MIT Center for Construction Management
MIT Center for Real Estate
Course 1.961, "E-Commerce and the Internet in Real Estate and Construction"
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Worksheets to Illustrate Economics of Project Cost Savings and Impact on Strategies to Scale Up a Company

These worksheets are for illustration only and do NOT represent the statements of any real company.

Scenario 1 Baseline Case

Pro Forma Single Project Costs for Developer

Site Acquisition		3,500,000			19.6%
Permits, Legal, other		2,500,000			14.0%
Construction Period Interest	10.00%				
months	18	1,200,000			6.7%
Design Fees		700,000			3.9%
Construction Costs					
General Conditions			700,000	7.0%	
Direct Costs					
Material			4,500,000	45.0%	
Labor			4,500,000	45.0%	
Contractor's Job Profit			300,000	3.0%	
Total Construction Cost		10,000,000		100.0%	55.9%
Total Project Cost		17,900,000			100.0%
If Annual Gross Rent =		2,000,000			
Then Ann'l Cash/Cash Return (unleveraged) =		11.17%			

Pro Forma Contractor Income Statement

Assume quantity of projects like this:		10
Duration of projects, from above, months:		18
Revenue		66,666,667
Cost of Work		64,666,667
Gross Income		2,000,000
Sales, General, Administration	1.5%	1,000,000
Net Income Before Tax		1,000,000

There is not much free cash to finance spending on R&D for future initiatives.

Pro Forma Contractor Balance Sheet

Assume Revenue Above		66,666,667
Assume Bonding Required	5.00%	3,333,333
Cash and Accounts Payable		7,888,889
Long Term Assets		1,000,000
Total Assets		8,888,889
Accounts Receivable		5,555,556
Net Worth		3,333,333
Total Liabilities and Net Worth		8,888,889