



FIG Working Week 2012

Rome, Italy 6–10 May

Knowing to: Manage the territory
Protect the environment
Evaluate the cultural heritage



TS09G– Finance and Investment ENHANCING REAL PROPERTY (6112)



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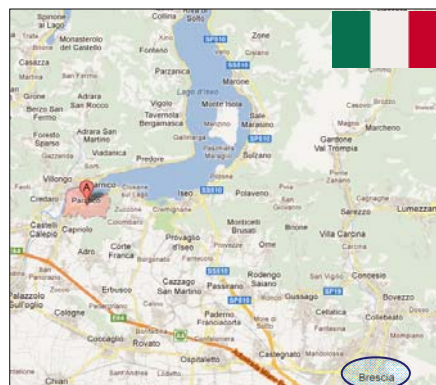
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1. Introduction

The case in examination will explain in particular the economic affordability of the transformation of an abandoned area, managed by the city of Paratico (Brescia), situated in front of the Sebino lake.



Location map
Google maps Italia - ©2012

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2. Illustration of the study case



SEBINO LAKE



← AIM: the Comunal Administration of Paratico wants to turn a disused goods railway depot in a urban park.



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3. Question



Disused goods railway depot

EX ANTE



Urban park

EX POST

... TRANSFORMATION VALUE ?



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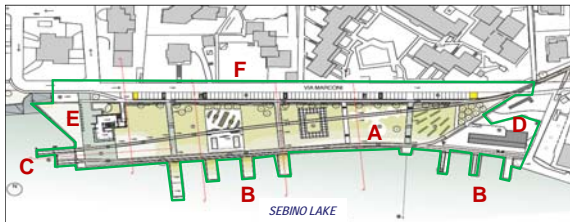
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4. HBU (Highest and Best Use)



URBAN PARK

EX POST

- A) WISE GREEN ORGANIZATION
- B) REQUALIFICATION OF THE MOORING BULK
- C) TRASFORMAZIONE OF THE BOARDING PIERS IN WALKING BRIDGES
- D) TRASFORMAZIONE OF THE WAGON STORING INTO A RESTAURANT
- E) REALIZATION OF THE POINT OF BREAK FOR VISITORS (BAR)
- F) STREET ARRANGEMENT AND REALIZATION OF NEW PARKINGS

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THE PARK
REQUALIFICATION WORKS

A) WISE GREEN ORGANIZATION



From...

To...

B) REQUALIFICATION OF THE MOORING BULK



From...

To...

*SPONSOR
AND OTHER
INCOMES!*

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THE PARK REQUALIFICATION WORKS

C) TRASFORMATION OF THE BOARDING PIERS IN WALKING BRIDGES

From...  To... 

D) TRASFORMATION OF THE WAGON STORING INTO A RESTAURANT

From...  To... 

NEW INCOME !

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THE PARK REQUALIFICATION WORKS

E) REALIZATION OF THE POINT OF BREAK FOR VISITORS (BAR).

From...  To... 

F) STREET ARRANGEMENT AND REALIZATION OF NEW PARKINGS.

From...  To... 

NEW INCOME !

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5. Analysis of the Transformation Cost (CT)

Construction cost (included direct, indirect costs and the normal enterprise profit)	€ 1.015.000	C_c
Planning, work direction and other professional skills	€ 102.000	P
Connections	€ 8.000	C
Marketing	€ 10.000	M
Financial and legal expenses	€ 45.000	F



TOTAL TRASFORMATION COST € 1.180.000



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Analysis of the transformation cost. (CT)

m	C _c		P		C		M		F		COST ALLOCATION
	%	€	%	€	%	€	%	€	%	€	
1	5	50.750	10	10.200	0	-	0	-	0	-	€ 60.950,00
2	5	50.750	0	-	0	-	50	5.000	0	-	€ 55.750,00
3	10	101.500	20	20.400	0	-	50	5.000	10	4.500	€ 131.400,00
4	10	101.500	0	-	0	-	0	-	10	4.500	€ 106.000,00
5	15	152.250	20	20.400	0	-	0	-	20	9.000	€ 181.650,00
6	15	152.250	0	-	0	-	0	-	20	9.000	€ 161.250,00
7	20	203.000	20	20.400	50	4.000	0	-	20	9.000	€ 236.400,00
8	20	203.000	30	30.600	50	4.000	0	-	20	9.000	€ 246.600,00
TOT	100	1.015.000	100	102.000	100	8.000	100	10.000	100	45.000	€ 1.180.000,00

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6. Balance sheet

ACTIVE (+)

Rent for the snack bar.	=>MCA	€ 30.000,00
Rent for the restaurant .	=>MCA	€ 60.000,00
Parking.	=>Prevision	€ 65.000,00
Sponsorships .		€ 25.000,00
Other incomes.		€ 12.000,00
Total annual gross income		€ 192.000,00
Total quarterly gross income		€ 48.000,00

PASSIVE (-)

Street clearing, cost for local policeman, management of the pay car park.	€ 4.250,00	
Building insurance.	€ 3.850,00	
Vacant building and irrecoverable rents.	€ 6.500,00	
Provisions and depreciation.	€ 5.000,00	
Bank expenses .	€ 4.500,00	
Total annual cost		€ 24.350,00
Total quarterly cost		€ 6.087,50

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7. Research of the capitalization rate

CAPITALIZATION RATE (ia).

URBAN DESTINATION	BAR	RESTAURANT	PARKING
Capitalization rate	4,12%	3,35%	4,93%
Incidence percentage	22,00%	38,00%	40,00%
Annual medium capitalization rate (ia)			4,15%

PERIODICAL RATE (ik).

Reference period of the posts equal to the "trimestre" => K=4

$$i_k = (1 + i_a)^{\frac{1}{k}} - 1 \quad i_k = (1 + 4,15\%)^{\frac{1}{4}} - 1 \quad \Rightarrow \quad i_k = 1,02\%$$



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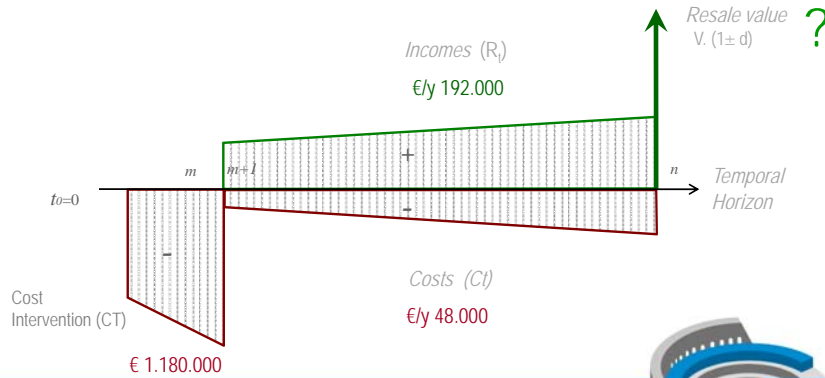
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8. Determination of the Transformation Value



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Y	t	CT	Rt	Ct	V
	0	-	-	-	-
1	1	- 60.950,00			- 61.222,44
	2	- 55.750,00			- 56.249,51
	3	- 131.400,00			- 133.169,94
	4	- 106.000,00			- 107.908,00
2	5	- 181.650,00			- 185.746,28
	6	- 161.250,00			- 165.623,28
	7	- 236.400,00			- 243.896,79
	8	- 246.600,00			- 255.557,50
3	9		48.000,00	6.025,00	41.975,00
	10		48.179,00	6.051,93	42.127,06
	11		48.358,66	6.078,98	42.279,68
	12		48.538,99	6.106,16	42.432,84
17	65		59.124,28	7.734,39	51.389,89
	66		59.344,75	7.768,96	51.575,79
	67		59.566,06	7.803,69	51.762,37
	68		59.788,18	7.838,57	51.949,61
Net present value (VAN)				€ 762.744,49	

All the values in this study case are meant as a prediction and as an example.

$$V = \frac{-\sum_{t=0}^m CT_t \cdot (1+i_t)^{-t} + \sum_{t=m+1}^n (R_t - C_t) \cdot (1+i_t)^{-t}}{1 - \left(\frac{1 \pm d_t}{1+i_t}\right)^n}$$



DCFA = € 2.065.262,81
Market Value

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9. Conclusions

The analysis of the estimative process has permitted to the Comunal Administration to know what follows:

- 1- Transformation cost to support the requalification of the buildings phisically deteriorated
- 2- Future profits assumable by the rent of the restaurant and the bar
- 3- Introits deducible by the pay car parks and by the eventual sponsorships
- 4- Exercise costs in charge of the owner's part
- 5- Capitalization rate and the possibility to determine the return time of the investement
- 6- Value of the real estate compendium at the end of the rent



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... Thanks you for your attention!

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