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# BUSINESS PLAN: DEVELOPING A TOWNHOUSE RESIDENTIAL PROJECT AS AN INVESTMENT STRATEGY

João António Seco Rodrigues

MSc in Marketing

Supervisor:
Rui Manuel Meireles dos Anjos Alpalhão, PhD, Associate Visiting Professor, Department of Finance, ISCTE-IUL Business School

November, 2021

BUSINESS
SCHOOL

Department of Marketing, Operations and Management

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I would like to express my sincere gratitude to:

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## Resumo

A análise seguinte é um estudo abrangente para uma proposta de negócio que envolve a construção e promoção imobiliária de propriedades em Faro, Portugal. Pela sua estrutura e diferenciação dos projetos que formam o portfolio atual da empresa, este projeto requer uma apreciação cuidadosa e uma estratégia de investimento única. Este documento oferece um modelo que permite avaliar a proposta de negócio, com o objetivo de permitir tomar decisões relativamente à opção de investimento. A análise é suportada numa avaliação de projeto baseada no mercado, que requer uma proposta para um modelo de negócio que permita explorar as vantagens da localização e maximize o valor do investimento, consciencializado dos limites e riscos do projeto.

O resultado final desta análise é um modelo de como implementar o projeto, complementado com uma estratégia suportada no mercado, que permita a construção e comercialização eficiente, em conjunto com uma análise dinâmica que ofereça informação relevante e reconheça variáveis e riscos que impactem significativamente o projeto e a valorização do investimento.



**Palavras-chave:** Plano de Negócios, Imobiliário, Avaliação de Projeto, Estratégia de Investimento, Gestão de Portfólio, Empreendimento

**Sistema de classificação JEL:**

G11 – Escolha de Portfólio • Decisões de Investimento

M31 – Marketing

## Abstract

The following analysis is a comprehensive study of a business proposal for the construction and promotion of residential property in a project located in Faro, Portugal. This business opportunity, for its structure and differentiation from the current projects in the company's portfolio, requires a careful analysis and a unique strategic investment approach. This document provides a framework to evaluate the business proposal, with the objective of enabling decision-making regarding the option to invest in it. Analysis is to be supported by a market-based project valuation, which requires a proposal for a business plan that aims to take full advantage of the features of the site, and maximizes the investment value of the project, conscientious of its constraints and risks.

The final result of this analysis is a blueprint on how to implement the project, along with a market-focused strategy that allows its efficient construction and commercialization, and a dynamic analysis that offers insightful data, recognizing variables and risks and how they may impact significantly the outcome and valuation of the investment.

**Keywords:** Business Plan, Real Estate, Project Valuation, Investment Strategy, Portfolio Management, Enterprise

**JEL Classification System:**

G11 – Portfolio Choice • Investment Decisions

M31 – Marketing

## Personal Motivation

From an early age I have been fascinated by real estate and architecture. As a child, I initially intended to pursue architecture, however in later stages of high school I developed a passion for business management and entrepreneurship, and decided to follow this passion, hopefully being able to align the initial one on a later stage of my life. After my undergraduate program, I joined a company that is a great opportunity to pursue both interests and started to work on real estate projects, doing investment analysis, business planning and project management.

In this industry I was able to learn a lot about architecture, engineering, real estate as a market, the dynamics of the business and also expanded my interest into other areas such as design, portfolio management and marketing, reasons why I decided to undertake the MSc in Marketing and further develop my skills and knowledge in the area, as I identified it to be a crucial part of real estate investing and management.

The business opportunity under analysis is especially relevant in the context of a MSc in Marketing. Given the nature of the product and the Algarve market, specifically the international attractiveness of the project for foreign investors and tourists, there is a lot of value to be incorporated through a marketing-focused business plan, reason why I decided to study more in-depth this particular project, and explore this issue in the final dissertation for the MSc in Marketing.

The nature of the project is particularly interesting, as it aligns a market I really enjoy to work on – Algarve - and a typology of project which, for its size and unique location, stands as a new challenge for the company, which is dealing with the first real estate project in the townhouse typology.

For the specificities of the investment typology, the attractiveness for the Marketing field and the value added that theory and research can incorporate in the project, I intend to develop a comprehensive business plan that allows the company to maximize the success of the project.

## Confidentiality Notice On Sensitive Information

*With the intent to keep sensitive information protected, and still offer a realistic perspective on the conducted business appraisal, part of the information regarding entities, contextualization and organizations involved was concealed/fictionized. For the purpose of this dissertation (and with the blessings of Prof. Rui Alpalhão) an alternative rhetoric was idealized in order to provide a realistic, parallel scenario to the real environment in which this project was developed. The respect for privacy and discretion is considered (especially since the case deals with an evolving business opportunity) and there is a requirement to omit certain data and the disclosure of financial and/or confidential information, simply with the objective of respecting the compliance and privacy of all entities involved.*

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# 1. Introduction

Mr. Rodrickson has been working for a real estate investment company, with headquarters in Lisbon, that invests in residential real estate projects in the Portuguese market, with mid to long-term investment cycles.

For the past months, Rodrickson's team has been structuring the exploitation of a business opportunity in the Algarve market, for which there was not yet a business plan nor a financial sustainability analysis. Given the need to develop a structure for project implementation along with a rigorous study of the opportunity, Tsernagora Capital's board of directors asked Mr. Rodrickson's team to perform the required analysis.

Given the relative lack of experience/portfolio of projects of this sort - townhouses in allotment complex - this proposal is a new challenge for Tsernagora, who has never been involved in a project of the scope and requirements of this one. For that reason, Mr. Rodrickson was requested to present a framework to evaluate, gather insights and decide on whether to undertake the necessary investments to fully support and pursue this business opportunity.

The project under analysis is a townhouse complex of real estate properties (single-family homes) to be developed in a premium location site in Montenegro, Faro. Currently the site is being developed, and finished current underway construction, all public infrastructure required for the development of residential housing will enable the development of 33 residential properties in a townhouse typology.

The decision to pursue the project and the way to explore and operationalize this business opportunity is to be supported by this business plan, focused on a strategic, market-oriented approach that aims to target and exploit potential interests of future customers, benefiting from research that may be relevant to comprehend market dynamics and contribute to a better asset implementation, maximizing the valuation of the properties.

The aim of this academic project is to provide a framework and a valuation for the venture, that enables decision-making, ensures a sustainable implementation of the project, mitigates any risk factors that may arise and maximizes the value of the business opportunity.

## 1.1. Tsernagora Capital: Contextualization

Tsernagora Capital is a wealth management fund with headquarters in Lisbon, Portugal. The fund manages a diversified portfolio ranging from real estate assets to financial products in both national and foreign markets. Its real estate units' core business is to develop and manage real estate products in several locations around Portugal. Assets under management total 5 million euros and a significant portion is invested in a portfolio of real estate projects to be developed and promoted by its regional project management teams. The fund's EBITDA for the year of 2020 totaled 553.500€ and consists essentially of investments in the development of self-promoted projects.

Tsernagora Capital is currently considering investment options regarding an asset purchased in Faro and for which there is the need to develop a unique strategic approach in order to fully exploit its potential. The last real estate projects developed by Tsernagora consist of residential apartment units, and given the features of the site under analysis, the former models do not apply to the structure of this asset, so there is the need to develop an entirely new approach for this business venture.

Project manager John Anthony Rodrickson is the head of investments in the regional market of Algarve. An alumni of the Lisbon University Institute and the Catholic University of Lisbon, his expertise relate to project management, marketing, business administration and economics. A senior manager who has been directly involved in the promotion and implementation of real estate projects, Mr. Rodrickson has now years of experience in the development of business models that explore and maximize real estate assets owned and developed by Tsernagora Capital.

Mr. Rodrickson and his team have the mission to develop a business plan proposal for the exploitation and sale of the asset located in Faro. He is expected to develop a framework and valuation for the exploitation of the site, maximizing its value and return, to be presented to Tsernagora Capital's board of directors, who will take decisions regarding investment options. The current business plan is the proposition for a framework to structure, develop and value this potential business opportunity, which translates Rodrickson team's vision and plan to maximize the potential of the project.

*(Description entirely fictional for contextual purposes)*

## 1.2. The Asset: Land Site

The plot of land under analysis is located in Montenegro, a parish of Faro, Algarve. It is one of the last sites to allow possible construction in close proximity to the Ria Formosa Natural Park, a main asset of the region and one of the most diverse and protected natural ecosystems in Portugal (see Annex A.1). In close proximity to downtown Faro, but quietly away from the crowded city center, the land is located in an established residential area in close proximity of services, public institutions and shopping malls. It is also very close to the airport, although far enough to mitigate the usual issues of noise and discomfort.




*Figure 1.2.1. - Illustration of location site using Google Maps.*

The main access to the site is through Rua Henriques Fernandes Serrão, one of the several accesses that connect the airport to Faro city center, and required the acquisition of a neighbor piece of land, in order to be accessible. In total, the acquired land would equal roughly 18.000m2, with a combined sum of 16.000m2 and the extra land of 2.000m2.

The land is tightly connected with Ria Formosa Natural Reserve, and offers beautiful views of its natural resources and biodiversity of fauna and flora (see Annex A.2). It is one of the last sites to allow construction, and given the proximity to both the Faro city center and the airport, allows the promotion and development of premium real estate properties.

At this point, the business proposal is already tightly connected with the potential to explore the future capabilities of the site. For former stakeholders, this meant exploring the venue through the construction of residential properties in a townhouse typology, for which there was

already a planned and approved licensing project. Previous owners had already licensed the project before they were forced to put the venture on hold due to financial limitations, however they had already debated extensively with stakeholders responsible for the project, and the accomplished structure is thought to maximize the overall surplus of the project, in terms of profitability, sustainability, legal constraints, environmental concerns, and value for the parish of Faro.

The project is interesting from an investment perspective, but is also very well perceived in the Faro region, not only for the premium location and its features, but also because the parish of Montenegro is known to be a residential hub attractive for families and tourists alike, with convenient access, and located close to Faro city center. It is a very desirable location to invest in, and is expected to house a considerable amount of real estate property investments in the future.

The structure of the operation requires the repayment to a stakeholder of 6 lots (empty and ready to construct on) to be exchanged/delivered after the construction of public infrastructures. At the moment of this appraisal, construction of public infrastructures is underway, and when concluded the site will enable the construction of 39 lots of properties in a townhouse typology, distributed in seven blocks.

For the purpose of this business plan valuation, and considering the exchange mentioned previously, the project encompasses the construction of 33 lots of single-family properties in a townhouse structure (see Annex B) along two main avenues, with houses on both sides of the road. The total usable area after the construction of properties totals roughly 6.370 m2, with an average of 265m2 usable area per lot, resulting on properties with the construction area of 193m2 on average. The projected lots are not all similar in size and typology, and require a careful and rigorous approach to cost accounting and to revenue projection. Decisions regarding architecture, structure of the properties and individual plants are still inexistent at the initial stage of this appraisal, and should be developed in close collaboration with an architectural atelier (and other stakeholders) in order to maximize the project's sustainability.

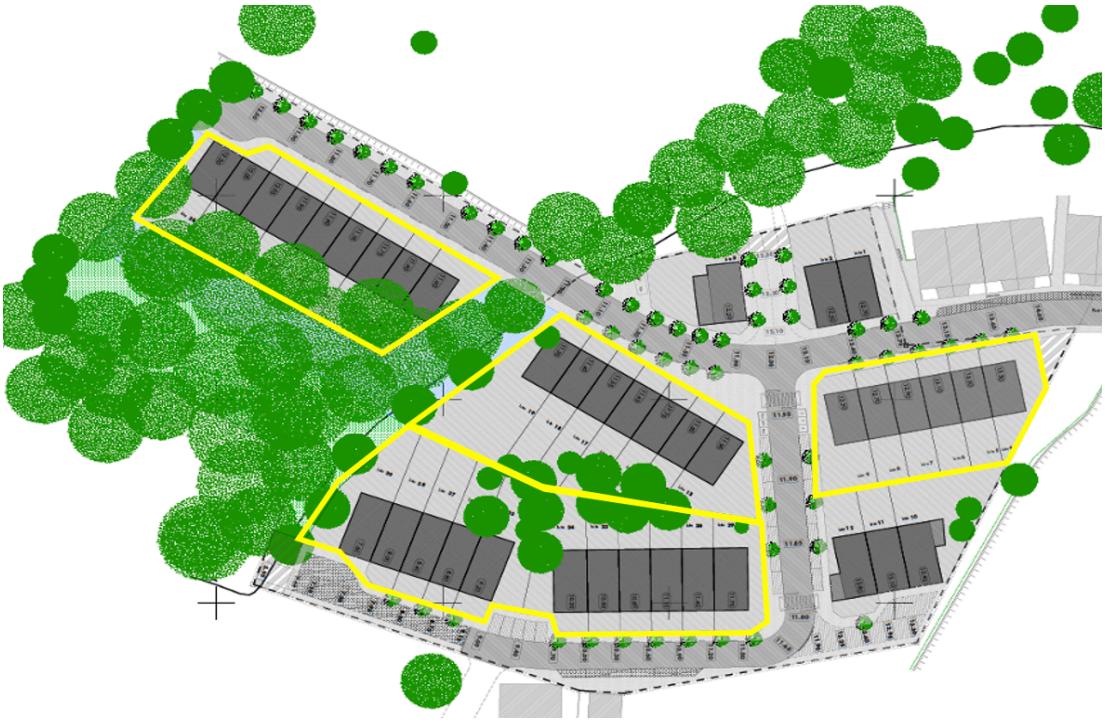


*Figure 1.2.2. - Initial approved project for the sight (synthesis of public areas and infrastructures to be developed), highlighting in red the 33 lots that will be exploited (excluding the 6 lots to exchange with third party)*

The typology of this business venture requires not only a unique approach in terms of financial constraints but also in commercial strategies, a longer time-horizon than former projects promoted, and therefore a new approach to valuation and business appraisal. The nature of a townhouse requires a high initial investment and a longer length of time horizon for project implementation (in this type of project investors are reimbursed for their initial investment when properties are sold to consumers, usually a long time into the start of the projects' costs).

In order to better assess the constraints and the risks arising from such a unique type of investment, insights are to be gathered, providing an analysis over the quality of the business opportunity.

---

***Summarized Details**: Townhouse Project for Allotment Site*

***Location:** Montenegro, Faro*

***Total Area (before infrastructures):** 18.000m2*

***Project potential:** Townhouse of 33 properties along two main avenues*

***Total Gross Area (after infrastructures):** 8.751m2*

***Average Gross Area per Lot:** 265m2*

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## 2. Research Issues

On an initial stage, the importance of developing a comprehensive knowledge around real estate market variables is crucial to gather a sense of the industry, its players and economic dynamics. Research on the subject is to highlight the main incentives, risks and forces at play in real estate investments, as it is fundamental to acquire insights that allow the right implementation and commercialization of the project.

A market-oriented approach requires an extensive knowledge of the market participants, and the many variables influencing both supply and demand, and should be developed in sync with data analysis of market research insights that enable decision making and executive choices regarding project implementation.

Research focused on theoretical frameworks, macroeconomic analysis and academic contributions that may highlight the dynamics of real estate markets is also useful to gather a sense of the industry and its variables, along with an extensive research into the Portuguese context, particularly in the region of the project. The gathering of information on the housing market, macroeconomic dynamics, historical perspectives and other relevant data helps to understand the risks associated with the project and the variables that need to be taken into account when planning, developing and managing a real estate project in Faro.

The research conducted should gather as many data and information as possible to implement a realistic, sustainable business plan that maximizes the value of the property and creates an attractive product proposal for clients, that is well perceived both locally and internationally among the highest standards in the industry, as a quality real estate project.

# 3. Literature Review

## 3.1. Real Estate Markets

Homeownership is a common investment in most families, and a large portion of a household's investment is often allocated to home-ownership (Goetzman, 1993). In order to provide a detailed and relevant analysis to support a business plan around a real estate project, it is crucial to understand real estate as an asset class, its dynamics and variables, and how to provide an extensive perspective not only on the Portuguese real estate market but also on a global scale. In order to do so, several concepts are to be researched on a deeper level.

### 3.1.1. Real Estate As A Risk-Reducing Asset In Portfolios

In the most recent decades, real estate has developed into a market that adopted many of the specificities of the broader capital markets. Real estate properties became an asset class that contributed towards the diversification of investment portfolios by retaining some of the features that are crucial to the risk-reducing objective of a national and international portfolio management, specifically low correlation across asset classes and substantially different national economic outlooks with low correlation between markets, the possibility of passive income derived from the monetization of those assets - rents or other forms of monetization (Hudson-Wilson, Gordon, Fabozzi, Anson & Giliberto, 2005) the protection against inflation or low demand cycles (Conner and Liang, 2005) with predictable income streams of high- risk returns (Chun, Sa-aadu and Shilling, 2004), positioning real estate investments as a desirable asset class, that should be a large portion of a portfolio of any low risk, long-term global investor.

### 3.1.2. Real Estate Investment Typology

There are several types of real estate products and investment alternatives varying according to the type of avenues through which agents can gather exposure to the asset class, and can be classified as Private Equity Real Estate (the more traditional approach which allows the investor to maintain the entire control over the asset at a cost of a huge initial investment on the property), Public Equity Real Estate (investing through publicly listed companies that are

exposed to real estate assets, allowing the investor to indirectly be exposed to the asset market through an operational vehicle) or through Real Estate Derivatives (usually in the form of an index of properties, derivatives reduce the initial investment capital necessary to be exposed to a particular asset, as they allow investors to own a portion of the index as opposed to the huge significant investment that is necessary on the public or private markets). (Hoesli & Lekander, 2008).

Besides the nature of financing and the investment vehicle through which an investor gains exposure to real estate assets, one can identify two different types of investors operating in real estate markets worldwide: institutional and household investors. The first treats real estate assets as an investment decision, along with bonds, equities, stocks, cash and other assets held for investment purposes, and uses the risk-reducing properties of real estate assets to minimize risk across asset classes (Fugazza, Guidolin & Nicodano, 2007). The second, is the common designated "homeowner", that invests in a real estate product not only from an investment perspective, but also from the utility function of the intrinsic qualities of the property – they live in their investment – and therefore their home is a significant part of their investment portfolio for the majority of family households (Kullman & Siegel, 2005). The main objective of the project is to commercialize properties to household families that will, in their majority, live in the property. As such, research now focus on prospective interests of home buyers rather than institutional investors.

## 3.2. Dynamics Of Real Estate Markets

Real estate private residential investments' performance is dependent on a wide number of variables that should be considered in order to guarantee the highest standards of strategic execution and planning. The analysis now focuses on understanding the dynamics and variables impacting real estate markets and how they influence assets' performance and valuations.

### 3.2.1. Macro Determinants Of Real Estate Markets

Extensive research has been published concerning the financial investment functions of a real estate investment. Key significant financial determinants of housing prices, such as income, interest rates, housing stock/supply, demographic changes, credit availability and tax structure explain a big portion of the evolution of the prices in the market (Farlow, 2013), however

conclusions from further literature on the impact of economic fundamentals on the price changes of property valuations explain only 10% to 40% of the effective delta (Quigley, 1999). These studies suggest that a lot of the value of a property is attributed to other factors besides circumstantial macro environment. In fact, despite economic fundamentals having a real impact on the price fluctuations of real estate assets, there can be an inversion of effects, with the possibility of real estate market bubbles, and the subsequent market corrections having a negative impact on the overall economic fundamentals (Quigley, 1999). The 2008 financial crisis is a very pertinent example of how loosened regulation, incentives and credit surplus created a housing bubble that widely impacted long-term economic fundamentals (Muellbauer, 2012).

Besides the impact of the macroeconomic environment, other variables were also found to influence the evolution of real estate asset prices, specifically taxes and regulation (De Bondt, 1995). Moreover, real estate markets are not exactly liquid. For once, the market is a sum of lots of heterogeneous agents, some of which without appropriate knowledge, experience or even rational behavior (De Long, Shleifer, Summers & Waldman, 1990) secondly, the assets have high transaction costs and absence of short-selling instruments, making the market less dynamic, illiquid and riskier than markets for other assets (Hong & Stein, 2003).

Momentum and economic fundamentals are crucial determinants of real estate asset prices, with research concluding that the majority of current returns for the period can be predicted from previous years' returns (Brown & Matysiak, 2000). Historical performance and valuations play a big role, however there are other non-economic variables, unrelated with economic cycles or macro performance that may affect prices of a real estate asset on a significant manner.

### 3.2.2. Micro Determinants Of Real Estate Markets

Although the majority of research concerning real estate property valuation and housing prices concentrates on the investment properties of a real estate asset (Diaz, 1999), other factors influence the price and demand of a real estate project, particularly non-financial motivators (Salzman & Zwinkels, 2017). In that sense, we should focus the analysis on understanding what are these factors and how they impact real estate valuations by affecting the Time-on-Market of a property. Time-on-Market is a significant measure to infer on the value perception of a property, as it is a unit that allows the comparison of heterogeneous properties within a comparable scale, measuring how long it takes for a sale to occur (Benefield & Hardin, 2015).

Since research conducted on the influence of price on Time-on-Market was unclear, with results signaling cases of a positive and cases of a negative correlation between the variables (An, Cheng, Lin & Liu, 2013), it is important to understand what other intrinsic variables may impact consumers' perception on the value of a property by affecting Time-on-Market (qualitative variables). According to former research on the relationship, significant variables that influence the duration of a property in the market (stated from the most important to the least) were concluded to be: exterior (environment), internal characteristics of the house (interior design and spacing), other commercial determinants, external characteristics of the house (architecture); economic determinants (macroeconomic fundamentals), characteristics of the building and finally social stigmas regarding the environment of the house, such as former crimes taking place in the area, negative impacting news and similar events (Ferreira & Jalali, 2015).

Once understood exactly what variables impact the perception of quality and value of a real estate asset, research should now focus on extrinsic variables (detached from the product or asset) that may impact the overall risks, returns and valuations of real estate properties, and research an appropriate framework to value the entire project.

## 3.3. Project Valuation Methodologies

In order to understand the most appropriate methodology to value this business venture, there is the need to understand how valuations are performed and its applications.

According to IVS 105: Valuation Approaches And Methods (International Valuation Standards Council, 2016), there are three general approaches to real estate property valuation: *market, cost* and *income* valuation approaches. These approaches offer the possibility to adapt an analysis to a particular circumstance, as not one single approach is possible for all situations. Dependent on the nature of the asset and the available information, there may be one or more approaches that are possible to perform a valuation. The use of more than one method may be more advisable as it offers different perspectives of the value of an asset, and may highlight some strategic insights that may be important for valuation purposes. Dependent on the case, the valuer should opt for the most accurate and effective comparable measurement.

### 3.3.1. Valuation Methodology: Market Approach

The market approach consists on using comparable assets' historical or present transactions to arrive at a valuation for a project. It is similar in concept to the peer group analysis of the fields of statistics, and can be used in most markets, provided enough information. The main difficulty of this approach is that it may be tricky to find comparable assets', historical transaction prices, current listings, or the price of similar products for sale at any given point in time. Some examples of comparable measurements include price per square meter in the case of property, EBITDA or Price/Earnings multiples for business valuations, yields or interest rate spreads in the case of financial institutions. Comparable products or historical transactions are generally better off complemented with other approaches, for a better assessment of the type of asset in analysis.

### 3.3.2. Valuation Methodology: Cost Approach

The cost approach to valuation of assets is supported on the idea that an asset should be worth no more than whatever it costs to obtain a similar product with the same level of utility. This approach is particularly relevant in contexts where investors could recreate a product/asset with similar qualities without any restriction (location, legal or regulatory), the asset is not providing any streams of income and a market approach to valuation is unfeasible. The age of an asset may be the main driver of lower valuations, as there will be an obsolescence resulting from the depreciation of the asset, as it may start to deteriorate.

There are contexts where there is no incentive for an investor to offer a premium over an asset, as the asset could be recreated easily and therefore the decision is strictly dependent on the cost of actually building a similar product (replacement cost), particularly if the construction is new.

On this particular approach, there are three considered alternatives to cost valuation:

The *replacement cost* method calculates value by taking into account an alternative asset that results in the same utility or satisfaction.

The *reproduction cost* method deduces value by calculating the cost to recreate a copy of the same asset.

The *summation cost* method values an asset based on its components. It basically takes into account the separate valuations of the components of an asset (using any possible valuation approach), and adds them together to attain a valuation for the asset itself.

### 3.3.3. Valuation Methodology: Income Approach

The incomes approach focuses on valuing future streams of cash flows and discount it to the present moment. The valuation of an asset is therefore a function of its future cash flows, income and expected returns, and is entirely dependent on the capability of an asset to produce some form of stream of cash flows.

In the case of real estate assets, particularly residential properties, the income approach is related to the need for an investor to be rewarded with returns for investing in assets that may carry some risks. Extremely relevant for investors who intend to hold property for longer and may decide to monetize (rent) their assets, this approach requires investors to project future cash flows and move them into the present moment to accomplish a valuation. The only requirement is the need to provide accurate predictions and forecasts of future cash flows, something that can be unfeasible without finding comparable assets in the market, and gathering information on them, which may be difficult to accomplish. The income approach to valuation is tightly connected with the discounted cash flow technique to valuation, as there is the need to move a stream of cash flows that happens in the future to its present value. Research will now focus on understanding the discounted cash flow approach, and how to apply this method to sustain a proper valuation for the project.

### 3.3.4. Project Valuation Model: The Discounted Cash Flow Methodology

Research considering what specific model of financial valuation to apply to the entire project was based on "*Valuation – Measuring and Managing The Value of Companies*" (Koller, Goedhart & Wessels, 2015). The published document is an excellent source of information regarding valuation of all types of companies, projects and investments.

The discounted cash flow to the firm is an appropriate methodology to value projects of this sort, as it values all cash available to investors, and discounts it at the weighted average cost of capital (a discount rate that takes into consideration the cost of capital for all investor types).

The discounted cash flow approach uses the cost of capital to discount forecasted cash flows to the present moment, resulting in a present valuation for the underlying asset.
The approach requires:

1. Choosing an appropriate cash flow generating method, depending on the nature of the asset;
2. Choosing the relevant time-horizon for the valuation purpose;
3. Anticipating the cash flow forecasts for the time-horizon of the valuation;
4. Applying a discount rate that symbolizes not only the time value of money but also the intrinsic risks of the project, and include any terminal value if required (the value of an asset at the end of the period).

In order to discount cash flows, an investor should use a discount rate that reflects the risks of the project as well as the time value of money. In order to do so, one should combine the WACC (weighted average cost of capital) with the CAPM (capital asset pricing model) and the Modigliani-Miller Theorem.

### 3.3.4.1. Weighted Average Cost Of Capital (WACC)

To compute a valuation for the enterprise, the projected cash flows should be discounted at the weighted average cost of capital. The WACC highlights the returns that investors in the company expect to earn (debt and equity taken into consideration) for investing in the venture, as opposed to other projects with similar risk, and is computed as highlighted below:

$$\text{WACC} = \frac{D}{V}k_d(1 - T_m) + \frac{E}{V}k_e$$

D – Company's Debt; V- Company's Assets; kd – cost of debt; Tm – company's tax rate; E – Company's Equity; ke – Cost of Equity

From all the necessary variables, the most difficult one to value is the cost of equity component. There have been proposed many methods to arrive at an appropriate rate of return, but in accordance with the research conducted, the most accurate model is the Capital Asset Pricing Model (Koller, Goedhart & Wessels, 2015).

### 3.3.4.2. Capital Asset Pricing Model (CAPM)

The CAPM method computes the expected rate of return for the equity component as a function of the risk-free rate, the risk of the investment (beta) and the expected return of the market. The formula to be used is:

$$E(R_i) = r_f + \beta_i[E(R_m) - r_f]$$

rf – Risk-free rate; Bi – beta of the investment; E(Rm) – Expected return of the market

If one is to compute an appropriate rate of return for the equity component, the inputs for the formula should be carefully chosen and should reflect the risks of the investment, and the expected returns of investments that yield no risk (risk-free rate) or diversified market risk (expected return of the market).

To compute a realistic beta to be considered for the investment, a different methodology should be applied, specifically the Modigliani-Miller theorem.

### 3.3.4.3. Levered And Unlevered Betas

There are several possible betas for computation, but in the case of a project valuation, and according to the Modigliani-Miller theorem, one should infer the levered beta by estimating realistic inputs that enable the computation of the variable in accordance with the formula:

$$\beta(l) = \beta(u) + \big(\beta(u) - \beta(d)\big)\frac{D}{E}(1 - T(m))$$

$\beta(l) -$ Levered Beta; $\beta(u) -$ Unlevered Beta; $\beta(d) -$ Beta of Debt; $D -$ Debt; $E -$ Equity; $T(m) -$ Corporate Tax Rate.

The Modigliani and Miller theorem establishes a relationship between levered and unlevered betas. In this project's case, considering a real estate venture supported in part through debt, makes sense to use a levered beta, as the theorem takes into consideration the company's degree of leverage to provide a beta to input in the capital asset pricing model equation.

Supported on the previous methodologies, a robust model of valuation is to be implemented in order to assess the quality and sustainability of this real estate project.

## 3.4. Forces Impacting Portuguese Real Estate Markets

This project, for its structure and long-term execution, has an investment horizon that will invariably be long. Any properly executed business plan is highly dependent on forecasted variables and sensitive analysis, reasons why the current macroeconomic environment deserves a careful focus, as it may infer on important risks arising in coming years.

In the case of Portugal, and prior to the pandemic, the past few years saw an increase in both tourism flux (Calvo & Ramos, 2018), and foreign investment, as the country is increasingly credited as a very attractive destination for international investors and retirees, with great weather all year long, one of the lowest costs of living in Europe, and one of the best healthcare systems in the world (Live and Invest Overseas, 2020).

### 3.4.1. Pandemic Turmoil And The Portuguese Households

2020 was dominated by the effects of the COVID-19 pandemic. The degree of disruption in the economy was chaotic and transformed the way economic agents interact, so it is mandatory to try to characterize the macro shifts taking place, relying on statistics, historical data and future projections from respected organizations, whenever possible.

According to Eurostat, COVID-19 had a huge impact on savings and disposable income of families in the EU. The general EU household increased its savings rate by 6,6% in the fourth quarter of 2020, compared to one year prior (Eurostat, 2021); This increase in savings rate was attributed directly to lower level of consumption expenditures which, for the same period last year, were 7% lower; both these effects had the consequence of a 0,6% higher gross disposable income available for families in the EU. There was a wide and differentiated effect on how consumption, disposable income and savings rate has changed throughout the EU: Portugal was one of the countries that saw an increase in gross disposable income (around +1%) along with a reduction in consumption expenditure (around -5%), so it should be poised to benefit from an aggregate, compound effect of increased savings for Portuguese households.

### 3.4.2. Portuguese Residential Real Estate

Considering residential prices of property in Portugal, there is a continuation of the effects felt in the previous periods: an appreciation of the prices in both existing and new residential

property sales. The index of residential prices highlights the sustained appreciation of both existing and new residential properties' prices, that is still the narrative throughout the year of 2020. Figure 3.4.2.1. (Instituto Nacional de Estatística, 2021) translates this steady appreciation in valuations of residential properties in Portugal since 2012, suggestive of a sustainable consolidated market with strong demand indicators.

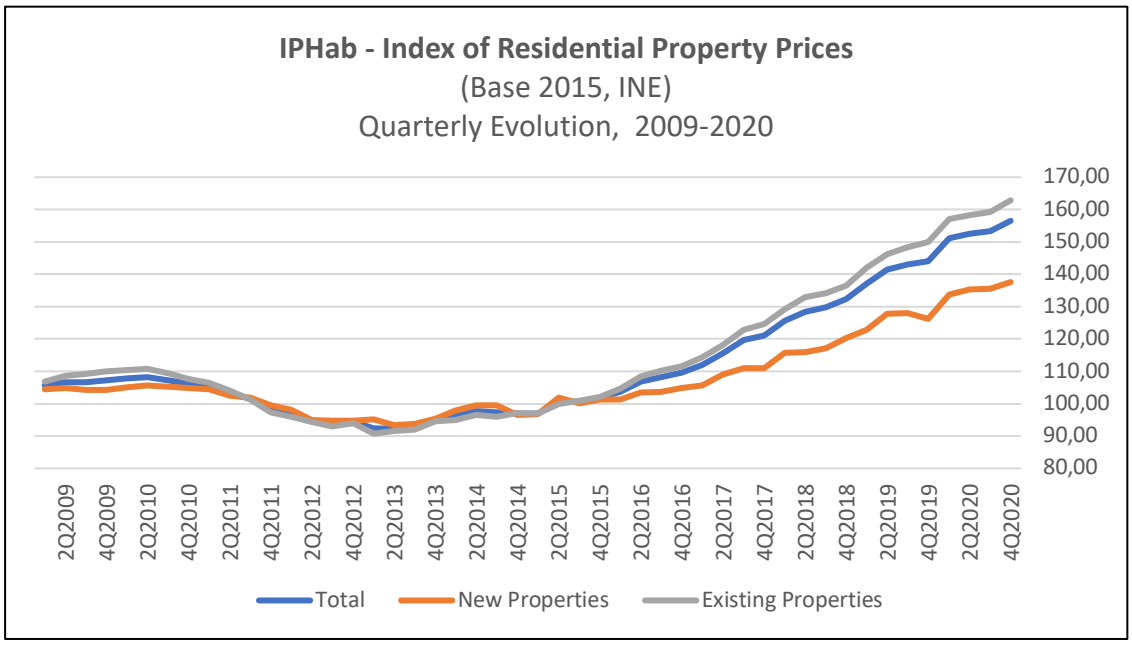



*Figure 3.4.2.1. – Index of Residential Property Prices in Portugal. Quarterly comparison; Index base: 2015. Data source: INE. Graph produced by author.*

Given the outcomes of the US sub-prime crisis, and its multiple consequences for global economies, one can consider that the Portuguese residential market has been able to recover quite well, suggestive of a market not only desirable for Portuguese citizens, but attractive for international tourism, retirees and foreign investors. There is a strong positive evolution on the valuation of properties after 2013, which is a good indicator of a sustained dynamic that continued throughout the rest of the decade (and even during the recent Covid-19 pandemic) reinforcing the value and potential of Portuguese property. Existing home sales, in particularly, which on average yield higher appreciation in value than newly constructed property, offer extremely solid fundamental to value and recognize the Portuguese market as an attractive one for long-term investors, whether being through the developments of new or older properties. One important risk factor arising from the analysis, is the disparity in the growth of valuations of new and existing properties, particularly after 2016. The phenomenon suggests that in recent years, higher valuations in the Portuguese residential market have occurred mainly around existing properties (either through requalification of old buildings near city center with the intent to modernize them, or the investment in sites which were already previously constructed

on), so there is definitely an appreciation for older products, suggestive of a dynamic, sustained and active market of used property.

Furthermore, it is very insightful to identify recent trends in the construction industry, as it may help to justify the higher appreciation of existing property when compared to new property development.

### 3.4.3. Construction Industry Dynamics

The evolution of future construction dynamics in the Portuguese market is also a source of risk (and therefore of concern) when planning long-term investments like real estate projects. To gather some insights into the Portuguese ecosystem for home building and new real estate investment, some data was gathered concerning construction dynamics in the Portuguese territory:

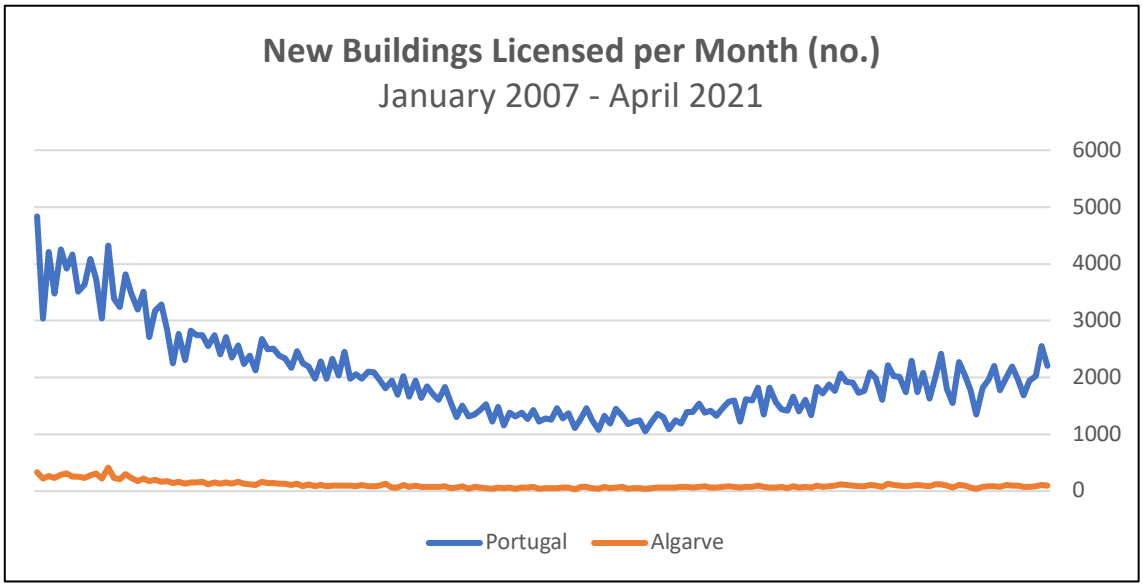



*Figure 3.4.3.1. - Number of new buildings licensed monthly in Portugal and in Algarve. Data from January 2007 until April 2021. Data source: INE. Graph produced by author.*

From the observation of Figure 3.4.3.1. (Instituto Nacional de Estatística, 2021) it is clear that in recent years, construction of real estate property in Portugal is significantly lower when compared to the levels prior to the sub-prime crisis (about half of the amount of buildings licensed in 2007). This may partly justifies the difference in valuations between existing property and new property in the Portuguese market, as it is suggestive of a reduction of the supply of new residential products, resulting on an appreciation of the prices of older, established construction.

Figure 3.4.3.2. (Gabinete de Estratégia e Estudos, 2021) highlights the constant increase in input costs for the construction industry (blue line represents salaries; green line represent materials; red line represents total costs of construction.) which has, with the exception of the current pandemic, been consistently appreciating. One can also note that the current trend is already a spike in input costs, which suggest that in the near future (next few years) there will be a great volatility in the input costs (particularly labor), in part due to the restrictions of the Covid-19 pandemic, and in part consistent with previous years' inflationary trends.

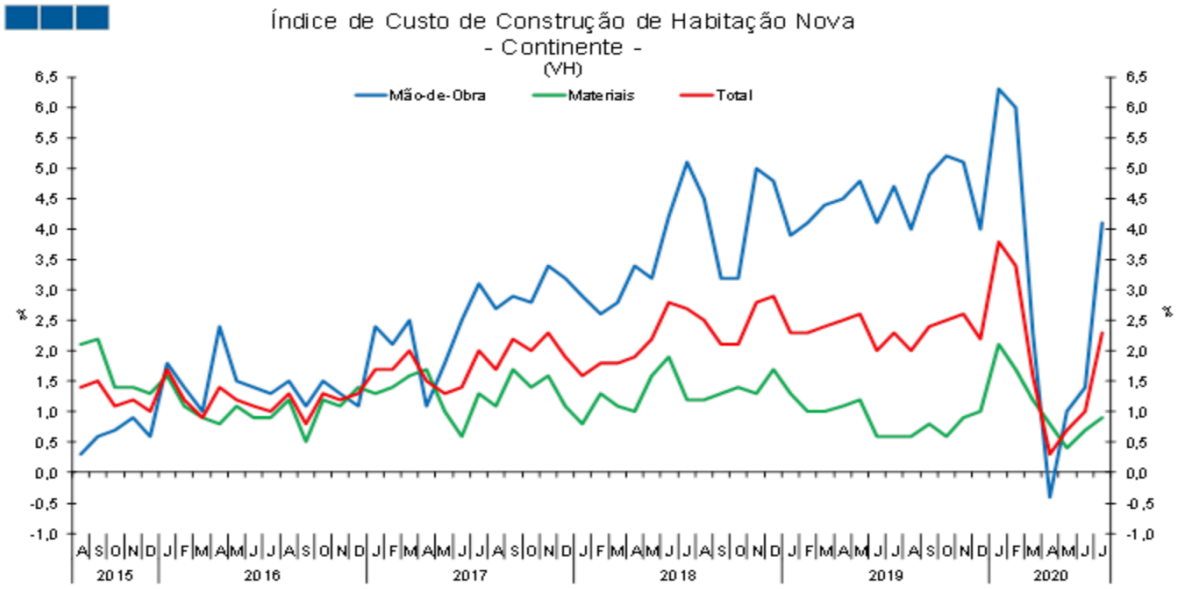



*Figure 3.4.3.2. - Index of Cost of Construction and New Residential Property (Índice de Construção e Habitação Nova, ICCHN). Monthly comparison of annual change; Data for Continental Portugal. Data source: INE; Graph source: GEE*

Furthermore, when discussing the current identified trends with industry participants and colleagues, there is the clear sense and feedback that construction costs are increasing at a worrying pace, possibly fueled by a decline in immigration and travel restrictions (which comprise a substantial part of the construction industry's labor force).

There is clearly a need to anticipate negative changes in construction inputs, and given the long time-horizon of the project, mitigate those risks in the upcoming financial sustainability analysis forecast. The current project needs to create value for investors in any background, from the best to the worst case scenario, and it is particularly important to provide a benchmark of cost accounting that can translate negative dynamics in the industry, which may influence the value of the investment and the project under development.

Figure 3.4.3.3. (Gabinete de Estratégia e Estudos, 2021) illustrates the trends previously identified: recently there is a clear drop followed by a spike in input costs, coincidental with the sanitary crisis, which has escalated the costs of construction. The strong upward trend in labor costs implies a short supply of labor which, given the uncertainty considering how long the

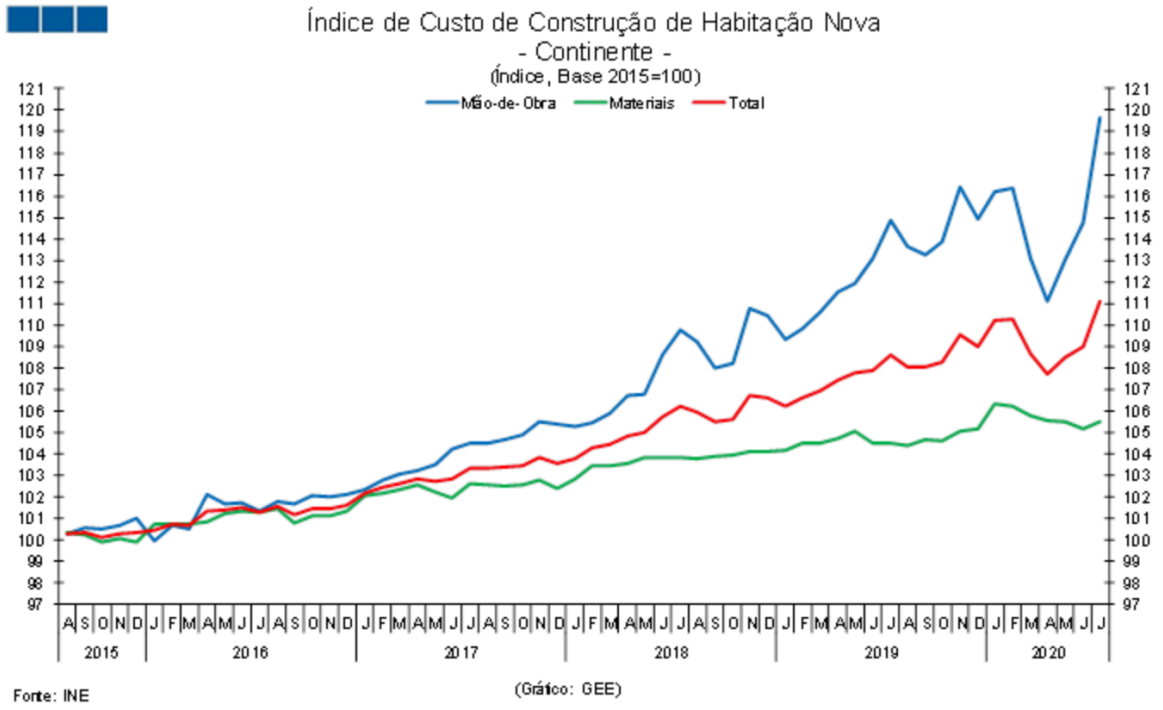



*Figure 3.4.3.3. - Index of Cost of Construction of New Residential Property - Índice de Construção e Habitação Nova (ICCHN). Data for Continental Portugal, Index base: 2015. Data source: INE; Graph source: GEE. (Data separated by inputs).*

Covid-19 pandemic will last, can have a significant, long-lasting impact on the economy. Once again, there is the clear sense that, for the purpose of the financial sustainability and its sensitivity analysis variations, one should be pessimistic enough in what regards to cost of construction of properties, in order to provide a risk-mitigated financial sustainability analysis. Construction of property in the project will be subcontracted in the Portuguese market, so it is almost certain (if this trend is long-lasting) that serious impacts will be felt on the financial burden of the project, on the several phases of its development. Given the current trends in the construction industry, it is clear that underestimating costs can be much more dangerous than overestimating it, since the current dynamics are suggestive of challenging and inflationary trends for the Portuguese market's costs of construction.

From these insights, and in order to mitigate risks, one should provide a sensitivity analysis to the project that coincides with serious negative variations in the cost of inputs, thus anticipating realistic worst case scenarios for the future evolution of these variables, providing a pessimistic budget for the construction costs of the entire project.

### 3.4.3.1. Short-Term Uncertainties Of The Construction Industry

Further data published on the cost of construction inputs in Portugal is suggestive of an aggressive short-term inflationary period for the industry that has not yet peaked.

Figure 3.4.3.1.1. (Instituto Nacional de Estatística, 2021) highlights the current inflationary trend and infers that monthly inflation in input costs are now way above pre-pandemic levels. Monthly evolution in the costs of construction are quite worrying, and cannot be considered a short-term phenomenon at the moment. This new phase of the pandemic is apparently disrupting the market of new property construction, thus generating a great increase in the costs of inputs, which given the current difficulties in world logistics (Friesen, 2021) are set to be a

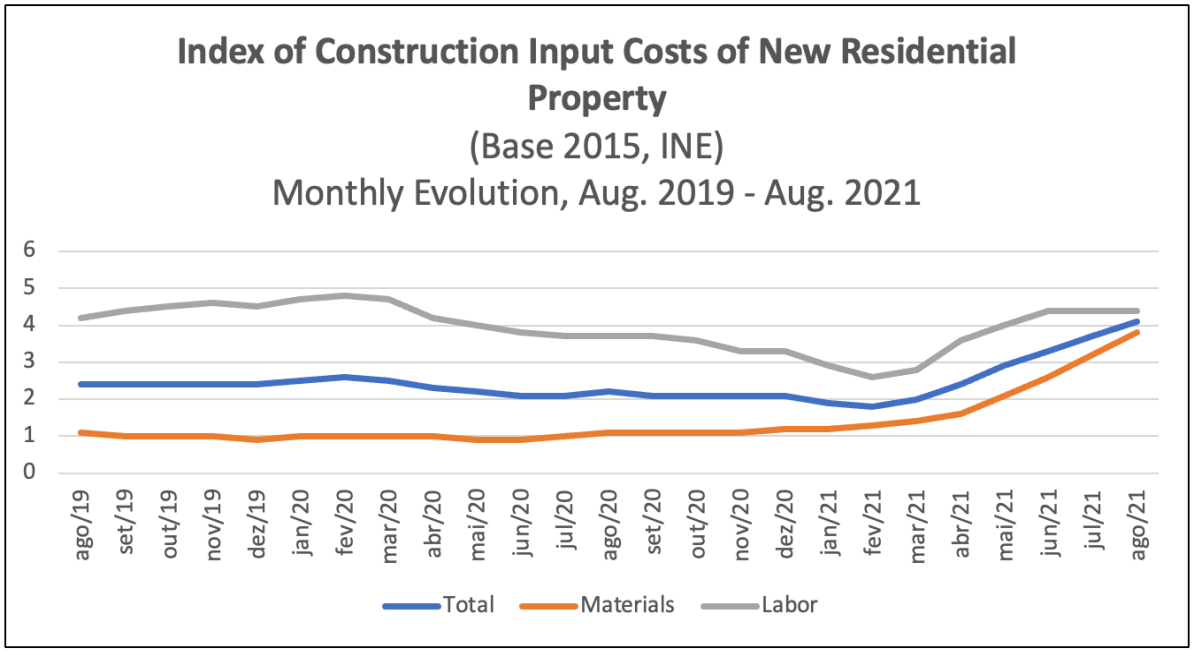



*Figure 3.4.3.1.1. – Index of Construction Costs of New Residential Property per Input in Portugal. Data from August 2019 util August 2021. Data source: INE. Graph produced by author.*

long-lasting force in the market. This dynamic, at the moment, is so strong that one cannot anticipate that it is going to be reverted soon, reason why it is advisable to incorporate, for financial analysis purposes, some "extreme", unusually high level of construction costs, in order to understand how this current dynamic may influence and impact the project's sustainability.

In order to consider these influences in project sustainability, it is advisable to consider worst-case scenarios and infer on how a possible long-lasting phenomenon of cost increases that are not met by a surge in selling prices of new property can compromise the projects' structure and disrupt its financial sustainability. This extreme scenario (however unlikely) should be incorporated in the sensitivity analysis of the project.

Given the complexity of the Portuguese market, it is insightful to now focus research on the Algarve market, as opposed to Portugal as a whole, as it may offer important conclusions and perspectives on the value of the project.

## 3.5. The Algarve Real Estate Market

The Algarve market is a very specific market compared to the rest of Portugal, as it is much more influenced and affected by tourism and seasonal travel (Estevão & Nunes, 2015). Even in years where national housing prices have stagnated or even declined, the Algarve market has kept its appreciation, thanks to the constant influx of tourists and the natural conditions that make the region very desirable (Tavares, Pereira, & Moreira, 2014). This attractiveness is translated into the value of property in the region: while the average price of real estate in Portugal was 1.187€/m2, Algarve registered the highest price of the whole country with 1.807€/m2, followed by Lisboa with 1.601€/m2 (Instituto Nacional de Estatística, 2020). Data suggests that Algarve average price ranges from 1.500€/m2 to upwards of 2.000€/m2 in the most premium municipalities. Loulé, Lagos, Albufeira, Tavira and Faro are among the municipalities that registered a significant premium between the valuations from banking institutions and the actual property prices, which in the case of Faro suggest a considerable difference of more than 13% premium between the average valuation price of 1.500€/m2 and the actual price of 1.700€/m2 (Instituto Nacional de Estatística, 2020).

One also observes that the average annual increase in sale prices is below average for the country, thus suggesting that the region has long-term sustainability of prices, which despite increasing at a rate slightly below the national average, are still by far the most valuable properties with an average selling price for household sales of 1.800€/m2 in the second quarter of 2020 (Instituto Nacional de Estatística, 2020). Although the pandemic has impacted a lot of industries and changed economic structures, Portuguese real estate property still holds value and has not yet felt a deep impact from the crisis.

Regarding the tourism sector, Portugal has consistently been a prestigious destination, and emerged as the fourth consecutive winner of the prestigious World Travel Awards, by being Europe’s leading destination along with the prize for Best Beaches in Europe for the Algarve region (World Travel Awards, 2020).

### 3.5.1. Faro

Faro is the administrative capital of Algarve, with the most important infrastructures and services in the region. The municipality is comprised of 4 main regions: United Parishes of Sé and São Pedro, United Parishes of Conceição and Estoi, Santa Bárbara de Nexe Parish and Montenegro Parish. Local population totals 65.000 people, within a 210 km2, a large portion of it being directly connected to Ria Formosa, an extensive protected ecosystem, of beautiful natural resources and biodiversity (Câmara Municipal de Faro, 2020). Ria Formosa Natural Park is a region of the coast of Algarve, that extends through the municipalities of Faro, Loulé, Olhão, Tavira and Vila Real de Santo António.

The extensive coastal regions are protected areas of rich biodiversity in natural habitats, fauna, flora and migrant species of birds and sea life. The natural park of Ria Formosa was established precisely to celebrate and protect this biodiversity, by aligning the socio-cultural and economical development of the Faro region, with the requirements and rational use of resources and the protection of this valuable ecosystem (Instituto da Conservação da Natureza e das Florestas, 2020).

The views of the Atlantic ocean, as well as the islands - Barretta, Tavira and Culatra - make Faro a very attractive destination for summer tourism and nautical exploration. Local boat services and transfers guarantee transportation to the islands where customers can enjoy the unique beaches, bicycle rides, trail walks, bird watching and the natural and perfectly preserved surroundings of Ria Formosa (Câmara Municipal de Faro, 2020).

Faro International Airport is the only international airport located in the south of Portugal, and is the entry point to Portugal for more than 5 million tourists every year (Câmara Municipal de Faro, 2020). The Airport is a crucial asset for the region, as it guarantees a constant stream of tourists arriving the region and a constant gateway from which customers can easily fly to other countries around the world (Ribeiro de Almeida, 2011). The city also has an harbor and a marina, from which nautical exploration of the islands and natural reserve co-exist with the traditional fishing and sea exploration activities that make Faro such a rich cultural region.

The abundance of services, public infrastructures, heath and administration services, leisure activities and an extensive cultural heritage, make Faro a very desirable location, conveniently positioned close to the airport, enjoying unique views of natural beauty and protected ecosystems, while closely linked to the rest of the Algarve through a dense network of roads and public transportation (Câmara Municipal de Faro, 2020). The characteristics of the

region are very attractive, with a wide variety of offerings that guarantee a quality lifestyle for locals and tourists alike. The region is desirable for a wide variety of types of customer, both national and foreigner, given the proximity of the airport.

## 3.6. Inflation Forecast

One of the most important variables impacting real returns on investment (on all types of assets) is inflation, as it erodes the value of money through time. Although real estate assets are thought to somehow mitigate inflation effects and serve as a safe investment against inflation, this idea is very discussed and criticized (Demary & Voigtländer, 2009). To be considered an "hedge" investment, an asset needs to deliver consistently higher returns than the inflation effect for the same period, which is often not the case for certain real estate investments (Charles, Glenn, & Donna, 1991). Considering this, it is advisable to understand how inflation has evolved in the most recent periods in order to forecast its evolution for the time horizon of the project, which is necessary to sustain our business model and valuation approaches.

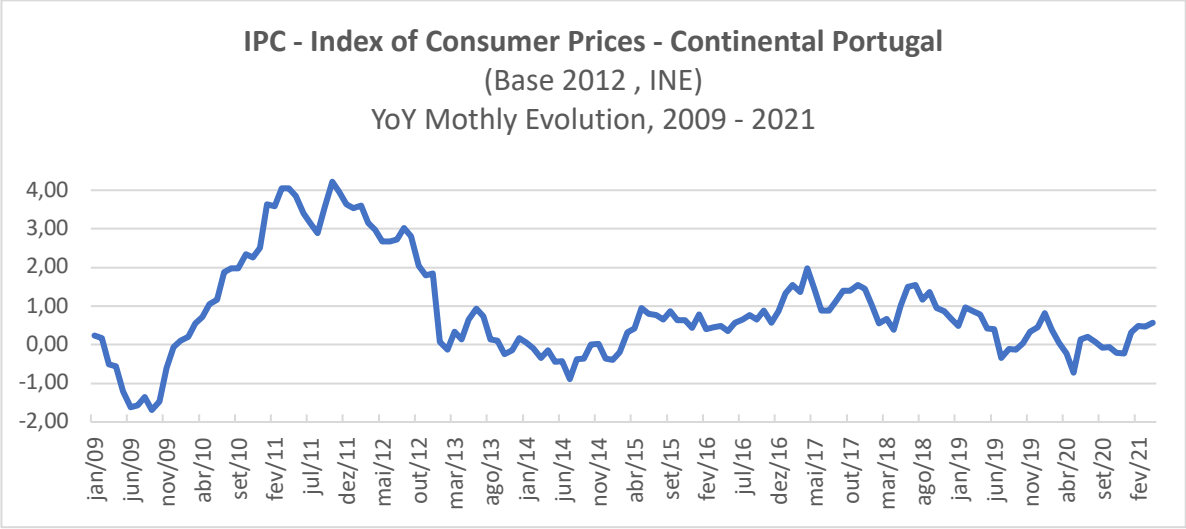



*Figure 3.6.1. - Index of Consumer Prices for Continental Portugal. Monthly comparison of annual change, 2009-2021, Index base: 2012. Data source: INE; Graph produced by author.*

Observing the evolution of the Consumer Price Index (IPC) for the last years, the results are very volatile, as illustrated in Figure 3.6.1. (Instituto Nacional de Estatística, 2021), Portugal has seen a spike in inflation from 2010-2013, sometimes of upwards of 4% year-over-year. This period was followed by very low inflation rates (if not deflationary), in the years of 2013-2014, followed by a period of what can be considered healthy inflation levels: between 1% and 2% (Board of Governors of the Federal Reserve System, 2020).

For the purpose of financial analysis, inflation is better to be overestimated than the contrary. On the one hand, it impacts the long-term costs of the project negatively, and on the other hand, it dilutes the valuation of cash flows throughout the length of the project.

The Covid-19 pandemic is set to increase the uncertainty around these macro datapoints, but forecasts from the European Commission anticipate inflation of 0,8% in 2021 and 1,1% in 2022 (European Commission, 2020). From these values we are to estimate (or assume) a level of inflation that can be consistent with the trends/historical analysis of Portugal for the following years.

*Considering the forecasts and historical observations highlighted above, and for the purpose of this analysis, a level of inflation around 1,5% will be assumed and used as a benchmark for the project, for the periods after 2022, as it seems to be a solid, coherent value to support this analysis on* (see Annex C).

# 4. Methodology: Developing A Business Plan

Real estate investments and opportunities are somewhat abstract and involve a great deal of vision and long-term commitment, so there is the need to support the project in fundamentals that allow investors to interpret the quality of the business opportunity. In order to do so, it is relied heavily on the fields of project management, finance and corporate valuation.

Initially there is the need to develop an understanding of the supply of real estate products currently available for sale in the market: as there is limited information considering historical transactions of real estate products in the region, there is the need to sustain our analysis on the current properties for sale in the market, gathering insights regarding qualitative and quantitative features of properties. This analysis is crucial to gather insights into valuations, which are to be developed in observation of market participants in order to develop an accurate, realistic valuation technique. Hopefully, these insights will then provide solid grounds for estimating returns and risks for the entire project.

From the typology of project proposed, there needs to be a financial valuation that offers a perspective into this long-term commitment, and offers perspectives on the variables that influence its development.

For the purpose of cost and revenue estimation, there is the need to sustain our financial model both on market research insights and on the concept of products to be developed for the project itself. Although there are several variables that may be inferred from the market, from macroeconomic variables or from peer comparison, the cost and revenues are intrinsically related to the construction projected for the site, and need to be derived directly from the project's specificities. Based on the typology of construction and supported by market research, one is to signal benchmarks for property's valuations in the region, providing insights into this project, that enable the evaluation of the business opportunity.

An analysis into valuation should provide a great deal of knowledge, highlight constraints and risks and provide frameworks for decision-making and investment decisions regarding the whole project. That valuation is to be supported by the theoretical frameworks already studied and researched, and should be subjected to sensitivity analysis (variations on the inputs and how they impact the project in the long-term).

The final result of this body of work should be a framework or blueprint on how to implement the project (along with a market-focused strategy that allows its efficient

construction and commercialization) and a dynamic analysis that offers a 360-degree approach recognizing variables and risks that impact significantly the project's outcome and valuation.

# 5. Market Research

To better access the quality and the potential value of the business proposal, it is necessary to weigh-in all the potential value of the site, recognize the necessary investment requirements and financial constraints, and have a clear idea as to what is the investment strategy that unlocks the most value on the project's execution side.

On an initial stage, it was identified to be crucial to have a sense of the prices and supply of residential products in the region. With that in mind, a market research was conducted with the aim of characterizing the residential real estate market, particularly in the segments of products that relate to the typology of the project.

By computing and organizing variables that could potentially identify correlations within the type of products intended to commercialize, we gather practical insights, and try to align our product with the benchmarks already available in the market. The intent is to focus the analysis on relevant, comparable products that can help to take some executive and planning decisions regarding architecture, interior design and overall engineering for the properties to be built on the site.

To accomplish that, a sample of 126 real estate products around Faro was collected, and categorized according to the quantitative and qualitative variables:

## 5.1. Quantitative Variables

Price (€) – final asking price for each property;

Area (m2) – Refers to net area (it excludes any balconies, basements and/or attics). During research, it was highlighted the fact in popular websites, marketplaces and agencies of real estate property, with "useful areas" generally referring to the areas above ground level and excluding any areas that are of technical use, balconies or basements. For the purpose of any analysis done for this project, we applied this same methodology in order to be consistent with the perception of value that stakeholders and clients will have, guaranteeing consistency with market standards.

Average Price per Square Meter (€/m2) – asking price for the property divided by the gross useful area offered;

Typology of construction – sums up the structure of each home regarding the number of bedrooms offered. This variable offers one of the best insights into the type of product, its perceived quality, and also infers on the type of accommodation that families in the region require.

Concept Proximity (1-5): a subjective scale from 1 to 5 to position the property in terms of concept proximity to our desired structure. A property with a concept of 5 should be very close to a townhouse complex of "side-by-side" houses arranged in an allotment-like concept, while a property with a score of 1 should be much distanced, in concept, to the intended project (such as a small city center apartment, or on the opposite scale, a 7-bedroom luxury villa in the mountains). Hopefully this variable can help explain some of the insights gathered in the market research, and help characterize some of the sub-samples arranged, in a practical, quantifiable way.

Location Proximity (1-5): a subjective scale from 1 to 5 to illustrate the property's proximity to the allotment complex's location. A property with a concept proximity of 5 should be very close to the project's site, while a property with a score of 1 should be much further away from the projects' location. The aim is to provide a concept for proximity that may offer relevant insights in the several analysis conducted.

## 5.2. Qualitative Variables

Parking Spots – An important feature of a home, the ability to privately park is definitely a plus in any property and a variable that may significantly impact the valuation of a real estate product. It has a lot of explanatory power in describing the concept of the product besides the quantitative variables previously collected, and offer insights into the quality of the product offered.

Swimming Pool – Particularly in the Algarve market, swimming pools help to explain some of the differences in the property markets, and at the same time give an insight into the concept of housing.

These categorical variables help to characterize and differentiate the price from the location component. While location and useful areas are crucial variables to characterize a property, parking spots and swimming pools are often important features that add significant value to a

real estate product, and help position the property in terms of target customer/valuation. These datapoints help to gather some strategic insights that will enable decision-making regarding project implementation and valuation, and therefore were thought to be included in the gathered sample.

A sample was collected through the database of some of the most successful real estate websites and marketplaces in Portugal, and was focused on products that shared similar circumstances with the desired concepts of products to be developed in the project: mainly villas and new apartments, on locations close or around the Faro region. The aim of the analysis is to develop some price positionings that are market-oriented and can offer realistic price points for a sensitivity analysis to revenue generation for the entire project.

## 6. Market Research Insights

Considering the type of product in development– an allotment complex - it is crucial to identify how revenues are going to evolve throughout the length of the project as the revenue side is the main variable to analyze in order to anticipate and estimate the profitability of the project, and offer a practical analysis (market-focused) on the true potential of the project and its cash flow generation.

Besides acquiring a practical support from which to develop the business plan, this analysis is to provide ideas for discussion regarding architecture, typologies of property, what are the features to be required from the engineering and architectural stand point, and which are of secondary importance in an allotment complex of this sort. Hopefully, by taking a market-focused approach to product development, one is aligning the project's specificities with the industry and the demands of the market. Ideally, the analysis will not only provide some feedback as to the type of product to develop, but also price positioning, insights into valuations, and other relevant data.

Based on the multitude of products collected and sampled, it is crucial to sustain our analysis in several sub-samples, from which more practical decisions can arise.

## 6.1. Market Research: Full Sample Analysis

To better provide an overall characterization of the sample, some descriptive statistics help to identify the type of sample collected. The aim of the analysis is to interpret the data in a relevant, practical manner, that provides insights and highlights trends in the industry.

Regardless of the level of complexity, the initial approach should be to characterize the sample as a whole. Observing results (see Annex D), there are some striking conclusions to be inferred from the statistics provided for the full sample.

The average value of a property sampled is 648.561€ or, in relative terms, 2.792€/m2. The sample is also quite wide, as it is comprised of properties anywhere between the ranges of 150.000€ and 4.500.000€, which in relative terms suggests a gap between 912 €/m2 and 14.706 €/m2 for properties in the region;

Typologies collected also are quite diverse, containing apartments, penthouses (which is considered a luxury product inside the apartment category, but sampled as an independent category) and villas (classical concept of single-family homes).

It was observed that the most common typology in the properties sampled were the three and four-bedroom Villas, which accounted for 37% and 25% of the entire sample. Regarding apartments, similar conclusions were obtained, with the most common typology being the three-bedroom apartment, with 10% frequency in the entire sample.

Besides the price and typology of construction, the variable “Parking Spot” is crucial in a housing product: from the entire collected sample, 56% of all collected properties had a parking spot and 32% had a garage included (independent categories). In total, 88% of promoted properties had a parking spot of any sort included, which suggests a high level of importance for the consumers in the region.

Regarding swimming pools, conclusions were a little mixed and uncertain. From the entire sample, 44% of properties had a swimming pool against 56% which did not. Considering the investment cost of a swimming pool, results suggest that consumers value and seek for a property that provides one, which is consistent with the Algarve market, however further analysis should provide more consistent information to extract conclusions on this variable.

Analyzing the sample in individual sub-samples, filtered by the type of construction concept, allows for a more in-depth gathering of insights that can enable a sustainable decision-making regarding the concepts to be explored in the project.

## 6.2. Market Research: Villas

Since the plan is to construct and commercialize an allotment complex comprised of single-family homes, the more relatable and comparable product available in the market are the villas. This type of product can be quite differentiated, ranging from isolated mansions to small "side-by-side" townhouse homes in crowded urban areas, which can vary extensively in typology and quality of construction.

The aim of the project is to construct a premium product, with a medium price positioning in the market, but obviously benefiting from a luxurious location that can offer amazing views and quality environment all year long. With that in mind, a careful characterization of the market for villas around Faro is a crucial decision-making asset.

Isolating the sub-sample of villas (see Annex E), further insights are gathered. On average, a sampled Villa's price is 743.947€ which translates to 2.999€/m2 (vs 2.792€/m2 for the entire sample); The sample is wide and differentiated, with properties that range from the 66m2 to 524m2, which translate into different valuations that can start anywhere from the 912€/m2 up to 14.706€/m2;

There is a wide range of valuations in this category, and it may be hard to pin-point exactly how to value and price the product intended to sell, but perhaps an easier approach would be to start making some decisions regarding typologies of construction. In that regard, the villas' sample offer some insights: the majority of properties (79%) are comprised of three (47%) and four (32%) bedroom properties (consistent with the previous full sample analysis); Only 13% of all collected villas have more than four bedrooms, making it clear that the "sweet spot" for the construction typology is this four-bedroom property type, an insight that should be taken into account as an executive decision in the properties to be planned in the allotment complex;

Parking spots are crucial features in any property in the region, since only 6% of the sampled villas did not possess a parking spot of any sort (either a garage or an individual parking location), making it a crucial asset to plan and include in the project. The price of a villa with parking is substantially higher than the opposite: the average selling price for a villa with parking spot is 767.273€ or, in relative terms, 3.046€/m2, which compares to 378.500€, or in relative terms, 2.261€/m2, for a villa without private parking spot of any sort.

In the case of swimming pools, the results are once again dubious. 52% of sampled villas had a swimming pool, and the value is clearly translated into the price of the property, which in absolute terms averages 983.228€, or 3.572€/m2, for a villa with swimming pool; On the

opposite side, a villa without one is priced on average for 484.726€, which translates into 2.378€/m2 in relative terms; this analysis suggests that, while swimming pools are important features for homes in the region, there is a market for properties without one. Swimming pools are generally associated with larger properties (considering an average area for a villa with swimming pool of 276m2 as opposed to the average of 222m2 for villas without one). The benefits of including a swimming pool definitely translate into the price of property as highlighted by the pricing differences in the analysis, but these are also not crucial to include in a project, in order to offer a medium/high end product;

It can be concluded that swimming pools and parking spots have positive impacts in properties in the region, but in different extensions: it is crucial for a real estate product to have a parking spot of some kind, as the inability to provide one, generally is associated with lower selling values, as observed in the analysis which compares the appreciation in value when there is a parking spot features in villas without swimming pools: in properties with parking accommodation, the average price is 692.997€ (or 2.872€/m2), which compares to 319.733€ (or 2.196€/m2) for properties without parking spot available.

There is a clear loss in value when the parking feature is not offered, thus suggesting a high importance for the valuation of properties in the region; The ability to provide a parking spot guarantees a considerable appreciation in price, therefore it should be a primary strategic objective of project implementation as the cost of not having one may position the properties at a considerably lower price than the decision of not having a swimming pool.

## 6.3. Market Research: Apartments

A similar analysis was conducted regarding the sub-sample of apartments and penthouses (see Annex F). Given the low number of properties of this type sampled around Faro (26), insights have to be more carefully extracted, since data is not as robust as the dataset for the villas.

Regarding apartments, valuations are considerably lower, with an average price of 281.692€, or a relative price of 1.995/m2. The great majority of apartments sampled offer three bedrooms (50%), with only 20% of them offering more than the three-bedroom typology. Concerning parking spots, the vast majority offers a garage (either individual or common for all residents), with only 35% of them not offering any parking spot at all. Swimming pools, perhaps not surprisingly, are only offered in 15% of the apartments sampled (and the vast majority of them are swimming pools for the condominium, so there needs to be a shared

utilization of the feature between all residents), and they do increase the valuation of properties, which on average are priced at 339.750€ for apartments with swimming pools, against 271.136€ for apartments without the feature.

Given the conceptual distance between apartments and the typology of property to be offered in the allotment complex, this analysis is significantly less important than the analysis for villas, and one should base properties' value estimation on the dataset of villas, discarding the majority of insights from this sample of apartments.

## 6.4. Market Research: New And Old Construction

In the Faro region, one can identify both new and older construction projects, and it may be helpful to try to infer on how relative prices of real estate products may vary from new to older construction.

For the purpose of this evaluation, a statistical analysis was provided of the entire collected sample, differentiating new construction from older construction projects - including in both of the groups all typologies of apartments, villas and penthouses (see Annex G). Considering this analysis, several conclusions arise. At first glance, older construction is on average more expensive than new construction: selling prices average 540.756€ for new construction products comparing to 783.317€ for older or renovated products; Newer construction is, on average, smaller in area but tends to be further away from relevant locations comparable to the allotment complex site (location proximity score of 3,81 for new property), as opposed to older construction products, which tend to have more generous areas and more central and premium locations (location score of 4,07 for older property); The average relative price difference between both groups of properties suggests that older construction seem to translate into slightly higher prices (new construction price averages 2.714€/m2 while old construction price is 2.890€/m2), this counter-intuitive disparity is suggestive of secondary differentiative features (such as the specific location of the products). How old a property gets does not seem to be the best insight to value the product, since there seems to be other differentiative features that should help to justify why older property looks more expensive than new construction.

## 6.5. Market Research: Conclusion And Decisions

From the previous analysis, a summary of the available products currently in the market highlights the type of products and the construction standards in the region. Through this analysis, one is able to characterize the supply of real estate products in the region, which offers an idea on the types of desirable products that populate the market currently, guaranteeing the strategic alignment of the townhouse allotment complex with the specificities of the region.

From the conducted market research, some decisions arise that help to focus on a particular type of product. In a general manner, one can characterize the majority of real estate products sampled as having the villa typology, that usually comprises between 3 and 4 bedrooms (62% of all reviewed products fit into this category, making it a crucial typology for the project to try and meet).

Most reviewed real estate products also had, in one way or another, a parking spot (either through a private garage or just a parking spot). Only 11% of all analyzed sample did not have a private parking space of any sort, making it a crucial resource for the clients and a desirable offering in any residential property in Algarve: particularly crucial since the car is the main mean of transportation for the region.

In the case of swimming pools, one can recognize that it is not as common, nor as required as the former two variables characterizing the Algarve real estate market. Swimming pools are often non-essential home pre-requisites (generally associated with luxury real estate products and despite 55% of existing researched supply in the market being comprised of homes with swimming pools). The Algarve region, for its climate and cultural background, aligns with the typology of “summer homes”. In the case of a townhouse allotment project however, it would be very difficult to apply a swimming pool to every lot, since it would impact available areas in a significant manner. The need or desire of the target customers may require a swimming pool, but at this point, and supported by this market research analysis, we identify it to be a non-essential feature to guarantee sustainability and the desirability of the properties. There is always the possibility of incorporating a small body of water in the properties, which might provide some of the features of the swimming pool concept, and can be an interesting value proposal for a more premium approach to the townhouse complex. Often customers simply desire a way to enjoy their backyard without the need for a full-sized swimming pool (which is expensive to maintain) that does not compromise the available areas considerably.

The main goal is to offer a relevant, well-positioned product that, given the large number of close repetitions, will be an attractive proposal for any household, irrespective of the nationality or cultural traits of the clients, and that is a perceived as a good product for the Algarve market, and in particular for the Faro region.

*The blueprint of product that is more aligned with the strategic objectives of the project should therefore be the 3 to 4-bedroom villa, with at least one (two would be ideal) parking spot and no swimming pool. Market research suggests that products with this typology have greater risk-reward balance and are aligned with the context of the Algarve region. While it may not be the most luxurious type of property in the region, the site will benefit from incredible environment and a premium location, with views over the city of Faro and the ocean, and benefiting from a tight connection with local beaches and the Ria Formosa ecosystem.*

# 7. Master Plan: Project Execution

Given the specificities of the project, and the type of real estate product in development, some decisions regarding financial burden and leveraging risk highlighted the advantages of developing the project in different stages as opposed to a single one:

- Less financial burden for every stakeholders in the project (constructors, architects, banks, other intermediaries/suppliers and regulators).
- Construction and commercialization of houses is stretched throughout several periods, so that the excess supply does not impact the value of each lot;
- "Branches" were organized considering the typology of the allotment project, and will vary in the number of homes built in each phase, developed in order to establish an organic expansion inside the allotment project.

For the reasons mentioned, on an initial stage of the project appraisal, there is the intent to build the allotment in **four phases** of increasing number of properties being built at the same time from one phase to the next, as illustrated below:

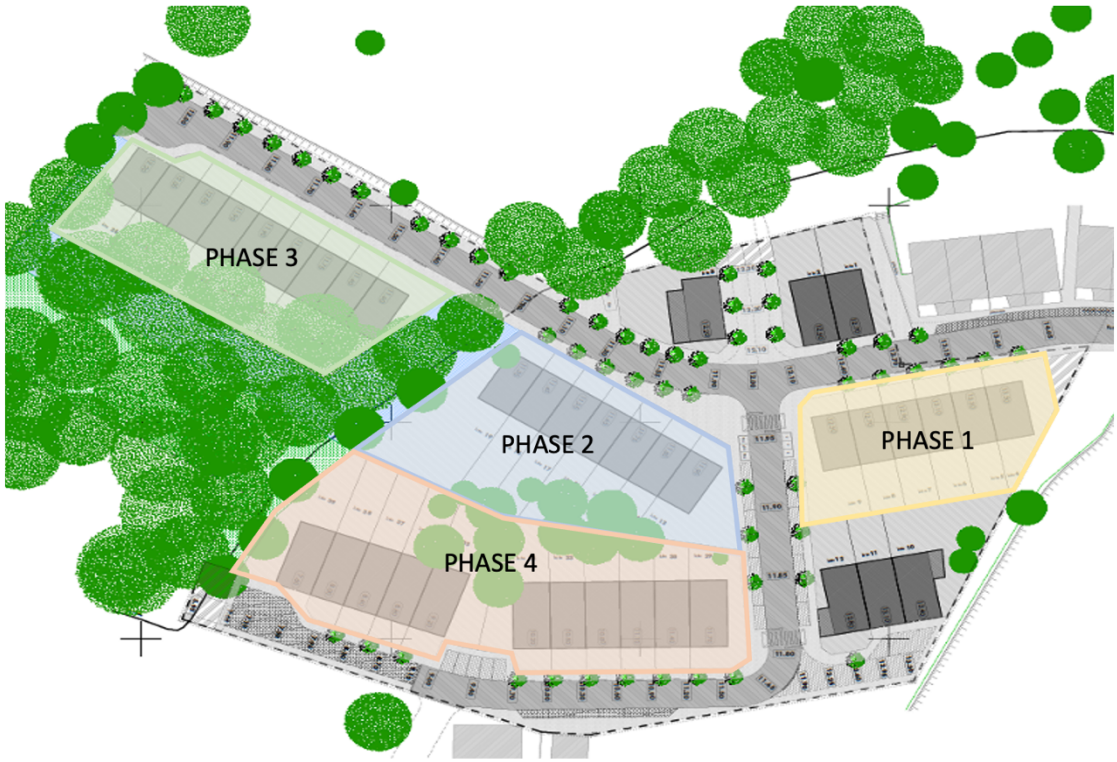



*Figure 7.1 - Organization of the project considering the several phases of construction.*

Each phase/branch of properties is to be constructed in *up to twelve months* and its *sale should occur in the three months following its conclusion*. This structure allows for a phased project implementation, reducing the financial burden of the project, licensing processes and the risk of the stakeholders involved (see chronogram in Annex H).

There have already been some contacts with possible interested clients, and from commercial partners' feedback (real estate agents) there seems to be the possibility to develop the project in a model that reduces the financial burden for the company: real estate agencies in the region suggest clients are willing to signal 5-20% of the price of the property upon the initial phase of the construction (2-6 months after the start of construction on the lot), given the high desirability of the lots, and offered the possibility to customize certain finishing details on the properties (subject to Tsernagora's regulation). This model would allow the company to use the financial commitment of clients to finance partly the construction of the properties, and in turn clients could be involved and committed enough to offer insights into the construction process, with the possibility to choose certain finishing materials and include their personal preferences on the features of the home.

## 8. Architectural Insights: Strategic Execution

Considering the previous strategic insights, and the typology of property that seem efficient given the market and the culture of Algarve, it is important to benchmark some strategic goals that allow the product to thrive and be an interesting proposal for any client looking for a home near Faro:

1. Given the premium location of the allotment, it is crucial for any real estate product to take advantage and fully exploit surrounding areas and landscapes;
2. The allotment complex should fit the surrounding landscapes, and should be developed, as much as possible, using modern, advanced and sustainable practices;
3. Develop an allotment complex that allows the exploitation of economies of scale/scope/cost-saving techniques among the different lots of each phase;
4. Given the proximity with the ocean, it would be a fundamental asset that the properties offer ocean views along with efficient solar exposure;
5. The properties need to offer convenience and privacy, along with a family-friendly environment;

6. Maximize areas, not only indoors but focus on creating useful outdoor social areas that may increase the positioning of the properties (or even differentiate them);
7. Two parking spots (at least) need to be provided for each home, either in a garage or outdoor private parking;
8. The architectural traits of the houses should highlight some of the characteristics of the Algarve market, and the cultural and traditional traits of the Faro region;
9. The properties' architecture and the overall environment of the allotment complex should be attractive not only for the residents, but also for pedestrians and other visitors.
10. Implement architectural traits that may harmonize and create an "artistic tone" to the allotment complex thus creating a visual reference for the project;
11. Fully explore all the potential for the site, subject to the constraint of the PDM ("Plano Diretor Municipal") and any other regulatory framework that may oversee and have responsibility in the project's developed (e.g. environmental agencies).

Considering the axxis of strategic execution proposed above, the aim is to meet the strategic objectives, through a close collaboration with an architectural atelier that has worked extensively in the Faro region, and in types of products similar to the ones intended to be developed – single family residential properties in the villa typology.

The architectural traits of the lots will tend to be similar all throughout the allotment project, given the intended townhouse structure, with minor variations between lots (mainly the first and the last lot of each branch, which require a different approach from the usual side-by-side townhouse property). The objective of offering similar architectural traits in all the project is not only to guarantee homogeneity in the allotment complex but also to apply some cost efficiencies throughout the project, not only in the development of projects and engineering, but also in later stages with inputs, construction processes, finishing materials, etc. Moreover and in order to signal homogeneity between the entire allotment complex, all lots must communicate similar architectural traits.

## 8.1. Architectural Insights: Phase 1

At this initial stage, and in order to plan Phase 1, projections of the lots began to be discussed and idealized. Projections for lots 4-9 developed in collaboration with a contracted architecture atelier, can be observed in Annex I.

Properties' features are supported in the formerly mentioned strategic execution axis, and are maximized considering solar exposure, parking requirements, backyard social areas and the interior circulation areas: Properties will offer 4 bedrooms, a technical terrace that will offer ocean views over the beautiful surroundings, a fluid ground level with generous social areas, both inside and outside, and the possibility to include swimming pools. A functional basement occupies the entire length and width of the property and can be considered very generous, allowing the possibility to implement different combinations of usage (such as office spacing, gaming rooms, wine cellars, storage, spa, etc.), dependent on the customers' lifestyle and requirements.

The main luxury assets of the properties are the terraces, which will offer incredible sunset views and will serve as an accessible lounge/balcony area that can include a water feature of some sort.

Cost-cutting measurements are also implemented: lots 5, 6, 7 and 8 are very close repetitions of each other (economies of scale) while lots 4 and 9 exploit the differentiated features of the lots (mainly the exterior and social areas), with the intent to maximize properties' lots.

Projects for the homes were developed specifically to be constructed simultaneously, and to offer the best possible real estate products, with a sensible, sustainable construction, developed specifically for the site and the weather of the region.

# 9. Cost Structure Forecast

## 9.1. Technical Execution

At this initial stage of project appraisal, there is the requirement to rely on stakeholders, partners and possible suppliers to assess and estimate the costs of developing the projects for the properties. For this purpose, budgets were requested for the technical execution of projects and specialty projects. Given the sensitive information contained in these budget forecasts, a summary of the costs associated with the projects was grossly compiled (see Annex J). These costs are summarized in accordance with the chronogram of activities and the assumptions taken for the operational execution of the project.

Besides the technical expertise required to elaborate technical outputs (such as architectural projects, specialties projects, utilization licenses and other taxes), there were forecasted general

administrative expenses (Tsernagora Capital's management team), construction oversight costs and marketing expenses in accordance with benchmarks from previous projects developed by Tsernagora Capital.

From the compiled cost structure, oversight costs are the most expressive as they involve the allocation of a team to oversight construction, operationalize on-site tasks, manage clients and real estate agencies' visitations, elaborate contracts and other required processes. This subcontracted team is necessary given the logistical challenges of allocating teams, on a daily basis, to the site which is located far from Tsernagora's Lisbon headquarters. These oversight costs are considered to be overestimated in order to guarantee that costs will not exceed budgeted forecasts, which is important for financial sustainability analysis purposes.

## 9.2. Construction Costs

With architectural plants developed, one can infer (the only possible methodology at this point) what will be the costs of construction. In order to do so, costs of each type of home were generically provided by the architecture team (with extensive experience in the market and region) in order to assess the financial burden of each project's phase.

Projects of this sort usually rely on a competition between possible interested constructors, that offer their price proposal for the project under development. In this initial stage one can only deduce from past experience what those cost structures will be. Given that the architectural team working directly in the project has extensive experience in the Algarve region, and particularly in projects of this sort, seems reasonable to rely on the architects' suggestive budget for each home at this stage of the planning phase.

Considering the allotment complex's structure, there are several repetitions of projects (houses that are virtually identical), resulting in a total of 4 different architectural projects' typology of lot, which serve as a guidance for the total of 33 lots. Rough estimates of each properties' cost, dependent on the type of repetition to be constructed (cost estimates according to the architectural team) are presented below:

Type A – T4: (180.000€ - 200.000€)
Type B – T4: (190.000€ - 210.000€)
Type C – T4: (200.000€ - 220.000€)
Type D – T5: (230.000€ - 250.000€)

Properties' cost estimates are based on what is expected to be constructed on each lot, and serves as rough estimates for its cost of construction purely relying on the areas and positioning of each lot as references.

Considering also that the project is to be done in phases of more than one lot, the average cost per lot can be positively influenced by economies of scale/scope. These values are estimates given at the end of 2020. Considering more recent evolutions in the costs of inputs and the researched dynamics happening in the construction industry, it seems advisable to consider this level of costs the minimum possible cost for the project.

Applying these valuations to each of the phases/branches of construction, there is the rough cost of each type of property, as highlighted below:

Phase 1: 6 Lots

*6 x Type B (190.000€ - 210.000€)*

Phase 2: 7 Lots

*2 x T4 Type C: (200.0000€ – 220.000€)*

*5 x T4 Type A: (180.000€ - 200.000€)*

Phase 3: 9 Lots

*2x T4 Type C: (200.0000€ – 220.000€)*

*7 x T4 Type A: (180.000€ - 200.000€)*

Phase 4: 11 Lots

*2 x Type D (230.000€ - 250.000€)*

*4 x Type C (200.000€ - 220.000€)*

*1 x Type D (230.000€ - 250.000€)*

*3 x Type A (180.000€ - 200.000€)*

*1 x Type D (230.000€ - 250.000€*

For the purpose of this financial analysis, the cost level to be considered will be the highest point of the range proposed above. Based on this structure, the total minimum cost for the construction of the lots are:

Total cost estimation of project (33 Lots): 7.020.000€

Total cost estimation of project (33 Lots) with VAT (at 23%) included: 8.634.600€

To provide an accurate and rigorous approach to cost accounting, a relative cost variable was computed of € per m2. In order to be consistent with the standards of the industry, the area

taken into account for the purpose of valuation is the useful area of each property (excluding basement, terraces and balconies). Considering this, the estimation of m2 to be built (according to the architecture projections) is 6.373m2 for the entire project, which results in a rough estimate of 1.354€/m2 in construction costs.

Taking the former valuation as benchmark for the lowest possible relative cost for the entire project, and for the purpose of sensitivity analysis, three cost levels were assumed for the project:

*Lowest Cost Level of 1.350€/m2*
*Intermediate Cost Level of 1.600€/m2*
*Highest Cost Level of 1.850€/m2* (see Annex K)

From the conducted research into macro variables and trends, it seems appropriate to provide an over-estimation of input costs, given the current inflationary trends on the construction industry observed in recent periods. The used variations of 250€ are very significant cost increases, thus showcasing the possible radical impact of the current macro dynamics on the construction cost in Portugal, which is considered an insightful variation to base a sensitivity analysis on and understand how changes in the inputs may influence the financial sustainability of the project.

As opposition to these sensible, long-term consistent pricing levels, one is to consider some abnormally high costs of construction, which may be a short-to-midterm reality in the post-pandemic recovery (Friesen, 2021). Logistics disruptions and industrial constraints have no end in sight and are contributing to inflationary dynamics on the inputs of construction, reasons why it is insightful to observe how unusually high levels of costs of construction can influence the project. With this purpose in mind, two new levels of cost were developed:

*Overpriced Cost Level of 2.000€/m2*
*(8%+ increase compared to the Highest Cost Level previously considered)*
*Exhorbitant Cost Level of 2.300€/m2* (see Annex L)
*(24%+ increase compared to the Highest Cost Level previously considered)*

These levels, however unlikely, are to be incorporated in the sensitivity analysis as there is a substantial probability that the current dynamics in the construction industry are a long-lasting

phenomenon. If so, the project's sustainability cannot be compromised and one should gather a clear sense on how these levels may influence the valuation of the business venture.

## 10. Revenues Structure Forecast And Pricing Decisions

Supported by the previous market research, several pricing levels are to be set from which to plan revenue forecasts and positioning for the whole project. A market-oriented approach to valuation is to sustain the whole business plan, not only because it is essential to develop a market-focused implementation, but because the nature of the products being developed (real estate property) requires that we mitigate all foreseeable risks, reasons why we need to base our valuation on realistic market-based pricing levels.

In order to analyze the structural evolution of the project, the aim is to identify three different price points from which to value the products being developed. These three price points are to identify what are considered to be three different approaches to cash flow generation: a *conservative*, an *intermediate* and an *ambitious* pricing strategy.

The fact that pricing decisions are derived from market research guarantees the conformity with the reality of the Algarve market, and enables a sustained valuation approach, not only dependent on the macro dynamics of the market but also on the type of products available for that market, and how they relate to the products to be developed for the project.

Besides the obvious guidelines from which to develop price positionings and commercialization strategies, the pricing points are functional benchmarks from which to compute sensitivity analysis to the project, hopefully highlighting some risks, forecasted cost structures, and margins to assess the financial burden of the project.

The pricing levels from which to forecast revenues for the project are the following:

*Lower Pricing Level - 2.700€/m2:* Computed from comparing old and new construction in the region (revisit Annex G) irrespective of the type of product. The average relative price is close to 2.700€/m2 for new property, 2890€/m2 for old property, and 2.792€/m2 for the combined sample (revisit Annex D). Focusing solely on insights from the dataset for villas (revisit Annex E), the suggestive price for a villa in the typology of these (parking and no swimming pool) should be around 2.870€/m2. Given these values, and the type of product we recognize the 2.700€/m2 level as a possible, risk-averse, minimum pricing level.

*Higher Pricing Level - 3.000€/m2:* Computed from the market research of villas, once again without taking apartments into consideration (revisit Annex E), it is observed that on average, a villa with parking spot prices around to 3.050€/m2 and a villa with swimming pool at around 3.570€/m2. A villa with the specific typology of parking spots and no swimming pool prices at around 2.870€/m2, and considering the beautiful surroundings of the site, a premium over the views and accessibility is to be considered. Given the specificities of the products in development, it seems appropriate to set an ambitious but realistic level of 3.000€/m2 as the upper level of pricing, without taking too much risk in staying "out-of-price". Given the architectural traits, the site and location, there is confidence that the projects have features consistent with premium products that can compete and be valued at this level of pricing.

*Intermediate Pricing Level - 2.850€/m2:* Results as a consequence of the former two. Given the lowest and the highest level of pricing, we develop this pricing alternative as a midpoint between the other two benchmarks.

With these three price points, it is possible to value and plan the project execution, supported by the reality of the Algarve market, and for a time-horizon that is assumed to be long. By carefully deriving a business plan and a valuation for the entire project, the objective is to highlight exactly the constraints needed to be met in order to implement a good execution, at the same time highlighting how different combinations of inputs may impact the long-term sustainability of the business venture.

# 11. Financial Sustainability Analysis

## 11.1. Methodology

Given all the insights and dynamics previously collected, there is sufficient data to produce a financial sustainability analysis that is market-oriented and which translates the several risks and variables researched. For the purpose of financial valuation, the intent is to develop the project in a special purpose company, subsidiary of Tsernagora, which will manage exclusively this project. Initial assets allocated for this special purpose vehicle company are the land site (after public infrastructures are concluded) and cash.

The "funnel" of this financial sustainability analysis is quite extensive and includes the production of sequential Microsoft Excel outputs that allow for an integrated valuation of the business opportunity.

In order to better assess the quality of the analysis, examples are provided (as annexes) to illustrate each of the outputs produced (a consequence of the extensive number of close repetitions of Excel sheets required to perform and evaluate the full model). The produced Excel model allows for the variation of input variables, with the possibility to provide a sensitivity analysis to the entire project valuation, as the model was developed to be adaptative and reflect variations, subject to the conditions/assumptions initially taken, offering insights on how changes in input variables may influence the project's outcome.

Given the multi-year time horizon for project implementation, there is the need to support the analysis on the chronogram which translates the several stages of execution into a complete business plan (revisit Annex H). The chronogram is assumed to be realistic, serving as the foundation for all the financial analysis of the project, and later on as a benchmark for its control. With a clear sense of the many stages of the process, one can anticipate revenues and costs for the whole project.

Technical execution costs are generally administrative costs, project oversight, travelling expenses, and other variable costs which include projects (for both architecture and specialties), licensing costs, taxes, marketing and promotion expenses (revisit Annex J) and excludes properties' construction costs, which are assessed in a separate analysis.

Considering the specific features of the lots, a percentual variation factor should be incorporated in the selling price of properties, reflective of the features of the most premium lots. Revenues estimates are to include this appreciative factor, differentiating the most

premium lots from the rest of the properties (see Annex M). Revenues for each of the lots are dependent on the previously covered estimates for property's selling prices and include this percentual factor variation. To offer a robust analysis, and for sensitivity analysis' purposes, three different estimates of revenues forecasts were used, from the lowest level of 2.300€/m2 (see Annex N), to intermediate level of 2.850€/m2, and up to the highest level of 3.000€/m2 (see Annex O).

Given the architectural projections previously considered, different construction cost levels were computed, offering a realistic, dynamic expectation on the costs of each branch of properties, dependent on the several scenarios for macroeconomic dynamics. Cost levels that range from "normal" scenarios start at the lowest level of 1.350€/m2, through the intermediate level of 1.600€/m2 and the highest level of 1.850€/m2 (revisit Annex K). For abnormal scenarios, levels of costs considered were 2.000€/m2 and 2.300€/m2 for incredibly challenging macro environments (revisit Annex L). Besides the costs directly associated with the construction processes, technical execution costs were proportionally attributed to each of the branches of properties (see Annex P), for the computation of total inventory cost for each branch of properties (total inventory costs are required for the elaboration of income statements as they materialize the concept of cost of goods sold).

With costs and revenues' estimation, there is the need to associate each cost and revenue to the period of execution considered in the chronogram of the project (Annex Q) to then develop an integrated cash flow map for the full-length of the project, considering firstly the quarterly cash flows (see Annex R) and then computing the forecasted cash flow map for the entire project (see Annex S)

Working capital variations include current assets' variations in inventory and cash consumption, and current liabilities account for variations in signals received from clients, to be repaid when properties are delivered (see Annex T).

Financing costs and taxes were computed on a quarterly basis, considering the forecasted structure of cash flows, resulting in an income statement for each period of analysis (see Annex U), which aggregate into an income statement for the full length of project (see Annex V).

On a separate analysis, the maximum required financing is provided as a reference for the financial burden of the project (see Annex W). As observed, operations prior to the start of properties' construction are entirely supported by cash. From 2022 onwards, operations are entirely supported by long-term financing debt, which is assumed to be repaid as soon as possible and using operational cash flow from properties' sales.

Income statement's outputs, along with working capital variations are the required inputs for the discounted cash flows methodology (see Annex X and Annex Y), and provides a net present valuation for the business opportunity. The appropriate discount rate was computed according to the WACC (weighted average cost of capital) methodology, using both data and/or assumptions whenever accurate data was not available.

Sensitivity analysis (see Annex Z) is then developed in accordance with the *15 different business models* supported on the same framework and general assumptions, that manifest variations in input variables of cost (five variations) and pricing level (three variations) . All other assumptions are constant and the structure and timings of the project are assumed to remain the same throughout all 15 different scenarios.

## 11.2. Assumptions

In the computation of each of the outputs mentioned above, some assumptions were taken, which together with data derived from the market sustain the valuation of the project (see Annex AA):

All properties' sale is subject to a 5% fee from real estate agents (VAT included);

VAT over project inputs is considered at 23%;

Costs of construction are not normally distributed throughout the 12 months of construction, and follow a pattern of 35% in first quarter, 35% in second quarter, 20% in third quarter and 10% in the last quarter of construction;

Properties' are to be signaled during construction of lots with a 10% signal of the selling price, considered for cash flow purposes to be received after the first three months of property construction (the start of the second quarter of construction), supported by the intent of customers to tailor some features of the property to their own taste. The remaining of the selling price is to be received when properties are delivered to clients;

Interest over financial debt is considered at 3% a year or 0,75% per quarter;

Total corporate tax rate is 22,5%, considering general corporate tax rate at 21% and municipal tax of 1,5% for the Lisbon municipality (where Tsernagora headquarters are located);

Project costs, licensing fees and taxes are accounted based on feedback from stakeholders and service providers that have previously collaborated in former projects (these are considered sensitive information, reason why costs are not individually mentioned, but are generally

computed and attributed to each phase/branch of project to still offer a realistic perspective without compromising privacy and professional discretion);

Depreciations are not considered. Land is not to be depreciated, and since properties are to be sold as soon as possible after construction, the depreciation on buildings and construction materials should not be materially significant (residential property in Portugal has a life cycle of 50 years, or a 2% depreciation per year);

In the conducted analysis, inflation is impacting all costs besides the first year of project implementation (2021) and the expenses that are incurred to develop licensing and projects. From 2022 onwards, all costs are considered to be inflation-sensitive: from raw materials to taxes and licensing costs for each of the properties. In order to develop a pessimistic scenario, inflation is not impacting selling price for properties;

Public infrastructure costs (costs of all public infrastructure necessary to transform the site from a piece of land to an allotment complex ready to construct property on) are estimated at around 57.272,73€ per lot (considering 1.3M€ for land purchase and 590.000€ for costs of construction) which is to be considered an inventory cost of each of the lots.

Operations prior to 2022 (beginning of construction in lots) are to be entirely supported by cash. From 2022 onwards costs are entirely supported in long-term debt financing (revisit Annex W). There are no accounts payable at the end of each year, assuming weekly payments of construction costs for the entire length of the project. Any cash flow surplus is used primarily to repay long-term debt.

## 11.3. WACC Computation

In order to reach an appropriate weighted average cost of capital (WACC) discount rate, some inputs were collected and/or estimated according to macro statistics and economic forecasts. The data for those input variables is:

- The risk-free rate was considered to be 1,95% as the rating-based default spread for Portugal (Damadoran Website, 2021);
- Unlevered beta of 1,69 for Real Estate Development in Western Europe (Damadoran Website, 2021);
- Total Equity Risk Premium of 4,72% for Western Europe (Damadoran Website, 2021);
- Country Risk Premium of 2,13% for Portugal (Damadoran Website, 2021);
- D/E ratio assumed to be 1;

- Corporate tax rate of 22,5% (Corporate Tax rate of 21% + Municipal tax rate of 1,5%).

These inputs are conservative considering the location of project/company and penalize the project for being on the Portuguese market, as opposed to assuming European benchmarks (both risk-free rate and country risk premium are assuming an implicit level of risk associated with the Portuguese economy rating). Project inputs also account for inflation sensitive cash flows, so there is no need to discount the inflation effect in the computation of the weighted average cost of capital. Using previously researched theoretical frameworks to relate risk and return, a weighted average cost of capital was computed:

Leveraging the Real Estate Development Industry Beta (and assuming a 0.5 debt beta):

- B(l) = 1.69 + (1.69 – 0.5) x 1 x (1 – 0.225) = 2.6123

Levered equity return for Real Estate Development in Western Europe:

- E(Rwe) = 1.95% + 2.6123 x 4.72% = 14.28%

Levered equity return for Real Estate Development in Portugal:

- E(Rpt) = 14.28% + 2.13% = 16.41%

Weighted Average Cost of Capital (WACC):

- WACC = 3% x 0.5 x (1 – 0.225) + 0.5 x 16.41% = 9.37%

## 11.4. Financial Valuation: Sensitivity Analysis

Provided three variations for pricing and five variations for the cost of construction, there were enough scenarios to perform a relevant sensitivity analysis to the project, with variations on the inputs of cost and selling price, but keeping the same structure for project implementation and time-horizon. In total, a set of fifteen business cases scenarios were projected for the entire of the length of the project, considering full project net present valuations, required financial commitments and cash flow generated. The results are highlighted below in Figure 11.4.1.

**MONTENEGRO VILLAGE**

**SENSITIVITY ANALYSIS**: NPV's with Variations in Input Levels and Financial Requirements for Treasury Budget

*Ceteris Paribus (all else constant)*

| **NET PRESENT VALUE**<br>- Discounted CFs;<br>- CFs generated;<br>- Required treasury; | | | **Pricing Strategy (€/m2)** | | |
|---|---|---|---|---|---|
| | | | **Lower Pricing** | **Intermediate Pricing** | **Higher Pricing** |
| | | | **2 700** | **2 850** | **3 000** |
| **Cost of Construction (€/m2)** | **Highest** | **1 850** | **1 234 554,66 €** | **2 126 723,52 €** | **3 018 559,81 €** |
| | Cash-Flow generated: | | 2 418 626,66 € | 3 123 480,23 € | 3 827 472,47 € |
| | Máx. Required Treasury: | | (2 861 110,09) € | (2 330 556,55) € | (2 074 164,77) € |
| | **Intermediate** | **1 600** | **2 837 690,41 €** | **3 727 216,00 €** | **4 614 489,98 €** |
| | Cash-Flow generated: | | 3 772 514,95 € | 4 470 599,97 € | 5 162 850,71 € |
| | Max. Required Treasury: | | (1 822 600,14) € | (1 807 272,05) € | (1 791 943,96) € |
| | **Lowest** | **1 350** | **4 429 949,31 €** | **5 314 569,52 €** | **6 199 560,84 €** |
| | Cash-Flow generated: | | 5 098 502,73 € | 5 783 905,28 € | 6 470 294,90 € |
| | Max. Required Treasury: | | (1 540 379,33) € | (1 525 051,23) € | (1 509 723,14) € |
| **Abnormal Cost of Construction (€/m2)** | **Overpriced** | **2 000** | **157 753,83 €** | **1 163 158,54 €** | **2 056 641,81 €** |
| | Cash-Flow generated: | | 1 511 491,30 € | 2 307 509,83 € | 3 015 088,40 € |
| | Max. Required Treasury: | | (3 879 742,32) € | (3 295 798,82) € | (2 762 122,78) € |
| | **Exhorbitant** | **2 300** | **(2 268 996,21) €** | **(1 155 765,44) €** | **(50 662,07) €** |
| | Cash-Flow generated: | | (636 082,84) € | 308 924,73 € | 1 225 389,04 € |
| | Max. Required Treasury: | | (5 999 626,56) € | (5 385 682,19) € | (4 771 737,82) € |

*Figure 11.4.1. - Sensitivity Analysis (Annex Z): NPV of Project considering variations in cost of construction and pricing along with cash flow generated by the project and maximum required treasury to guarantee execution given each combination of inputs.*

This sensitivity analysis model allows for an insightful adaptative analysis, which offers realistic perspectives on how variations in input costs and pricing decisions can compromise the sustainability of the project and enables the benchmark of levels that guarantee a positive outcome for the investment.

Supported by this analysis, one can conclude on the set of assumptions that need to be met, managed and considered in order to create value and maximize the efficiency of the project. There is also a clear sense of the limitations of the project, mainly associated with an escalation

in construction costs (variable to be managed in accordance) and the boundaries in which the project is sustainable and creates value for Tsernagora.

## 12. Marketing Plan

Considering the challenges and limitations of the project, a strategy for promotion and communication is a key factor to guarantee the success and efficient commercialization of the properties, maximizing its customer perception and pricing potential. With this objective, a marketing plan was developed, designed to support the project's communication and promotion. This framework aligns the key features of the properties, with a strategic approach for its promotion, suitable to each segmented audience, deploying an adaptative strategy that considers the main features of each audience and how to adapt communication efforts to each of the segments. This marketing plan is to support an integrated marketing campaign, based on benchmark strategies from former projects developed by Tsernagora Capital, although adapted to this project, with the objectives of unlocking value and attracting customers, not only in Portugal but from foreign markets as well.

### 12.1. Strategic Analysis

Project's mission: *To provide a residential product that is sensible, sustainable and a high graded property investment, attractive to both locals and international investors alike.*

Product in a statement: *Sustainable, sensible, well-planned properties with excellent construction, accessibility and views, benefiting from good weather all year long and conveniently placed in the heart of Algarve's administrative capital, within a few meters of one of the richest biodiverse natural reservations in Portugal.*

Strategic Objectives

- ⇒ Communicate (attract) and educate potential clients on the specificities of the project;
- ⇒ Generate engagement and positive perception (particularly important on initial phases) so that the properties are recognized as some of the most attractive products in the region;
- ⇒ Create a desire to acquire/live in the properties (turn leads into sales);

⇒ Segment clients and provide a strategic approach to communication, that targets each of the segments effectively, and supports commercial efforts;

⇒ Successfully contribute to the promotion and commercialization of all 33 properties, according to the project's several phases, maximizing its valuations and as a consequence, properties' pricing range.

USP - Unique Selling Proposition:

- Premium location;
- Affordable real estate properties;
- Beautiful surroundings;
- Rich natural biodiversity;
- Attractiveness of the Algarve;
- Different typology of properties;
- Proximity to Faro city center;
- Vast range of goods and services nearby;
- Family-friendly environment;
- Availability of parking in all properties;
- Airport proximity (without noise) is convenient for frequent travelers

## 12.2. Integrated Communication Strategy

Exploring the full promotional potential of the project at an early stage is particularly important, and in order to do so, an integrated communication strategy that aims to attract, educate and retain customers was structured. This communication strategy is to support the entire length of project execution, as it should be implemented with the construction on the first lots. To fully exploit the full potential of the project and offer a premium experience for visiting customers/interested stakeholders, the following materials are required:

*3D Renders*: Virtual models of the properties on-site, providing a visual representation of the finished allotment complex. (Possibility to visualize each home individually as well as the allotment complex as a whole).

*Promotional Video:* Inspirational, emotional video footage highlighting the potential attractiveness of the project, with a special focus on the surrounding areas, the rich biodiversity and landscapes, as well as the convenient, premium location of the project. (30-60 seconds video using both real footage and virtual 3D renders).

*Website:* Provides the main source of information regarding the formal specificities of the project without having to rely on real estate agencies and third party players. Designed to clarify possible doubts and answer questions arising from both on-site visitors and potential customers that have been exposed to online promotional elements of the project or real estate agencies.

Should provide a way for customers to download projects and plants of the properties and possibly signal their interest in a particular lot. The website should also highlight which properties are already purchased (or signaled) and which are still available for purchase (generate a sense of urgency to purchase the desired lot). It should also include a tool to register interested customers for later phases of construction, and offer insights into the construction properties.

*Outdoor - On-site promotion:* on-site poster/outdoor with a compilation of 3D renders and a visual representation of the completed allotment complex, along with an emotional/inspirational statement that communicates the project's specificities and highlights the USPs. The inclusion of a QR Code redirecting customers to the website represents an excellent way to communicate the project and generate inbound traffic from customers who are already on-site without having to rely on real estate agencies and third party players. It is also a way to answer possible questions arising from on-site visitations and create a portfolio of interested clients to promote later stages of the project.

*Social networks' profiles:* serves a more emotional buyer and has the possibility to generate engagement among possible customers that use social networks frequently. On an initial stage, it may be a great medium for promoting the virtual materials (3D renders and promotional videos) as well as on-site shots and the evolution of the lots' construction. On a later stage, it will highlight the environment on the allotment complex and help customers that live in different locations surpass the physical distance and experience (virtually) the properties for sale. It is a great medium to promote inspirational content designed to generate interest and desire to acquire property in the project.

A summary of the integrated communication strategy can be observed in Annex AC.

## 12.3. Segmented Communication Strategy

To better segment the commercial and marketing efforts, the possible target audience was divided into three sub-groups of potential customers (targeting groups):

1. Local population
2. Regular tourists in Algarve who may be looking for a summer holidays' property in the region.
3. Investors interested in real estate investment/Algarve property market (potential migrants or foreign investors looking for a property investment in the region).

An example of a potential *rationale* on how to build a segmented marketing campaign, highlighting how the unique selling propositions can be prioritized, while targeting the three segments of clients differently, is illustrated below:

**A) Local Population:** referring mainly to Faro citizens who may be looking for a property investment to relocate within the region they already live in.

Introduce:

Affordable real estate;

Beautiful surroundings;

Different typology of properties available;

Premium location.

Educate:

Availability of parking in all properties;

Family-friendly environment;

Natural biodiversity.

Non-crucial:

Airport proximity (without noise) is convenient for frequent travelers;

Attractiveness of the Algarve;

Proximity to Faro city center;

Vast range of goods and services nearby.

**B) Tourists:** families and regular tourists in Algarve, both national and foreigners.

*Introduce:*

Beautiful surroundings;

Family-friendly environment;

Premium location;

Proximity to Faro city center.

*Educate:*

Airport proximity (without noise) is convenient for frequent travelers;

Availability of parking in all properties;

Different typology of properties available;

Natural biodiversity;

Vast range of goods and services nearby.

*Non-crucial:*

Affordable real estate;

Attractiveness of the Algarve.

***C)*** **(Foreign) Investors:** individuals or families living abroad, and looking for an investment opportunity in Portuguese real estate. Additional relevant USPs should consider the profile of the investor and its nationality/country of origin. (E.g., public health system, costs of living in Portugal, historical property returns, etc.).

*Introduce:*

Airport proximity (without noise) is convenient for frequent travelers;

Attractiveness of the Algarve;

Beautiful surroundings;

Different typology of properties available;

Premium location;

Natural biodiversity;

*Educate:*

Affordable real estate;

Availability of parking in all properties;

Proximity to Faro city center;

*Non-crucial:*

Family-friendly environment;

Vast range of goods and services nearby.

By assessing the different profiles of clients differently, there is the capability to communicate the project effectively to different audiences, in a relevant manner that reiterates the value added of a property, considering each customers' specific needs and background.

Given the high uncertainty of the macro environment, it is crucial to produce commercial and promotional strategies in order to not be entirely dependent on real estate agencies and other commercial intermediaries. This marketing plan showcases what is considered to be an effective implementation of promotion and communication, through an integrated model that enables Tsernagora Capital to get direct contact from customers, and monitor how the project is being perceived. It is also a tool to position the properties in a premium context, suitable for the vast range of possible customers, therefore exploiting the full pricing potential of the project, contributing to a project implementation that delivers the most optimistic scenarios considered in this business plan.

# 13. Conclusions And Key Takeaways

## 13.1. Project Structure

The general conclusion regarding project execution is that there is a clear sense that the project is sustainable and creates value for both the company and the Faro region. The properties to be developed are projected in accordance with the features that are generally valued by the market, consistent with real estate products in the region and integrate perfectly the surrounding areas, exploiting all the relevant positive features of the site (beautiful surroundings, accessibility, availability of parking, comfort of living, a family-friendly environment, etc.) thus creating an attractive proposal for customers and users, regardless of their nationality or whether the properties are to be first or secondary homes. Given the proximity to the airport and the typology of properties to be developed (which offer features that are generally desirable for the vast majority of families) there is potential for the project to also be attractive for foreign investors, people working abroad or frequent travelers.

Considering that the project is set to develop an entirely new part of Montenegro which is currently unexplored, will be viewed as a relevant investment and an expansion of the parish into an area that is attractive, not only for those living there, but also for citizens of the city of Faro as well as tourists, nature enthusiasts and visitors. The close proximity of Ria Formosa and its rich biodiverse ecosystem will reinforce the importance of the region of Faro and contribute to its regional development through a relevant, attractive proposal to enhance the quality of living in the area.

From the operational stand point, the priority of this business plan was to maximize the value for both customers and stakeholders involved, developing attractive properties that fit efficiently the allotment complex's structure, implementing a townhouse community that fully exploits the surrounding areas.

## 13.2. Financial Sustainability

The fact that project implementation is developed in structural phases reduces the financial burden and risk for all stakeholders, contributing to a sustainable, less-aggressive, easier to manage business model aiming to exploit more valuable pricing levels (less supply of products reduces the potential bargaining power of customers). This phased implementation also reduces

significantly the level of financial commitment required to implement the project which, in the worst case scenario (not taking into account scenarios with negative net present value) should require a financing of 3.879.742€ (revisit Annex Z) to build the equivalent of 33 properties valued (at the lowest considered price of 2.700€/m2) around 16.726.694€ (revisit Annex N). The structure of the project also offers real guarantees for creditors at any stage of the process: there is the possibility to finance construction on lots by offering as collateral properties to be developed at a later stage (empty lots), or finance the lots where construction is to be developed offering the same lots as collateral – similar in concept to a mortgage.

Considering the financial sensitivity analysis performed, there is confidence that, if construction costs are well managed, the project can be a complete "game-changer" for the promotor. In "normal" scenarios of construction costs, the project can generate a cash flow that may range from 2.418.626€ (costs levels at 1.850€/m2 and pricing at 2.700€/m2) up to 6.470.294€ (costs levels at 1.350€/m2 and pricing of 3.000€/m2), resulting in a net present valuation that has the potential to range from 1.234.554€ to 6.199.560€ (revisit Annex Z).

Considering that assets under management of Tsernagora Capital total 5 Million €, this project is a strategic asset for the company and has incredible potential to unlock value and contribute to considerable growth: In the year of 2023 the project could already be contributing with an EBITDA (same as EBIT) of 145.465€ (revisit Annex X) which is to increase to the peak of 399.053€ in 2026, for the most challenging of "normal" scenarios. If a more optimistic scenario of pricing is to be considered (Annex Y), the project could contribute with an EBITDA of 445.231€ in 2023 increasing to an EBITDA of 1.071.319€ in 2026. Considering that Tsernagora's EBITDA for the full year 2020 totaled 553.500€, the project has tremendous potential to be a considerable source of value and growth for the company.

## 13.3. Risk: Construction Costs

It is important to mention that short-term perspectives for the construction industry dynamics are much more challenging than scenarios where the lowest levels of costs of construction considered can be implemented. With economic shocks created by the global pandemic and its aftermath, Portugal is experiencing a researched escalation in the costs of construction, which are still uncertain to have long-term sustainability. At the moment, it certainly poses a risk for the project, and for the construction industry as a whole, requiring

continuous observation in order to assess whether these cost increases are transitory or a new long-term reality.

Worst-case scenario, there may be the need to hold the project's execution for some time until it is possible to understand whether this reality is persistent, or just a short-term shock fueled by short supply of materials, labor and tightening worldwide logistics, which pushed the costs of construction higher. Given the recent global events and logistical challenges, there is a possibility that this evolution in input costs may be reverted back to more reasonable levels, but only time will tell. These macroeconomic dynamics require long-term monitoring before assessing the decision to pursue the venture as proposed, and a considerable focus on the operational management of on-site constructions.

The variable of major importance in the project (and therefore the riskier factor), and that can erode the potential of this business opportunity is precisely the actual construction costs of properties. Considering the sensitivity analysis provided (revisit Annex Z), if costs of construction reach 2.300€/m2, for any of the considered pricing levels, the project yields negative net present valuations, and its long-term sustainability in the format highlighted in this analysis may be in doubt. This negative scenario may require more ambitious pricing to accommodate for unusually costly properties in order for the project to have positive net present valuations given the considered circumstances (and despite generating a positive cash flow of 1.225.389€ for a pricing level of 3.000€/m2).

## 13.4. Risk Mitigation Strategies

On the positive side, considering the conducted market research (revisit Annex E), there are many products in the market with a higher pricing than 3.000€/m2, so there is definitely potential to implement more aggressive and ambitious pricing decisions to accommodate for increased construction costs.

Given the site's location and surroundings, there is confidence that properties will have a premium, luxury status, capable of being valued among the most attractive products in the region, reasons why there is confidence on the project's potential to accommodate higher pricing levels than the ones considered for project sustainability analysis' purposes (which are risk-averse, sensible and not very ambitious).

The features of the properties to be developed are considered capable of adjusting to economic shocks, and customers should value the properties among the most attractive products

available in Faro (despite not being considered ultimate luxury residences for its townhouse structure), so there is the belief that if the market is to adjust to higher valuations, pushed by higher construction costs, the project will also be capable of accommodating higher pricing levels. This possibility is reinforced by the constant appreciation in the valuations of property in Portugal and in Algarve, suggestive of a solid, sustainable demand, consistent with research previously highlighted that signals the long-term desirability of Portuguese real estate, even in an international context.

## 13.5. Final Conclusion On Project Appraisal

In sum, the project's structure is supported on an organic, phased development of properties in a townhouse structure that allows for a considerate, risk-mitigated project execution, reducing the burden and systemic risk along the several stages of the process. This structure can easily accommodate or adapt to different economic scenarios, and still be a very desirable business opportunity to develop some of the best products available in the region for a middle--class income customer/investor/family.

Despite the negative impacts that can occur from the escalation in construction costs, aligning a premium site, with products that are sensibly developed and integrated perfectly within beautiful surroundings, designed to maximize the utility of users, attract the widest possible range of clients and families, and that are still sustainable in a conservative environment, suggests that the project is a profitable, reasonably safe, attractive investment that should therefore be pursued according to this strategic implementation. This structure of project implementation is thought to unlock the full potential of the site, while creating a range of products that are desirable for customers, and offers a realistic, risk-averse, sustainable proposal for Tsernagora Capital to fully explore the capabilities of the asset.

*Based on this structure for project implementation and the conducted research, Tsernagora Capital is advised to pursue and invest in the venture, in the format presented in this analysis, as the several risks associated are considered to be manageable, and the project has great potential to generate considerable growth and enhance the portfolio of self-promoted projects.*

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# 15. Annexes

## Annex A – Drone Photographic Report Of The Site

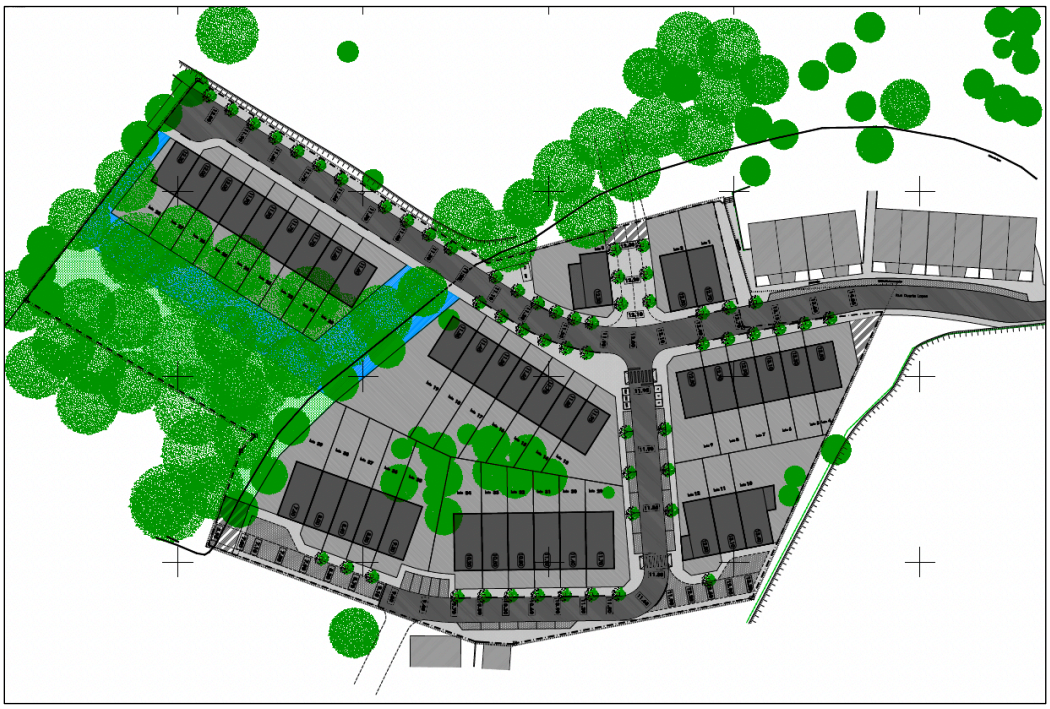


*Annex A.1 - Aerial drone view of site with perimeter of site highlighted.*



*Annex A.2 - Ground level ocean view of properties to be built in Phase 1*

# Annex B – Synthesis Of Licensing Project For Allotment Complex



*Annex B.1 - Architectural Plant Synthesis Of Public Infrastructures' Construction Project*

| Synthesis Of Allotment Properties | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Area (m2) | Max. Implementation Area (m2) | Max. Construction Area (m2) | Number of Floors (Above Ground Level) | Number of Floors (Below Ground Level) | Typology | Parking Spots |
| Lot 1 | 271,3 | 111,7 | 223,4 | 2 | 1 | T4 | 2 |
| Lot 2 | 253,52 | 111,7 | 223,4 | 2 | 1 | T4 | 2 |
| Lot 3 | 368,79 | 146 | 240 | 2 | 1 | T5 | 3 |
| Lot 4 | 272,17 | 94,49 | 188,98 | 2 | 1 | T4 | 2 |
| Lot 5 | 200,68 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 6 | 200,28 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 7 | 199,87 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 8 | 199,47 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 9 | 311,51 | 94,49 | 188,98 | 2 | 1 | T4 | 2 |
| Lot 10 | 460,59 | 128,83 | 240,5 | 2 | 1 | T5 | 2 |
| Lot 11 | 189,25 | 110,9 | 221,8 | 2 | 1 | T4 | 2 |
| Lot 12 | 275,14 | 128,83 | 240,5 | 2 | 1 | T5 | 2 |
| Lot 13 | 345,49 | 94,49 | 188,98 | 2 | 1 | T4 | 2 |
| Lot 14 | 205,59 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 15 | 226,01 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 16 | 246,39 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 17 | 263,01 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 18 | 269,41 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 19 | 608,29 | 94,49 | 188,98 | 2 | 1 | T4 | 3 |
| Lot 20 | 274,02 | 94,49 | 188,98 | 2 | 1 | T4 | 2 |
| Lot 21 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 22 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 23 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 24 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 25 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 26 | 214,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 27 | 210,92 | 88,2 | 176,4 | 2 | 1 | T4 | 2 |
| Lot 28 | 274,54 | 94,49 | 188,98 | 2 | 1 | T4 | 2 |
| Lot 29 | 306,77 | 114,75 | 229,5 | 2 | 1 | T5 | 2 |
| Lot 30 | 207,59 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 31 | 216,66 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 32 | 225,74 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 33 | 234,82 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 34 | 384,46 | 114,75 | 229,5 | 2 | 1 | T5 | 3 |
| Lot 35 | 429,8 | 114,75 | 229,5 | 2 | 1 | T5 | 3 |
| Lot 36 | 258,57 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 37 | 263,84 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 38 | 266,69 | 107,1 | 214,2 | 2 | 1 | T4 | 2 |
| Lot 39 | 359,8 | 114,75 | 229,5 | 2 | 1 | T5 | 3 |
| TOTAL | 10570,5 | 3924,8 | 7763,28 | | | (32 T4 + 7 T5) | 83 |

*Annex B.2 - Synthesis of Lots To Be Developed After Public Infrastructures' Construction (Lots to Be Exchanged Included In Grey Font)*

## Annex C – EXCEL – Annual Inflation Estimation (Forecast, Average Annual Inflation Rate, Aggregate/Compounded Inflation Rate)

| YoY Inflation Rates Forecast | Ir | Avg. Ir | 1+Ir | Aggr. Ir |
|---|---|---|---|---|
| 2021 | 0,0080 | | 1,008000 | 1,008000000 |
| 2022 | 0,0110 | | 1,011000 | 1,019088000 |
| 2023 | 0,0150 | | 1,015000 | 1,034374320 |
| 2024 | 0,0150 | 0,013428571 | 1,0150 | 1,049889935 |
| 2025 | 0,0150 | | 1,0150 | 1,065638284 |
| 2026 | 0,0150 | | 1,0150 | 1,081622858 |
| 2027 | 0,0150 | | 1,0150 | 1,097847201 |

## Annex D – Market Research: Full Sample Descriptive Statistics

| Quantitative Variables | Average | Min | Max |
|---|---|---|---|
| Price (€) | € 648 561 | € 150 000 | € 4 500 000 |
| Gross Area (m2) | 230 | 66 | 524 |
| Price/m2 | € 2 792 | € 912 | € 14 706 |
| Concept Proximity (1 - 5) | 3,44 | 1 | 5 |
| Location Proximity (1 - 5) | 3,93 | 2 | 5 |

| Categorical Variable "Tipology" | Categories | N | % |
|---|---|---|---|
| **Tipology** (A - Apartment, M - Villa, PH - Penthouse) | A - T1 | 4 | 3,17% |
| | A - T2 | 4 | 3,17% |
| | A - T3 | 13 | 10,32% |
| | A - T4 | 1 | 0,79% |
| | M - T1 | 1 | 0,79% |
| | M - T2 | 7 | 5,56% |
| | M - T3 | 47 | 37,30% |
| | M - T4 | 32 | 25,40% |
| | M - T5 | 9 | 7,14% |
| | M - T6 | 3 | 2,38% |
| | M - T7 | 1 | 0,79% |
| | PH - T3 | 2 | 1,59% |
| | PH - T4 | 2 | 1,59% |
| | | 126 | 100,00% |

| Categorical Variable "Parking Spot" | Categories | N | % |
|---|---|---|---|
| **Parking Spot** | Yes | 70 | 55,56% |
| | No | 15 | 11,90% |
| | Garage | 41 | 32,54% |
| | | 126 | 100,00% |

| Categorical Variable "Swimming Pool" | Categories | N | % |
|---|---|---|---|
| **Swimming Pool** | Yes | 56 | 44,44% |
| | No | 70 | 55,56% |
| | | 126 | 100,00% |

# Annex E – Market Research: Analysis Of Villas' Sample

| Quantitative Variables | Average | Min | Max |
|---|---|---|---|
| Price (€) | 743 947 € | 159 000 € | 4 500 000 € |
| Gross Area (m2) | 250 | 66 | 524 |
| Price/m2 | € 2 999 | € 912 | € 14 706 |
| Concept Proximity (1 - 5) | 3,75 | 1 | 5 |
| Location Proximity (1 - 5) | 3,89 | 2 | 5 |

| Categorical Variable "Tipology" | Categories | N | % |
|---|---|---|---|
| Villas | M - T1 | 1 | 1% |
| | M - T2 | 7 | 7% |
| | M - T3 | 47 | 47% |
| | M - T4 | 32 | 32% |
| | M - T5 | 9 | 9% |
| | M - T6 | 3 | 3% |
| | M - T7 | 1 | 1% |
| | | 100 | 100% |

| Categorical Variable "Parking Spot" | Categories | N | % |
|---|---|---|---|
| **Parking Spot** | Sim | 67 | 67,00% |
| | Não | 6 | 6,00% |
| | Garagem | 27 | 27,00% |
| | | 100 | 100,00% |

| Categorical Variable "Swimming Pool" | Categories | N | % |
|---|---|---|---|
| **Swimming Pool** | Sim | 52 | 52,00% |
| | Não | 48 | 48,00% |
| | | 100 | 100,00% |

| Avg. Price of a Villa With Swimming Pool | Average | Min | Max |
|---|---|---|---|
| Price | € 983 228 | € 350 000 | € 4 500 000 |
| Price/m2 | € 3 572 | € 1 339 | € 14 706 |
| Gross Area | 276 | 154 | 524 |
| Concept Proximity | 3,83 | 1 | 5 |
| Location Proximity | 3,90 | 3 | 5 |
| | | N | 52 |

| Avg. Price of a Villa Without Swimming Pool | Average | Min | Max |
|---|---|---|---|
| Price | € 484 726 | € 159 000 | € 1 175 000 |
| Price/m2 | € 2 378 | € 912 | € 4 799 |
| Gross Area | 222 | 66 | 520 |
| Concept Proximity | 3,67 | 2 | 5 |
| Location Proximity | 3,88 | 3 | 5 |
| | | N | 48 |

| Avg. Price of Villa With Parking Spot | Average | Min | Max |
|---|---|---|---|
| Price | € 767 273 | € 159 000 | € 4 500 000 |
| Price/m2 | € 3 046 | € 912 | € 14 706 |
| Gross Area | 253 | 97 | 524 |
| Concept Proximity | 3,81 | 2 | 5 |
| Location Proximity | 3,86 | 2 | 5 |
| | | N | 94 |

| Avg. Price of Villa Without Parking Spot | Average | Min | Max |
|---|---|---|---|
| Price | € 378 500 | € 199 000 | € 710 000 |
| Price/m2 | € 2 261 | € 1 143 | € 3 830 |
| Gross Area | 208 | 66 | 393 |
| Concept Proximity | 2,83 | 2 | 4 |
| Location Proximity | 4,33 | 4 | 5 |
| | | N | 6 |

| Avg. Price of Villa NO Parking + NO Swim | Average | Min | Max |
|---|---|---|---|
| Price | € 319 733 | € 199 000 | € 710 000 |
| Price/m2 | € 2 196 | € 1 143 | € 3 830 |
| Gross Area | 162 | 66 | 393 |
| Concept Proximity | 2,40 | 2 | 4 |
| Location Proximity | 4,13 | 4 | 5 |

| Avg. Price of Villa WITH Parking + NO Swim | Average | Min | Max |
|---|---|---|---|
| Price | € 692 997 | € 150 000 | € 4 500 000 |
| Price/m2 | € 2 872 | € 912 | € 14 706 |
| Gross Area | 239 | 75 | 524 |
| Concept Proximity | 3,59 | 1 | 5 |
| Location Proximity | 3,90 | 2 | 5 |

# Annex F – Market Research: Analysis Of Apartments' Sample

| Quantitative Variables | Average | Min | Max |
|---|---|---|---|
| Price (€) | 281 692 € | 150 000 € | 499 000 € |
| Gross Area (m2) | 150 | 75 | 345 |
| Price/m2 | € 1 995 | € 1 043 | € 3 395 |
| Concept Proximity (1 - 5) | 2,27 | 2 | 5 |
| Location Proximity (1 - 5) | 4,08 | 3 | 5 |

| Categorical Variable "Tipology" | Categories | N | % |
|---|---|---|---|
| Apartments | A - T1 | 4 | 15% |
| | A - T2 | 4 | 15% |
| | A - T3 | 13 | 50% |
| | A - T4 | 1 | 4% |
| | PH - T3 | 2 | 8% |
| | PH - T4 | 2 | 8% |
| | | 26 | 100% |

| Categorical Variable "Parking Spot" | Categories | N | % |
|---|---|---|---|
| **Parking Spot** | Yes | 3 | 11,54% |
| | No | 9 | 34,62% |
| | Garage | 14 | 53,85% |
| | | 26 | 100,00% |

| Categorical Variable "Swimming Pool" | Categories | N | % |
|---|---|---|---|
| **Swimming Pool** | Yes | 4 | 15,38% |
| | No | 22 | 84,62% |
| | | 26 | 100,00% |

| Avg. Price of APT <u>With</u> Swimming Pool | Average | Min | Max |
|---|---|---|---|
| Price | € 339 750 | € 250 000 | € 499 000 |
| Price/m2 | € 2 722 | € 2 252 | € 3 395 |
| Gross Area | 122 | 102 | 147 |
| Concept Proximity | 3,5 | 3 | 4 |
| Location Proximity | 4,25 | 3 | 4 |
| | | N | 4 |

| Avg. Price of APT <u>Without</u> Swimming Pool | Average | Min | Max |
|---|---|---|---|
| Price | € 271 136 | € 150 000 | € 360 000 |
| Price/m2 | € 1 863 | € 1 043 | € 2 475 |
| Gross Area | 156 | 75 | 345 |
| Concept Proximity | 2,05 | 2 | 3 |
| Location Proximity | 4,05 | 4 | 5 |
| | | N | 22 |

| Avg. Price of APT <u>With</u> Garage (or Parking) | Average | Min | Max |
|---|---|---|---|
| Price | € 282 294 | € 150 000 | € 499 000 |
| Price/m2 | € 1 912 | € 1 043 | € 3 395 |
| Gross Area | 161 | 75 | 345 |
| Concept Proximity | 2,35 | 2 | 4 |
| Location Proximity | 4,11 | 3 | 5 |
| | | N | 17 |

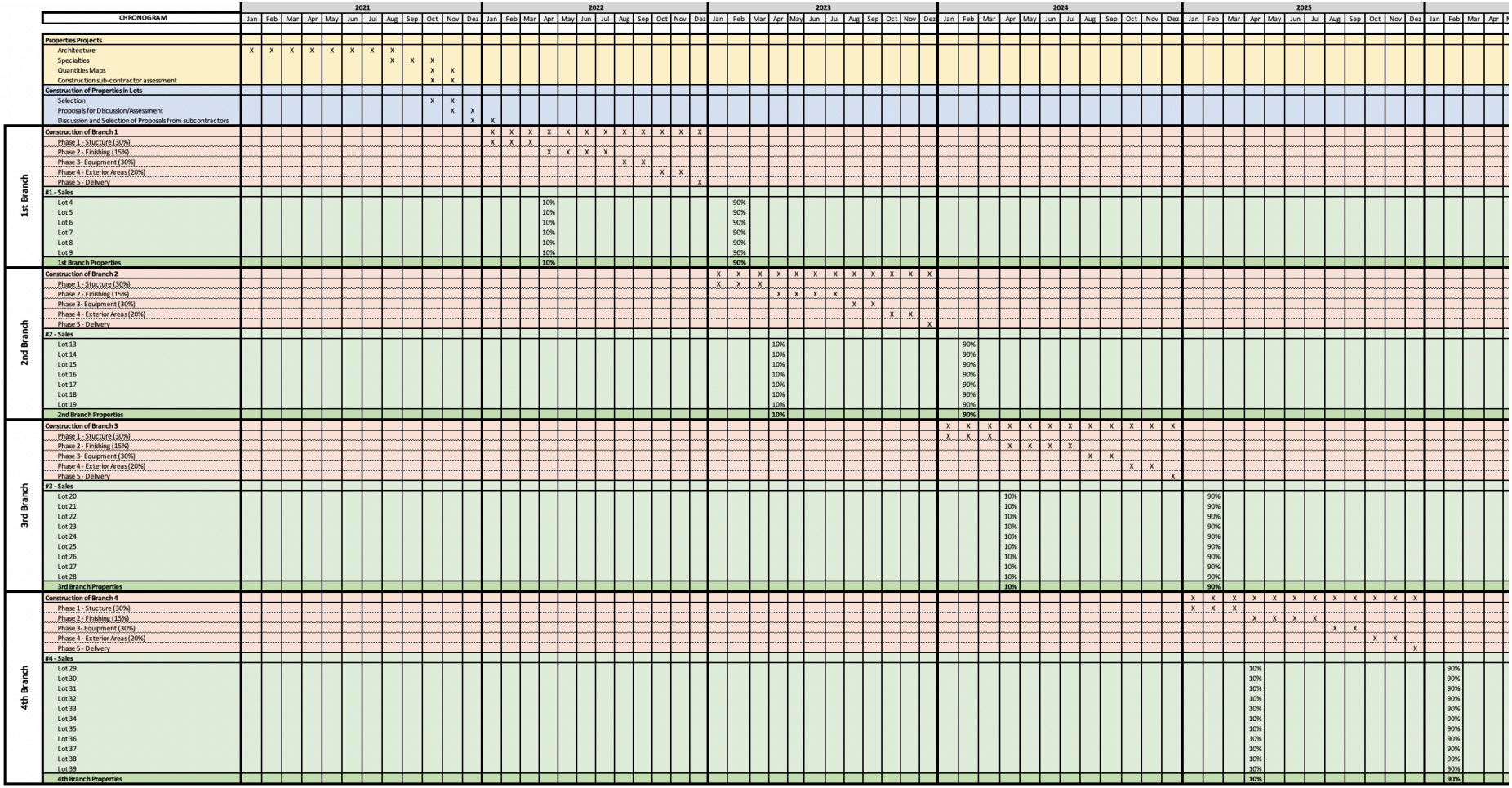
| Avg. Price of APT <u>Without</u> Garage (or Parking | Average | Min | Max |
|---|---|---|---|
| Price | € 280 556 | € 220 000 | € 499 000 |
| Price/m2 | € 2 152 | € 1 895 | € 2 475 |
| Gross Area | 131 | 100 | 156 |
| Concept Proximity | 2,11 | 2 | 3 |
| Location Proximity | 4,17 | 4 | 4 |
| | | N | 9 |

# Annex G – Market Research: New And Old Construction

| NEW + Under Construction VILLAS + PH + APT | Average | Min | Max |
|---|---|---|---|
| Price (€) | € 540 756 | € 150 000 | € 1 790 000 |
| Gross Area (m2) | 193 | 66 | 438 |
| Price/m2 | € 2 714 | € 1 043 | € 5 925 |
| Concept Proximity (1 - 5) | 3,99 | 2 | 5 |
| Location Proximity (1 - 5) | 3,81 | 3 | 5 |
| N | 70 | | |

| OLD + Renovated Construction VILLAS + PH + APT | Average | Min | Max |
|---|---|---|---|
| Price (€) | € 783 317 | € 159 000 | € 4 500 000 |
| Gross Area (m2) | 275 | 92 | 524 |
| Price/m2 | € 2 890 | € 912 | € 14 706 |
| Concept Proximity (1 - 5) | 2,77 | 1 | 5 |
| Location Proximity (1 - 5) | 4,07 | 2 | 5 |
| N | 56 | | |

# **Annex H - EXCEL - Chronogram Of Activities** (Technical Execution, Construction And Sales Forecast)



| | CHRONOGRAM | 2021 | | | | | | | | | | | | 2022 | | | | | | | | | | | | 2023 | | | | | | | | | | | | 2024 | | | | | | | | | | | | 2025 | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dez | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dez | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dez | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dez | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dez | Jan | Feb | Mar | Apr |
| | **Properties Projects** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Architecture | X | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Specialties | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Quantities Maps | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Construction sub-contractor assessment | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **Construction of Properties in Lots** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Selection | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Proposals for Discussion/Assessment | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Discussion and Selection of Proposals from subcontractors | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1st Branch | **Construction of Branch 1** | | | | | | | | | | | | | X | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 1 - Stucture (30%) | | | | | | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 2 - Finishing (15%) | | | | | | | | | | | | | | | | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 3- Equipment (30%) | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 4 - Exterior Areas (20%) | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 5 - Delivery | | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **#1 - Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 4 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 5 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 6 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 7 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 8 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 9 | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **1st Branch Properties** | | | | | | | | | | | | | | | | **10%** | | | | | | | | | **90%** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2nd Branch | **Construction of Branch 2** | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 1 - Stucture (30%) | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 2 - Finishing (15%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 3- Equipment (30%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 4 - Exterior Areas (20%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 5 - Delivery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **#2 - Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 14 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 19 | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **2nd Branch Properties** | | | | | | | | | | | | | | | | | | | | | | | | | | | | **10%** | | | | | | | | | **90%** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3rd Branch | **Construction of Branch 3** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | |
| | Phase 1 - Stucture (30%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 2 - Finishing (15%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 3- Equipment (30%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 4 - Exterior Areas (20%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | |
| | Phase 5 - Delivery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | | | | | | | | | | | | | |
| | **#3 - Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 23 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 24 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 27 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 10% | | | | | | | | 90% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **3rd Branch Properties** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | **10%** | | | | | | | | **90%** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4th Branch | **Construction of Branch 4** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | | | | | | | | | | | | |
| | Phase 1 - Stucture (30%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 2 - Finishing (15%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | X | X | | | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 3- Equipment (30%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | | | | | |
| | Phase 4 - Exterior Areas (20%) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | X | | | | | | | | | | | | | | | | | | |
| | Phase 5 - Delivery | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | X | | | | | | | | | | | | | | | | |
| | **#4 - Sales** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 29 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 30 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 31 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 32 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 33 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 36 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 37 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 38 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Lot 39 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | **4th Branch Properties** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | **10%** | | | | | | | | **90%** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

# **Annex I - Architectural Projects Of Phase 1** (Lots 4, 5, 6,7, 8, 9)

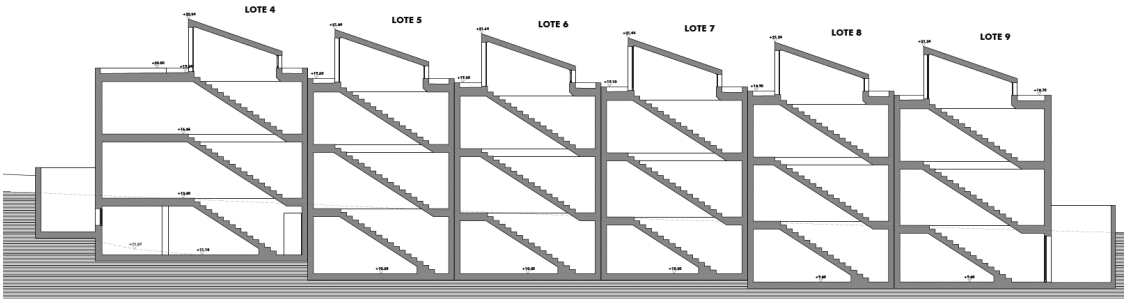



*Figure I.1 - Architectural Projects - Cross view of properties to be built in phase 1.*

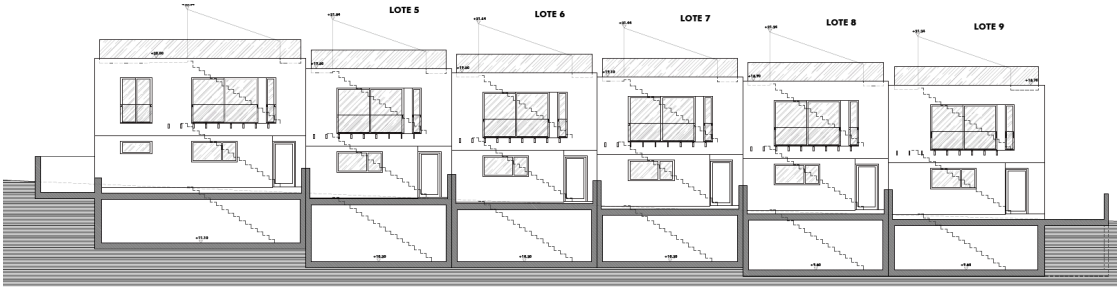



*Figure I.2 - Architectural Projects - Western view of properties to be built in phase 1.*

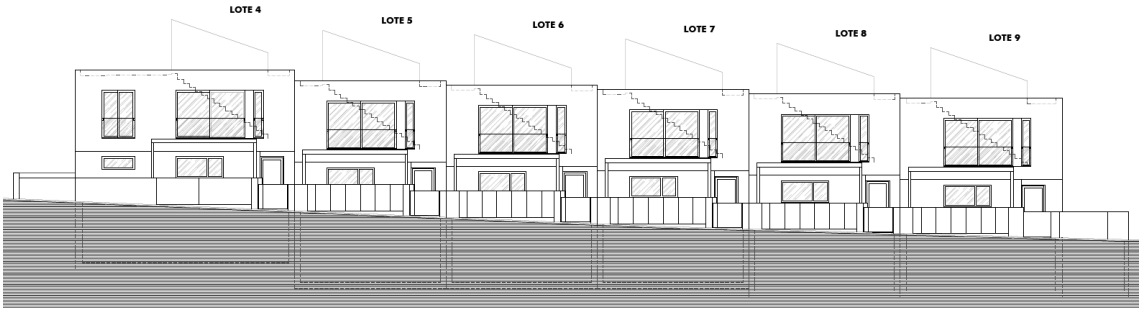



*Figure I.3 - Architectural Projects - Western external public view of properties to be built in phase 1.*

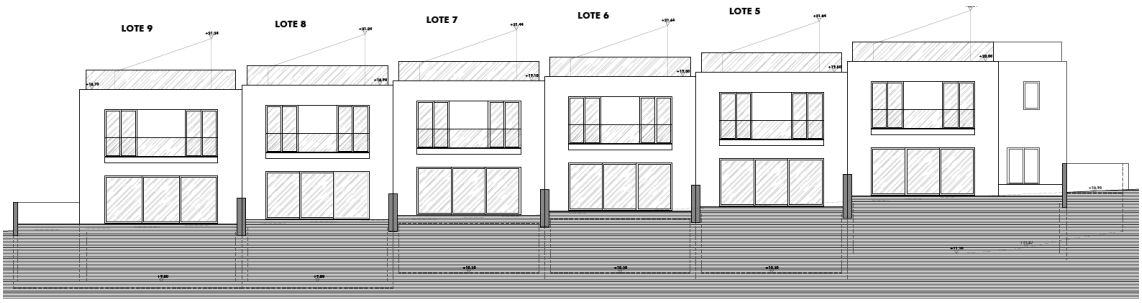



*Figure I.4 - Architectural Projects – Eastern public view of properties to be built in phase 1.*

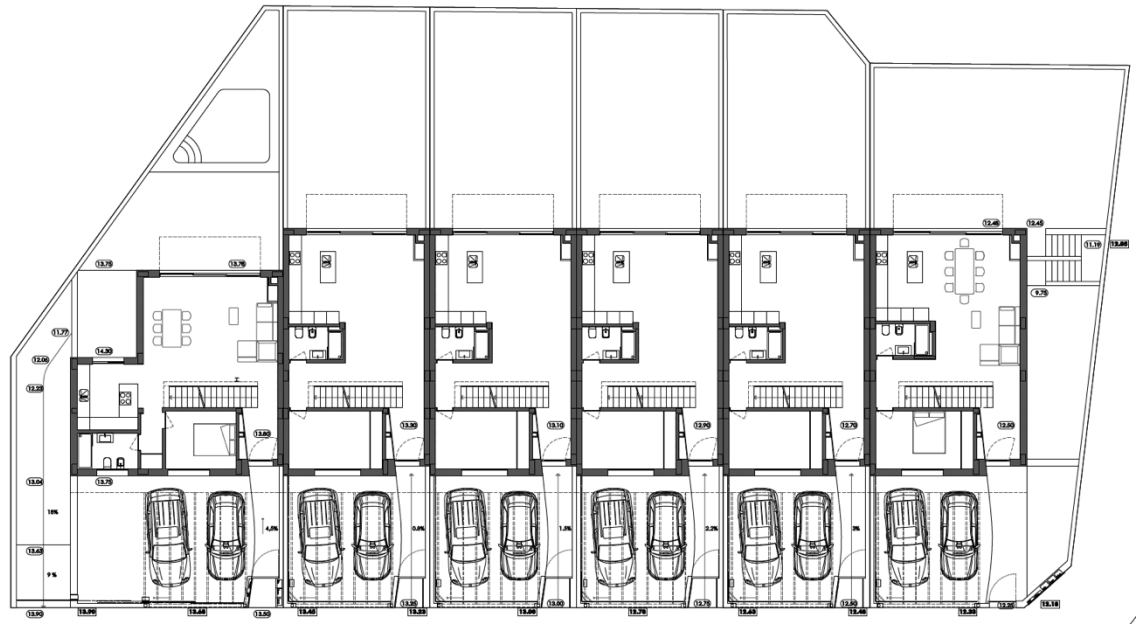


*Figure I.5 - Architectural Projects – Ground floor blueprint for properties to be built in phase 1.*




*Figure I.6 - Architectural Projects - Lot 4: project blueprints of floor levels (Left to right: -1, Ground Floor, First Floor and Terrace*




*Figure I.7 - Architectural Projects - Lots 5, 6, 7 and 8: Project blueprints of floor levels (Left to right: -1, Ground Floor, First Floor, Terrace)*




*Figure I.8 - Architectural Projects - Lots 5, 6, 7 and 8: Project blueprints of floor levels (Left to right: -1, Ground Floor, First Floor, Terrace)*

## Annex J - EXCEL - Cost Structure: Technical Execution

| | - PROJECT COSTS - TECHNICAL EXECUTION | 2021 FY2021 | 2022 FY2022 | 2023 FY2023 | 2024 FY2024 | 2025 FY2025 | 2026 FY2026 | TOTAL Costs 2021-2026 |
|---|---|---|---|---|---|---|---|---|
| Projects | Architecture Projects + Licensing | 14 452,50 | 4 305,00 | 3 690,00 | 3 690,00 | 8 302,50 | - | 34 440,00 |
| | Specialties' Projects | 85 239,00 | - | - | - | - | - | 85 239,00 |
| | Construction License | 12 000,00 | 14 000,00 | 18 000,00 | 22 000,00 | - | - | 66 000,00 |
| | Utilization License | - | 1 800,00 | 2 100,00 | 2 700,00 | 3 300,00 | - | 9 900,00 |
| | Marketing Expenses | 2 000,00 | 2 000,00 | 2 000,00 | 2 000,00 | 2 000,00 | - | 10 000,00 |
| | Other Licenses/Taxes | 1 200,00 | 1 400,00 | 1 800,00 | 2 200,00 | - | - | 6 600,00 |
| Site | General Administratives Costs/Year | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 109 512,00 |
| | Construction Oversight Cost/Year | - | 100 000,00 | 100 000,00 | 100 000,00 | 100 000,00 | 25 000,00 | 425 000,00 |
| | Other Costs | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 36 000,00 |
| | | 139 143,50 | 147 757,00 | 151 842,00 | 156 842,00 | 137 854,50 | 49 252,00 | 782 691,00 |
| | | | | | | | 782 691,00 | |

## Annex K – EXCEL – Cost Accounting: Moderate Construction Costs (Highest Level Considered (1.850€/m2)

| | Gross Area (m2) | Max. Construction (m2) (No Balocny + No Basement) | Typology | Parking | Construction Costs (€) VAT included 1 850,00 € Higher Level |
|---|---|---|---|---|---|
| Lote 4 | 272,17 | 188,98 | T4 | 2 | € 349 613 |
| Lote 5 | 200,68 | 176,4 | T4 | 2 | € 326 340 |
| Lote 6 | 200,28 | 176,4 | T4 | 2 | € 326 340 |
| Lote 7 | 199,87 | 176,4 | T4 | 2 | € 326 340 |
| Lote 8 | 199,47 | 176,4 | T4 | 2 | € 326 340 |
| Lote 9 | 311,51 | 188,98 | T4 | 2 | € 349 613 |
| Lote 13 | 345,49 | 188,98 | T4 | 2 | € 349 613 |
| Lote 14 | 205,59 | 176,4 | T4 | 2 | € 326 340 |
| Lote 15 | 226,01 | 176,4 | T4 | 2 | € 326 340 |
| Lote 16 | 246,39 | 176,4 | T4 | 2 | € 326 340 |
| Lote 17 | 263,01 | 176,4 | T4 | 2 | € 326 340 |
| Lote 18 | 269,41 | 176,4 | T4 | 2 | € 326 340 |
| Lote 19 | 608,29 | 188,98 | T4 | 3 | € 349 613 |
| Lote 20 | 274,02 | 188,98 | T4 | 2 | € 349 613 |
| Lote 21 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 22 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 23 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 24 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 25 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 26 | 214,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 27 | 210,92 | 176,4 | T4 | 2 | € 326 340 |
| Lote 28 | 274,54 | 188,98 | T4 | 2 | € 349 613 |
| Lote 29 | 306,77 | 229,5 | T5 | 2 | € 424 575 |
| Lote 30 | 207,59 | 214,2 | T4 | 2 | € 396 270 |
| Lote 31 | 216,66 | 214,2 | T4 | 2 | € 396 270 |
| Lote 32 | 225,74 | 214,2 | T4 | 2 | € 396 270 |
| Lote 33 | 234,82 | 214,2 | T4 | 2 | € 396 270 |
| Lote 34 | 384,46 | 229,5 | T5 | 3 | € 424 575 |
| Lote 35 | 429,8 | 229,5 | T5 | 3 | € 424 575 |
| Lote 36 | 258,57 | 214,2 | T4 | 2 | € 396 270 |
| Lote 37 | 263,84 | 214,2 | T4 | 2 | € 396 270 |
| Lote 38 | 266,69 | 214,2 | T4 | 2 | € 396 270 |
| Lote 39 | 359,8 | 229,5 | T5 | 3 | € 424 575 |
| TOTAL | 8751,91 | 6373,68 | (32 T4 + 7 T5) | 83 | € 11 791 308 |

## Annex L - EXCEL – Cost Accounting: Abnormal Construction Costs

(Exhorbitant Level (2.300€/m2)

| | Gross Area (m2) | Max. Construction (m2) (No Balocny + No Basement) | Typology | Parking | Construction Costs (€) VAT included 2 300,00 € Higher Level |
|---|---|---|---|---|---|
| Lote 4 | 272,17 | 188,98 | T4 | 2 | € 434 654 |
| Lote 5 | 200,68 | 176,4 | T4 | 2 | € 405 720 |
| Lote 6 | 200,28 | 176,4 | T4 | 2 | € 405 720 |
| Lote 7 | 199,87 | 176,4 | T4 | 2 | € 405 720 |
| Lote 8 | 199,47 | 176,4 | T4 | 2 | € 405 720 |
| Lote 9 | 311,51 | 188,98 | T4 | 2 | € 434 654 |
| Lote 13 | 345,49 | 188,98 | T4 | 2 | € 434 654 |
| Lote 14 | 205,59 | 176,4 | T4 | 2 | € 405 720 |
| Lote 15 | 226,01 | 176,4 | T4 | 2 | € 405 720 |
| Lote 16 | 246,39 | 176,4 | T4 | 2 | € 405 720 |
| Lote 17 | 263,01 | 176,4 | T4 | 2 | € 405 720 |
| Lote 18 | 269,41 | 176,4 | T4 | 2 | € 405 720 |
| Lote 19 | 608,29 | 188,98 | T4 | 3 | € 434 654 |
| Lote 20 | 274,02 | 188,98 | T4 | 2 | € 434 654 |
| Lote 21 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 22 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 23 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 24 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 25 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 26 | 214,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 27 | 210,92 | 176,4 | T4 | 2 | € 405 720 |
| Lote 28 | 274,54 | 188,98 | T4 | 2 | € 434 654 |
| Lote 29 | 306,77 | 229,5 | T5 | 2 | € 527 850 |
| Lote 30 | 207,59 | 214,2 | T4 | 2 | € 492 660 |
| Lote 31 | 216,66 | 214,2 | T4 | 2 | € 492 660 |
| Lote 32 | 225,74 | 214,2 | T4 | 2 | € 492 660 |
| Lote 33 | 234,82 | 214,2 | T4 | 2 | € 492 660 |
| Lote 34 | 384,46 | 229,5 | T5 | 3 | € 527 850 |
| Lote 35 | 429,8 | 229,5 | T5 | 3 | € 527 850 |
| Lote 36 | 258,57 | 214,2 | T4 | 2 | € 492 660 |
| Lote 37 | 263,84 | 214,2 | T4 | 2 | € 492 660 |
| Lote 38 | 266,69 | 214,2 | T4 | 2 | € 492 660 |
| Lote 39 | 359,8 | 229,5 | T5 | 3 | € 527 850 |
| TOTAL | 8751,91 | 6373,68 | (32 T4 + 7 T5) | 83 | € 14 659 464 |

**Annex M – EXCEL – Revenue Estimation: Synthesis Of Properties** (Including An Appreciative Percentage Factor Reflecting Higher Valuation Of Lots That Offer More Premium Features - e.g. Area, Views, Privacy, Location, Solar Exposure)

| Lots | Gross Area (m2) | Max. Construction (m2) (No Balocny + No Basement) | Typology | Phase # | Apreciative Var.% | Product Variant (m2) |
|---|---|---|---|---|---|---|
| **Lot 4** | 272,17 | 188,98 | T4 | | 7% | 180,1 |
| **Lot 5** | 200,68 | 176,4 | T4 | | | 167,5 |
| **Lot 6** | 200,28 | 176,4 | T4 | 1 | | 167,5 |
| **Lot 7** | 199,87 | 176,4 | T4 | | | 167,5 |
| **Lot 8** | 199,47 | 176,4 | T4 | | | 167,5 |
| **Lot 9** | 311,51 | 188,98 | T4 | | 5% | 180,1 |
| **Lot 13** | 345,49 | 188,98 | T4 | | 10% | 180,1 |
| **Lot 14** | 205,59 | 176,4 | T4 | | | 167,5 |
| **Lot 15** | 226,01 | 176,4 | T4 | | | 167,5 |
| **Lot 16** | 246,39 | 176,4 | T4 | 2 | | 167,5 |
| **Lot 17** | 263,01 | 176,4 | T4 | | | 167,5 |
| **Lot 18** | 269,41 | 176,4 | T4 | | | 167,5 |
| **Lot 19** | 608,29 | 188,98 | T4 | | 10% | 180,1 |
| **Lot 20** | 274,02 | 188,98 | T4 | | 5% | 180,1 |
| **Lot 21** | 214,92 | 176,4 | T4 | | | 167,5 |
| **Lot 22** | 214,92 | 176,4 | T4 | | | 167,5 |
| **Lot 23** | 214,92 | 176,4 | T4 | | | 167,5 |
| **Lot 24** | 214,92 | 176,4 | T4 | 3 | | 167,5 |
| **Lot 25** | 214,92 | 176,4 | T4 | | | 167,5 |
| **Lot 26** | 214,92 | 176,4 | T4 | | | 167,5 |
| **Lot 27** | 210,92 | 176,4 | T4 | | | 167,5 |
| **Lot 28** | 274,54 | 188,98 | T4 | | 5% | 180,1 |
| **Lot 29** | 306,77 | 229,5 | T5 | | 5% | 218,1 |
| **Lot 30** | 207,59 | 214,2 | T4 | | | 203 |
| **Lot 31** | 216,66 | 214,2 | T4 | | | 203 |
| **Lot 32** | 225,74 | 214,2 | T4 | | | 203 |
| **Lot 33** | 234,82 | 214,2 | T4 | | | 203 |
| **Lot 34** | 384,46 | 229,5 | T5 | 4 | 5% | 218,1 |
| **Lot 35** | 429,8 | 229,5 | T5 | | 10% | 218,1 |
| **Lot 36** | 258,57 | 214,2 | T4 | | | 203 |
| **Lot 37** | 263,84 | 214,2 | T4 | | | 203 |
| **Lot 38** | 266,69 | 214,2 | T4 | | | 203 |
| **Lot 39** | 359,8 | 229,5 | T5 | | 10% | 218,1 |
| **TOTAL** | **10570,5** | **6373,68** | **(32 T4 + 7 T5)** | | | |

## Annex N – EXCEL – Pricing: Revenue Estimation Considering Lower Level (2.700€/m2)

| Lots | Gross Area (m2) | Max. Construction (m2) (No Balocny + No Basement) | Typology | Phase # | Apreciative Var.% | Product Variant (m2) | Price Levels: 2 700,00 € — Conservative Pricing |
|---|---|---|---|---|---|---|---|
| Lot 4 | 272,17 | 188,98 | T4 | | 7% | 180,1 | 520 308,90 € |
| Lot 5 | 200,68 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 6 | 200,28 | 176,4 | T4 | 1 | | 167,5 | 452 250,00 € |
| Lot 7 | 199,87 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 8 | 199,47 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 9 | 311,51 | 188,98 | T4 | | 5% | 180,1 | 510 583,50 € |
| Lot 13 | 345,49 | 188,98 | T4 | | 10% | 180,1 | 534 897,00 € |
| Lot 14 | 205,59 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 15 | 226,01 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 16 | 246,39 | 176,4 | T4 | 2 | | 167,5 | 452 250,00 € |
| Lot 17 | 263,01 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 18 | 269,41 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 19 | 608,29 | 188,98 | T4 | | 10% | 180,1 | 534 897,00 € |
| Lot 20 | 274,02 | 188,98 | T4 | | 5% | 180,1 | 510 583,50 € |
| Lot 21 | 214,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 22 | 214,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 23 | 214,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 24 | 214,92 | 176,4 | T4 | 3 | | 167,5 | 452 250,00 € |
| Lot 25 | 214,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 26 | 214,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 27 | 210,92 | 176,4 | T4 | | | 167,5 | 452 250,00 € |
| Lot 28 | 274,54 | 188,98 | T4 | | 5% | 180,1 | 510 583,50 € |
| Lot 29 | 306,77 | 229,5 | T5 | | 5% | 218,1 | 618 313,50 € |
| Lot 30 | 207,59 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 31 | 216,66 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 32 | 225,74 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 33 | 234,82 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 34 | 384,46 | 229,5 | T5 | 4 | 5% | 218,1 | 618 313,50 € |
| Lot 35 | 429,8 | 229,5 | T5 | | 10% | 218,1 | 647 757,00 € |
| Lot 36 | 258,57 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 37 | 263,84 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 38 | 266,69 | 214,2 | T4 | | | 203 | 548 100,00 € |
| Lot 39 | 359,8 | 229,5 | T5 | | 10% | 218,1 | 647 757,00 € |
| TOTAL | 10570,5 | 6373,68 | (32 T4 + 7 T5) | | | | 16 726 694,40 € |

## Annex O – EXCEL – Pricing: Revenue Estimation Considering Highest Level (3.000 €/m2)

| Lots | Gross Area (m2) | Max. Construction (m2) (No Balocny + No Basement) | Typology | Phase # | Apreciative Var.% | Product Variant (m2) | Price Levels: 3 000,00 € — Conservative Pricing |
|---|---|---|---|---|---|---|---|
| Lot 4 | 272,17 | 188,98 | T4 | | 7% | 180,1 | 578 121,00 € |
| Lot 5 | 200,68 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 6 | 200,28 | 176,4 | T4 | 1 | | 167,5 | 502 500,00 € |
| Lot 7 | 199,87 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 8 | 199,47 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 9 | 311,51 | 188,98 | T4 | | 5% | 180,1 | 567 315,00 € |
| Lot 13 | 345,49 | 188,98 | T4 | | 10% | 180,1 | 594 330,00 € |
| Lot 14 | 205,59 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 15 | 226,01 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 16 | 246,39 | 176,4 | T4 | 2 | | 167,5 | 502 500,00 € |
| Lot 17 | 263,01 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 18 | 269,41 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 19 | 608,29 | 188,98 | T4 | | 10% | 180,1 | 594 330,00 € |
| Lot 20 | 274,02 | 188,98 | T4 | | 5% | 180,1 | 567 315,00 € |
| Lot 21 | 214,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 22 | 214,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 23 | 214,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 24 | 214,92 | 176,4 | T4 | 3 | | 167,5 | 502 500,00 € |
| Lot 25 | 214,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 26 | 214,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 27 | 210,92 | 176,4 | T4 | | | 167,5 | 502 500,00 € |
| Lot 28 | 274,54 | 188,98 | T4 | | 5% | 180,1 | 567 315,00 € |
| Lot 29 | 306,77 | 229,5 | T5 | | 5% | 218,1 | 687 015,00 € |
| Lot 30 | 207,59 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 31 | 216,66 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 32 | 225,74 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 33 | 234,82 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 34 | 384,46 | 229,5 | T5 | 4 | 5% | 218,1 | 687 015,00 € |
| Lot 35 | 429,8 | 229,5 | T5 | | 10% | 218,1 | 719 730,00 € |
| Lot 36 | 258,57 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 37 | 263,84 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 38 | 266,69 | 214,2 | T4 | | | 203 | 609 000,00 € |
| Lot 39 | 359,8 | 229,5 | T5 | | 10% | 218,1 | 719 730,00 € |
| TOTAL | 10570,5 | 6373,68 | (32 T4 + 7 T5) | | | | 18 585 216,00 € |

**Annex P - EXCEL - Cost Structure: Technical Costs Attributed Per Phase/Branch** (Inventory Costs To Be Considered For The Sale Of Properties)

| | - PROJECT COSTS - TECHNICAL EXECUTION | 2021 FY2021 | 2022 FY2022 | 2023 FY2023 | 2024 FY2024 | 2025 FY2025 | 2026 FY2026 | TOTAL Costs 2021-2026 |
|---|---|---|---|---|---|---|---|---|
| Projects | Architecture Projects + Licensing | 14 452,50 | 4 305,00 | 3 690,00 | 3 690,00 | 8 302,50 | - | 34 440,00 |
| | Specialties' Projects | 85 239,00 | - | - | - | - | - | 85 239,00 |
| | Construction License | 12 000,00 | 14 000,00 | 18 000,00 | 22 000,00 | - | - | 66 000,00 |
| | Utilization License | - | 1 800,00 | 2 100,00 | 2 700,00 | 3 300,00 | - | 9 900,00 |
| | Marketing Expenses | 2 000,00 | 2 000,00 | 2 000,00 | 2 000,00 | 2 000,00 | - | 10 000,00 |
| | Other Licenses/Taxes | 1 200,00 | 1 400,00 | 1 800,00 | 2 200,00 | - | - | 6 600,00 |
| Site | General Administratives Costs/Year | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 18 252,00 | 109 512,00 |
| | Construction Oversight Cost/Year | - | 100 000,00 | 100 000,00 | 100 000,00 | 100 000,00 | 25 000,00 | 425 000,00 |
| | Other Costs | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 6 000,00 | 36 000,00 |
| | | 139 143,50 | 147 757,00 | 151 842,00 | 156 842,00 | 137 854,50 | 49 252,00 | 782 691,00 |
| | | | | | | | 782 691,00 | |

| | - INVENTORIES - COSTS ALLOCATED PER BRANCH | PROJECT General Costs | PHASE 1 6 Properties | PHASE 2 7 Properties | PHASE 3 9 Properties | PHASE 4 11 Properties | PROJECT General Costs | TOTAL Costs FULL PROJECT |
|---|---|---|---|---|---|---|---|---|
| Inventories | Architecture Projects + Licensing | PROJECT LICENSING COSTS | #1 BRANCH INVENTORY PROJECT COSTS | #2 BRANCH INVENTORY PROJECT COSTS | #3 BRANCH INVENTORY PROJECT COSTS | #4 BRANCH INVENTORY PROJECT COSTS | PROJECT CONCLUSION COSTS | |
| | Specialties' Projects | | | | | | | |
| | Construction License | | | | | | | |
| | Utilization License | | | | | | | |
| | Marketing Expenses | | | | | | | |
| | Other Licenses/Taxes | | | | | | | |
| | General Administratives Costs/Year | | | | | | | |
| | Construction Oversight Cost/Year | | | | | | | |
| | Other Costs | | | | | | | |
| | | 34 616,00 | 162 838,50 | 166 138,00 | 175 689,00 | 185 855,00 | 57 554,50 | 782 691,00 |
| | | | | | | | 782 691,00 | |

## **Annex Q - EXCEL – Costs And Revenues Structured With Chronogram** (Real Values/Inflation-Sensitive Costs)

| | | 2021 | | | | 2022 | | | | 2023 | | | | 2024 | | | | 2025 | | | | 2026 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **COSTS** | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Phase # | Other Costs | 6 063 | 14 427 | 31 635 | 87 019 | 31 063 | 31 063 | 31 063 | 54 568 | 31 063 | 31 063 | 31 063 | 58 653 | 31 063 | 31 063 | 31 063 | 63 653 | 31 063 | 31 063 | 31 063 | 44 666 | 31 063 | 6 063 | 6 063 | 6 063 |
| 1 | Lote 4 | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | | | | | | | | | |
| | Lote 5 | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | | | | | |
| | Lote 6 | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | | | | | |
| | Lote 7 | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | | | | | |
| | Lote 8 | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | | | | | |
| | Lote 9 | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | | | | | | | | | |
| 2 | Lote 13 | | | | | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | | | | | |
| | Lote 14 | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | |
| | Lote 15 | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | |
| | Lote 16 | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | |
| | Lote 17 | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | |
| | Lote 18 | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | | | | | |
| | Lote 19 | | | | | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | | | | | |
| 3 | Lote 20 | | | | | | | | | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | |
| | Lote 21 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 22 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 23 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 24 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 25 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 26 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 27 | | | | | | | | | | | | | 114 219 | 114 219 | 65 268 | 32 634 | | | | | | | | |
| | Lote 28 | | | | | | | | | | | | | 122 365 | 122 365 | 69 923 | 34 961 | | | | | | | | |
| 4 | Lote 29 | | | | | | | | | | | | | | | | | 148 601 | 148 601 | 84 915 | 42 458 | | | | |
| | Lote 30 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 31 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 32 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 33 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 34 | | | | | | | | | | | | | | | | | 148 601 | 148 601 | 84 915 | 42 458 | | | | |
| | Lote 35 | | | | | | | | | | | | | | | | | 148 601 | 148 601 | 84 915 | 42 458 | | | | |
| | Lote 36 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 37 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 38 | | | | | | | | | | | | | | | | | 138 695 | 138 695 | 79 254 | 39 627 | | | | |
| | Lote 39 | | | | | | | | | | | | | | | | | 148 601 | 148 601 | 84 915 | 42 458 | | | | |
| | **Construction Costs** | - | - | - | - | 701 605 | 701 605 | 400 917 | 200 459 | 815 824 | 815 824 | 466 185 | 233 093 | 1 044 262 | 1 044 262 | 596 721 | 298 361 | 1 565 267 | 1 565 267 | 894 438 | 447 219 | - | - | - | - |
| | **Total Inventory Costs (with Inflation)** | **Project Licensing :** | | | **34 616** | **Phase 1 Inventory Cost:** | | | **2 208 796** | **Phase 2 Inventory Cost:** | | | **2 582 899** | **Phase 3 Inventory Cost:** | | | **3 316 912** | **Phase 4 Inventory Cost:** | | | **4 963 791** | | | | |
| | **Total Costs of Period (with Inflation)** | **6 063** | **14 427** | **31 635** | **87 019** | **746 653** | **746 653** | **440 226** | **259 895** | **875 998** | **875 998** | **514 341** | **301 774** | **1 128 973** | **1 128 973** | **659 104** | **380 074** | **1 701 110** | **1 701 110** | **986 249** | **524 171** | **33 598** | **6 558** | **6 558** | **6 558** |
| | **TOTAL FY** | | | | **139 144** | | | | **2 193 427** | | | | **2 568 111** | | | | **3 297 125** | | | | **4 912 640** | | | | **53 272** |

| | **REVENUES** | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Lote 4 | | | | | | 52 031 | | | 468 278 | | | | | | | | | | | | | | | |
| | Lote 5 | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | | | | | |
| | Lote 6 | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | | | | | |
| | Lote 7 | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | | | | | |
| | Lote 8 | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | | | | | |
| | Lote 9 | | | | | | 51 058 | | | 459 525 | | | | | | | | | | | | | | | |
| 2 | Lote 13 | | | | | | | | | | 53 490 | | | 481 407 | | | | | | | | | | | |
| | Lote 14 | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | |
| | Lote 15 | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | |
| | Lote 16 | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | |
| | Lote 17 | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | |
| | Lote 18 | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | | | | | |
| | Lote 19 | | | | | | | | | | 53 490 | | | 481 407 | | | | | | | | | | | |
| 3 | Lote 20 | | | | | | | | | | | | | | 51 058 | | | 459 525 | | | | | | | |
| | Lote 21 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 22 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 23 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 24 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 25 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 26 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 27 | | | | | | | | | | | | | | 45 225 | | | 407 025 | | | | | | | |
| | Lote 28 | | | | | | | | | | | | | | 51 058 | | | 459 525 | | | | | | | |
| 4 | Lote 29 | | | | | | | | | | | | | | | | | | 61 831 | | | 556 482 | | | |
| | Lote 30 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 31 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 32 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 33 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 34 | | | | | | | | | | | | | | | | | | 61 831 | | | 556 482 | | | |
| | Lote 35 | | | | | | | | | | | | | | | | | | 64 776 | | | 582 981 | | | |
| | Lote 36 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 37 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 38 | | | | | | | | | | | | | | | | | | 54 810 | | | 493 290 | | | |
| | Lote 39 | | | | | | | | | | | | | | | | | | 64 776 | | | 582 981 | | | |
| | **Total de Receitas c/ Lotes** | - | - | - | - | - | 283 989 | - | - | ########## # | 333 104 | - | - | 2 997 940 | 418 692 | - | - | 3 768 225 | 636 884 | - | - | 5 731 957 | - | - | - |
| | **TOTAL Anual de Receitas** | | | | - | | | | **283 989** | | | | **2 889 008** | | | | **3 416 631** | | | | **4 405 109** | | | | **5 731 957** |

**Annex R– EXCEL – Cash Flow Map/Required Treasury: Budget For Year 2022** (Quarterly Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| | 2022 | | | | |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | FY 2022 |
| **PAYMENTS: OUT- FLOWS** | 746 653,27 | 746 653,27 | 440 225,84 | 259 894,55 | **2 193 426,92** |
| **RECEIVEMENTS: IN-FLOWS** | **-** | **269 789,78** | **-** | **-** | **269 789,78** |
| (+) Property Sales | - | 283 989,24 | - | - | **283 989,24** |
| (-) Sales comission (5% Sales) | - | (14 199,46) | - | - | **(14 199,46)** |
| **CASH FLOW** | (746 653,27) | (476 863,49) | (440 225,84) | (259 894,55) | **(1 923 637,15)** |
| **ACCRUED CASH FLOW** | **(885 796,77)** | **(1 368 260,16)** | **(1 817 704,37)** | **(2 090 188,13)** | **(2 090 188,13)** |
| Corporate Tax Payment | | | | | |
| Interest Payment | (5 599,90) | (9 218,37) | (12 589,21) | (14 632,83) | **(42 040,32)** |
| **NET CASH FLOW** | **(891 396,67)** | **(1 377 478,53)** | **(1 830 293,58)** | **(2 104 820,96)** | **(2 104 820,96)** |

**Annex S – EXCEL – Cashflow Map/Required Treasury: Annual Budget** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|
| | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| **PAYMENTS: OUT- FLOWS** | 139 143,50 | 2 193 426,92 | 2 568 111,46 | 3 297 124,75 | 4 912 639,91 | 53 272,09 | - |
| **RECEIVEMENTS: IN-FLOWS** | - | 269 789,78 | 2 744 557,18 | 3 245 799,74 | 4 184 853,93 | 5 445 359,06 | - |
| (+) Property Sales | | 283 989,24 | 2 889 007,56 | 3 416 631,30 | 4 405 109,40 | 5 731 956,90 | - |
| (-) Sales comission (5% Sales) | | (14 199,46) | (144 450,38) | (170 831,57) | (220 255,47) | (286 597,85) | - |
| **CASH FLOW** | (139 143,50) | (1 923 637,15) | 176 445,72 | (51 325,01) | (727 785,98) | 5 392 086,97 | - |
| **ACCRUED CASH FLOW** | (139 143,50) | (2 090 188,13) | (1 950 032,75) | (2 038 316,88) | (2 829 822,65) | 2 515 934,73 | 2 448 555,66 |
| Corporate Tax Payment | | | | (7 553,17) | (33 322,05) | (22 563,21) | (89 787,01) |
| Interest Payment | | (42 040,32) | (35 239,17) | (32 585,81) | (44 923,66) | - | - |
| **NET CASH FLOW** | **(139 143,50)** | **(2 104 820,96)** | **(1 963 614,41)** | **(2 055 078,40)** | **(2 861 110,09)** | **2 508 413,66** | **2 418 626,66** |

| **CFs Finais de Projeto** |
|---|
| |
| **2 418 626,66** |

**Annex T – EXCEL – Changes In Working Capital** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|
| **Current Assets Variations** | **(139 144)** | **2 208 796** | **30 466** | **333 104** | **1 131 425** | **(3 085 377)** |
| **Cash** | **(139 144)** | **-** | **-** | **-** | **-** | **2 508 414** |
| **Inventories (Properties)** | **-** | **2 208 796** | **30 466** | **333 104** | **1 131 425** | **(5 593 791)** |
| Inventory costs (construction costs) | - | 2 208 796 | 2 582 899 | 3 316 912 | 4 963 791 | - |
| Sold Inventory (land) | - | - | (343 636) | (400 909) | (515 455) | (630 000) |
| Sold Inventory (acc. costs) | - | - | (2 208 796) | (2 582 899) | (3 316 912) | (4 963 791) |
| **Current Liabilities Variations** | **-** | **(269 790)** | **(46 659)** | **(81 308)** | **(207 283)** | **605 040** |
| **Accounts Payable** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Short-term liabilities (10% signal)** | | (269 790) | (46 659) | (81 308) | (207 283) | 605 040 |
| Received signals | - | (269 790) | (316 449) | (397 757) | (605 040) | - |
| Properties Sold | - | - | 269 790 | 316 449 | 397 757 | 605 040 |
| **Var. Working Capital** | **(139 144)** | **1 939 007** | **(16 193)** | **251 796** | **924 142** | **(2 480 338)** |

**Annex U - EXCEL – Income Statement: Example Of Income Statement For Full Year 2023** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| **Pricing:** Conservative (2.700€/m2)<br>**Costs:** Highest Level (1.850€/m2) | 2023 1T | 2T | 3T | 4T | FY2023 | TOTALS Full Project |
|---|---|---|---|---|---|---|
| **Revenues (excl. 5% RE agency)** | 2 697 897,78 | | | | **2 697 897,78** | **15 890 360** |
| **COGS** | (2 552 432,66) | - | - | - | **(2 552 432,66)** | **(14 962 398)** |
| Construction costs | (2 208 796,30) | | | | (2 208 796,30) | **(13 072 398)** |
| Lot | (343 636,36) | | | | (343 636,36) | **(1 890 000)** |
| **Other costs** | - | - | - | - | - | **(92 171)** |
| **EBIT** | **145 465,12** | - | - | - | **145 465,12** | **835 790,90** |
| (-) Interest Expense (3%/year) | (3 101,76) | (7 321,64) | (11 234,11) | (13 581,67) | **(35 239,17)** | **(154 788,96)** |
| **EBT** | **142 363,36** | **(7 321,64)** | **(11 234,11)** | **(13 581,67)** | **110 225,94** | **681 001,95** |
| Corporate Taxes (22,5%) | | | | | **7 553,17** | **153 225,44** |
| **Net Profit** | | | | | **102 672,78** | **527 776,51** |
| (Deductible P/L) - Next years' | | | | | - | |
| Yearly Deduction (Corporate Taxes) | | | | | 76 656,32 | |

**Annex V - EXCEL – Full Project Income Statement** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| **Pricing:** Conservative (2.700€/m2)<br>**Costs:** Highest Level (1.850€/m2) | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | TOTALS |
|---|---|---|---|---|---|---|---|
| **Revenues (excl. 5% RE agency)** | - | - | 2 697 897,78 | 3 164 491,80 | 3 977 571,15 | 6 050 398,95 | **15 890 360** |
| **COGS** | - | - | (2 552 432,66) | (2 983 807,97) | (3 832 366,57) | (5 593 791,08) | **(14 962 398)** |
| Construction costs | - | - | (2 208 796,30) | (2 582 898,88) | (3 316 912,02) | (4 963 791,08) | **(13 072 398)** |
| Lot | - | - | (343 636,36) | (400 909,09) | (515 454,55) | (630 000,00) | **(1 890 000)** |
| **Other costs** | (34 616,00) | - | - | - | - | (57 554,50) | **(92 171)** |
| **EBIT** | **(34 616,00)** | **-** | **145 465,12** | **180 683,83** | **145 204,58** | **399 053,37** | **835 790,90** |
| (-) Interest Expense (3%/year) | - | (42 040,32) | (35 239,17) | (32 585,81) | (44 923,66) | - | **(154 788,96)** |
| **EBT** | **(34 616,00)** | **(42 040,32)** | **110 225,94** | **148 098,02** | **100 280,93** | **399 053,37** | **681 001,95** |
| Corporate Taxes (22,5%) | - | - | 7 553,17 | 33 322,05 | 22 563,21 | 89 787,01 | **153 225,44** |
| **Net Profit** | **(34 616,00)** | **(42 040,32)** | **102 672,78** | **114 775,97** | **77 717,72** | **309 266,36** | **527 776,51** |
| (Deductible P/L) - Next years' | (34 616,00) | (76 656,32) | - | - | - | - | |
| Yearly Deduction (Corporate Taxes) | - | - | 76 656,32 | - | - | - | |

**Annex W – EXCEL – Required Financing** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| | | | | | | |
|---|---|---|---|---|---|---|
| **Acrued CFs** | **(139 144)** | **(2 104 821)** | **(1 963 614)** | **(2 055 078)** | **(2 861 110)** | **-** |
| Long-term Financing (Outstanding Debt) | - | (1 965 677) | (1 824 471) | (1 915 935) | (2 721 967) | - |
| Cash requirements | (139 144) | - | - | - | - | - |

| | |
|---|---|
| **Máx. Necessary Long-term Debt Financing** | **€ 2 721 967** |

**Annex X – EXCEL – Discounted Cash Flow Model: Net Present Value** (Analysis For A Selling Price Of 2.700€/m2 And Cost Level Of 1.850€/m2)

| **NPV: Project Valuation** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
|---|---|---|---|---|---|---|
| **EBIT** | (34 616,00) | - | 145 465,12 | 180 683,83 | 145 204,58 | 399 053,37 |
| (-) Taxes | - | - | 7 553,17 | 33 322,05 | 22 563,21 | 89 787,01 |
| **(=) NOPLAT** | **(34 616,00)** | **-** | **137 911,95** | **147 361,78** | **122 641,37** | **309 266,36** |
| (+) Depreciation | - | - | - | - | - | - |
| **(=) Op. Cash Flow** | **(34 616,00)** | **-** | **137 911,95** | **147 361,78** | **122 641,37** | **309 266,36** |
| (-) CAPEX | - | - | - | - | - | - |
| (-/+) Variations in Working Capital | (139 143,50) | 1 939 006,52 | (16 193,19) | 251 796,12 | 924 141,73 | (2 480 337,52) |
| **Project's Cash Flow** | **(173 759,50)** | **1 939 006,52** | **121 718,76** | **399 157,90** | **1 046 783,11** | **(2 171 071,16)** |
| **Discounted CFs** | **(158 873,09)** | **1 620 999,37** | **93 038,54** | **278 966,39** | **668 906,85** | **(1 268 483,39)** |

| | | |
|---|---|---|
| **NPV** | **€** | **1 234 554,66** |

| | |
|---|---|
| **WACC** | **9,37%** |

**Annex Y – EXCEL – Discounted Cash Flow Model: Net Present Value** (Analysis For A Selling Price Of 3.000€/m2 And Cost Level Of 1.850€/m2)

| **NPV: Project Valuation** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
|---|---|---|---|---|---|---|
| **EBIT** | (34 616,00) | - | 445 231,54 | 532 294,03 | 587 156,93 | 1 071 319,92 |
| (-) Taxes | - | - | 77 383,79 | 116 139,52 | 127 674,90 | 241 046,98 |
| **(=) NOPLAT** | **(34 616,00)** | **-** | **367 847,75** | **416 154,51** | **459 482,03** | **830 272,94** |
| (+) Depreciation | - | - | - | - | - | - |
| **(=) Op. Cash Flow** | **(34 616,00)** | **-** | **367 847,75** | **416 154,51** | **459 482,03** | **830 272,94** |
| (-) CAPEX | - | - | - | - | - | - |
| (-/+) Variations in Working Capital | (139 143,50) | 1 909 029,88 | (21 377,57) | 242 761,90 | 901 110,31 | (853 005,08) |
| **Project's Cash Flow** | **(173 759,50)** | **1 909 029,88** | **346 470,18** | **658 916,42** | **1 360 592,35** | **(22 732,14)** |
| **Discounted CFs** | **(158 873,09)** | **1 595 939,05** | **264 832,47** | **460 508,32** | **869 434,69** | **(13 281,62)** |

| | | |
|---|---|---|
| **NPV** | **€** | **3 018 559,81** |

| | |
|---|---|
| **WACC** | **9,37%** |

**Annex Z - EXCEL – Sensitivity Analysis -** Net Present Valuations, Required Treasury And Cash Flow Generated For Each Combination Of Inputs: Construction Cost (€/m2) And Pricing Strategy (€/m2)

**MONTENEGRO VILLAGE**

**SENSITIVITY ANALYSIS**: NPV's with Variations in Input Levels and Financial Requirements for Treasury Budget

*Ceteris Paribus (all else constant)*

| **NET PRESENT VALUE**<br>- Discounted CFs;<br>- CFs generated;<br>- Required treasury; | | | **Pricing Strategy (€/m2)** | | |
|---|---|---|---|---|---|
| | | | **Lower Pricing** | **Intermediate Pricing** | **Higher Pricing** |
| | | | **2 700** | **2 850** | **3 000** |
| **Cost of Construction (€/m2)** | **Highest** | **1 850** | **1 234 554,66 €** | **2 126 723,52 €** | **3 018 559,81 €** |
| | Cash-Flow generated: | | 2 418 626,66 € | 3 123 480,23 € | 3 827 472,47 € |
| | Máx. Required Treasury: | | (2 861 110,09) € | (2 330 556,55) € | (2 074 164,77) € |
| | **Intermediate** | **1 600** | **2 837 690,41 €** | **3 727 216,00 €** | **4 614 489,98 €** |
| | Cash-Flow generated: | | 3 772 514,95 € | 4 470 599,97 € | 5 162 850,71 € |
| | Max. Required Treasury: | | (1 822 600,14) € | (1 807 272,05) € | (1 791 943,96) € |
| | **Lowest** | **1 350** | **4 429 949,31 €** | **5 314 569,52 €** | **6 199 560,84 €** |
| | Cash-Flow generated: | | 5 098 502,73 € | 5 783 905,28 € | 6 470 294,90 € |
| | Max. Required Treasury: | | (1 540 379,33) € | (1 525 051,23) € | (1 509 723,14) € |
| **Abnormal Cost of Construction (€/m2)** | **Overpriced** | **2 000** | **157 753,83 €** | **1 163 158,54 €** | **2 056 641,81 €** |
| | Cash-Flow generated: | | 1 511 491,30 € | 2 307 509,83 € | 3 015 088,40 € |
| | Max. Required Treasury: | | (3 879 742,32) € | (3 295 798,82) € | (2 762 122,78) € |
| | **Exhorbitant** | **2 300** | **(2 268 996,21) €** | **(1 155 765,44) €** | **(50 662,07) €** |
| | Cash-Flow generated: | | (636 082,84) € | 308 924,73 € | 1 225 389,04 € |
| | Max. Required Treasury: | | (5 999 626,56) € | (5 385 682,19) € | (4 771 737,82) € |

## Annex AA - EXCEL - General Assumptions Considered For Valuation Model

| Commercial Costs | |
|---|---|
| Sales Comission (Real Estate Agency) | 5% |

| Time of Construction of each Home/Branch | 12 Months |
|---|---|

| VATs | 23% |
|---|---|
| VAT - Construction Work | 23% |
| VAT - Services/Technical Inputs | 23% |

| 12 Months for the construction of each "branch" of lots | 1Q | 2Q | 3Q | 4Q |
|---|---|---|---|---|
| Cost Generation of each branch/home | 35% | 35% | 20% | 10% |

| Commercial Plan | Signal | Delivery to Client |
|---|---|---|
| Revenues Generation | 10% | 90% |

| Interest over Financial Debt (3 Months) | 0,750% |
|---|---|

| Corporate Tax Rate (IRC + Derrama Municipal CML) | 22,5% |
|---|---|
| Deductability of Losses from former periods (%) | 70% |

| Corporate Expenses (per Year) - VAT Included | per Trip | Yearly (52 weeks) |
|---|---|---|
| Transportation | | 6 812 € |
| Tolls | 23€*2 | 2 392 € |
| Fuel | 85 € | 4 420 € |
| Other Costs | 100 € | 5 200 € |
| Meals | 120 € | 6 240 € |
| TOTAL Corporate Expenses: General Administrative Costs | | 18 252 € |

| Valuation of Lot (without construction): | | |
|---|---|---|
| Avg. Valuation (per Lot after allotment construction) | € | 57 272,73 |
| Property, Land and Equipment | € | 1 890 000 |
| Land | € | 1 300 000 |
| Montenegro Allotment Project (Infrastructure Costs) | € | 590 000 |

| Debt-to-Equity Ratio (D/E) | 1 |
|---|---|
| Debt | 50 |
| Equity | 50 |

| YoY Inflation Rates Forecast | Ir | Avg. Ir | 1+Ir | Aggr. Ir |
|---|---|---|---|---|
| 2021 | 0,0080 | | 1,008000 | 1,008000000 |
| 2022 | 0,0110 | | 1,011000 | 1,019088000 |
| 2023 | 0,0150 | | 1,015000 | 1,034374320 |
| 2024 | 0,0150 | 0,013428571 | 1,0150 | 1,049889935 |
| 2025 | 0,0150 | | 1,0150 | 1,065638284 |
| 2026 | 0,0150 | | 1,0150 | 1,081622858 |
| 2027 | 0,0150 | | 1,0150 | 1,097847201 |

## Annex AB - Excel Files: Drive

Files for Excel outputs can be extracted and viewed using the URL:

https://drive.google.com/drive/folders/1GlSrh3i06UXsFtGqEGTMzaFWI8rZS20A?usp=sharing

## Annex AC – Marketing Plan – Structure Of An Integrated Communication Strategy

| Project | Strategy | Activities Calendar | Communication Channel | KPI's |
|---|---|---|---|---|
| On-site Promotion | On-site promotion redirects customers to website | During construction, promotion and commercialization of properties. | Outdoor promoting the allotment complex's features and QR code referring potential customers to the website for more information | Visits on company's website, contacts of potential clients, traffic generation |
| Website | Inform and educate using 3D renders and technical information regarding properties' features | During entire project (construction and commercialization) up to delivery of the last property. | Website acts as the main educational tool from which to filter potential clients from those without purchase intent | Traffic, inquiries, e-mails received directly through website's tools |
| Real Estate Agencies | Conventional real estate commercial strategy | RE Agencies follow their own schedule in coordination with the availability of properties | Rely in RE agencies for their promotional and commercial strategies | Referral of clients from RE agencies, appointments for visits, actual sales, reservations, signals received for future purchases |
| Social Media (Instagram and Facebook) | Emotionally influence potential clients and buyers. Promote 3D renders and video footage to generate interest on the properties and refer potential clients to website; Can potentially serve to update buyers on the construction process of properties purchased | *On an initial stage* 3D renders and promotional videos<br><br>*On a secondary stage:* promote real on-site photos and offer updates on the construction stages and/or availability of new properties | Instagram and Facebook | Engagement on social media (likes, comments, etc.), views, traffic to website, inquiries, interactions with customers through social media platforms |