EXECUTIVE SUMMARY

We have chosen to develop a 10.9-acre lot in the Westover Hills area of NW San Antonio, Texas. We proposed to construct a 120,000 sq. ft. office building using tilt wall construction. Total construction time is estimated to be 12 months. The land will be purchased for $1,922,950. Total project cost, with equity return, is estimated to be $19,277,455. The financing for the project will come from a 60% LTV construction loan and the remainder from equity partners. The project will then roll into long-term financing.

We will be providing a facility ideal for back office space or a call center. The tenants will be under a triple net (NNN) lease with an expected rate of $16 per sq. ft. Tenant improvements of $30/sq.ft. will be provided.

The after tax internal rate of return is projected to be 14.3%. With a require rate of 15%, we found this project to be unfeasible. Another indicator we used was the after tax net present value of the project, which came out as $-330,837. This poor NPV reaffirmed our decision to not pursue this project.

The project would be feasible if we were able to implement a combination of the following. Instead of a 50% pre-construction lease-up, we could try to pre-lease closer to 60-70% by offering a reduced rate. If possible, we could avoid the high returns required by the equity partners by bringing our own equity.