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 3 Grow the Company

Pro Forma Single Project Costs for Developer

Site Acquisition		3,500,000			20.7%
Permits, Legal, other		2,500,000			14.8%
Construction Period Interest	10.00%				
months	14	904,167			5.3%
Design Fees		500,000			3.0%
Construction Costs					
General Conditions			570,000	6.0%	
Direct Costs					
Material			4,275,000	45.0%	
Labor			4,275,000	45.0%	
Contractor's Job Profit			380,000	4.0%	
Total Construction Cost		9,500,000		100.0%	56.2%
Total Project Cost		16,904,167			100.0%
If Annual Gross Rent =		2,000,000			
Then Ann'l Cash/Cash Return (unleveraged) =		11.83%			

Pro Forma Contractor Income Statement

Assume quantity of projects like this:		20
Duration of projects, from above, months:		14
Revenue		162,857,143
Cost of Work		156,342,857
Gross Income		6,514,286
Sales, General, Administration	2.0%	3,257,143
Net Income Before Tax		3,257,143

Pro Forma Contractor Balance Sheet

Assume Revenue Above		162,857,143
Assume Bonding Required	5.00%	8,142,857
Cash and Accounts Payable		18,457,143
Long Term Assets		3,257,143
Total Assets		21,714,286
Accounts Receivable		13,571,429
Net Worth		8,142,857
Total Liabilities and Net Worth		21,714,286

Note the increas in net worth required in order to bond this work program, assuming that the company can win the work. What is the return on this incremental investment? What might be the source of funds?