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Turning vision into reality

Devising a visionary business proposition is just the beginning: transforming it into reality requires meticulous research, analysis and planning. Ernst & Young's Masdar project team walk us through the planning process

The first and most fundamental question that must be addressed is whether a market exists for the project.

Market analysis provides an understanding of the demand and supply dynamics, industry and development trends, competition, revenues (rental rates/sales prices), market capture assumptions, and absorption rates (take-up of space) - all key factors to adjust and refine a concept into economic reality.

The results often highlight necessary adjustments to the master plan, such as modifying the development programme and amending the amount and type of space to be built. Timing is also critical to maintaining the competitive edge that may make or break a project.

How does the project fit within your wider strategy?

The second phase of analysis involves evaluating the project to ensure it is aligned with your long-term objectives. Consider how the project fits within your business's wider goals and identify synergies and potential conflicts.

What is the financial feasibility of the project?

In most cases it is essential to determine whether the project will turn a profit. Some projects, however, such as those in the public sector, will not necessarily have this mandate. For example, an infrastructure project may be measured instead by its impact as a catalyst for economic development.

The financial feasibility planning phase includes an assessment of the project's capacity to support debt and provide a return within the expectations of investors. The project's financial feasibility is tested by creating a financial model which takes into consideration the market analysis, capital costs, operating revenues and expenses, and returns on investment. It also provides a mechanism to test alternatives to ensure that the optimal development programme is chosen.

Investment analysis will enable your company to identify the appropriate funding option, such as corporate finance, project finance, joint ventures and public/private partnerships.

How will the project be delivered?

The next step is to look at the nuts and bolts of delivering the project. This phase will identify the activities and processes involved in financing and executing the successful delivery of your project. This includes understanding the steps in the finance-raising process, as well knowledge of the range of services and other resources that are required. This 'big picture' understanding will help develop a step-by-step implementation plan.

If there is a good understanding of the requisite work streams and there is an implementation management plan in place, management and staff will be able to effectively negotiate the commercial and financial terms with partners and lenders, supporting your commercial and financial objectives.

What happens after the project has been delivered?

The final phase is called 'asset-value optimisation'. This looks at potential post-project completion events, such as ownership changes through asset sales or an IPO, financial events such as a restructuring, re-financing or the financing of future expansion, as well as any operational performance enhancements.

This phase will ensure that investor expectations are addressed and that a clear exit plan is in place. This plan will have sufficient flexibility to allow for external influences, such as market changes, new competitors, refinancing, and investor risk.

Each phase of the planning process is focused on enhancing and maximising value

Each phase of the planning process is focused on enhancing and maximising value. Having a well thought-out strategic plan in place from the outset is critical, but it's also important that your plan has the built-in flexibility to be adapted to make your project more attractive to investors and debt financiers. It will also help to attract the high-quality partners that are integral to your project's long-term success and sustainability.

MORE INFORMATION

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