from the 2 top floors, located in a nice residential area of Athens. The tower consists of 26 flats and 1 corner shop. More specifically, the building consists of 5 flats per floor for the floors 1 to 4, 4 flats in the 5th floor and 2 flats in the 6th floor. For each one of the apartments, there is one parking spot either in the ground floor or the basement area.

The project is currently owned by a Greek company and is under construction in the center of Athens, in a crossroad of Aigisthou, Leagrou and Atreidon streets in Athens Municipality. The existing construction work is reached on 85% and the remaining work of the 15% will be taken over by the Company. The building permit has been issued on 30 October 2008 with registration number 1402/2008 and construction work commenced in 2009 but due to financial extraordinary issues from the initial owners of the project, decided to freeze the completion of the project.

Moreover, the location of the project is in a prime area of Athens and even in the pessimistic scenario, the estimated profit after tax is positive and thus giving viable opportunity on the investment with a realistic and satisfactory net profit.

We live in a fast changing environment where many people are well educated and gained many skills through studies and work. In this environment it is my opinion that we need to re-think the normal workflows and move towards creating or evaluating a business ideas or projects in a professional manner prior investing time and money. For any new project it is a necessity to conduct certain research and following the steps described here-in this study to ensure the success of the project. In this study, the principles and steps of a feasibility study will be demonstrated, guiding the investor towards the right decision.

Sincerely,

Antreas Michael