

Project: Construction of a Module Wood Houses Manufacturing Factory in Republic Belarus

Project goal: organizing highly efficient manufacturing of wood frame houses of module type, which has no analogues in Republic Belarus, aimed at satisfying the demand for countryside house construction in Republic Belarus. Prompt entering the Belarus market to reach optimal profit level.

Project initiator - **Fast house** Limited Liability Company, founded especially for the practical implementation of the project

The Project envisages acquisition and re-construction of manufacturing premises of 5500 m² (taking into consideration further development), which includes a wood frame house module block manufacturing line and production of accompanying materials and products (metal tiling, ladders etc.)

The current project is worked out grounding on conducted countryside wooden house market research and features the following:

- Living space of the projected houses is 90-200 m². When calculating economic indexes an average house of 120 m² is considered.
- House manufacturing volume of 200 units per year.
- Preliminary value of housing - 320-400 EURO/ m².
- Preliminary profitability of sales 20-25%.
- Planned market sales starting from 500 EURO/ m²

Marketing Concept and Competitive Advantages

Fast house LLC marketing strategy is developed basing on the analysis of Belarus real estate market international practice of frame house manufacturing development. Major target market shall be countryside house construction market of Minsk region and Belarus regional centers, as well as for implementation of State Program of Countryside revival and development.

Competitive Advantages

- Modern technology of module house manufacturing, having no analogues in Republic Belarus, which provides quick house model preparation and allows to take into consideration individual demands of the customers
Technology analogue – **WEINMANN** equipment and **SEMA** software complex all produced in Germany.

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- High efficiency and flexibility of production, system of management and quality control, guarantying complying with existing standards on the one hand and long lifespan of the manufactured houses on the other.
- High demand and practical **absence of competition** in this segment of ready-made countryside houses, manufactured with state-of-the-art technologies.
- Low prime cost and possibility of manufacturing regardless of season and climate conditions.

Advantages of the Project:

- For commercial banks – mortgage financing of house construction is rapidly growing;
- For local authorities – implementation of State Program of Regional, Medium and Small Villages Development for years 2007-2010 (The Decree of the President of Republic Belarus № 265 dated 07.06.2007). Program of Countryside Revival and Development (The Decree of the President of Republic Belarus № 150 dated 25.03.2005)
- For commercial companies – effective business development and satisfying the demand for high-quality and low-cost housing.

General Description and Project Implementation Terms

The Project envisages acquisition and re-construction of manufacturing premises, and installing a production line which shall produce module block houses and accompanying production.

Two shift working hours with a capacity of 16-17 houses per month shall be introduced by IV quarter of 2009. All construction works, purchase, supply and installation of equipment shall be accomplished within 2008 and first quarter of 2009.

Market research shows that there are would-be buyers for such production. If 200 houses a year are produced, the venture shall have orders for 4 years ahead.

Regular (non-discount) finance payback period for the project shall be **4,1 years** (around 49,1 months) from the beginning of the Project implementation. **Dynamic (discount) finance payback period** of the investments (at discount rate 15% a year) shall be **5,0 years** (around 60,2 months). Estimated **investment payback** of the Project is **81%**, which shows high finance security margin of the

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Project in case of construction cost augmentation or decrease of income from house sales.

Investment Project Efficiency Indexes:

Payback Period:	= 60,2 month.
Profitability Index:	= 1,81
Inner Profitability Rate:	= 36,0%
Net Profit Value:	= €2 735 000

Finance security margin of the Project to probable investment rate augmentation / decrease of incomes is 81%, which is higher than expert standard of 15%.

Inner Profitability Rate exceeding discount rate of 15% shows higher efficiency of this investment Project compared to standard profitability of similar projects.

Expenditure Structure

1. Purchase and re-construction of manufacturing premises of 5500-7000 m ² , 9 m height	€2 600 000
2. Purchase, installation and tuning of the equipment	€1 900 000
3. Working assets	€1 800 000
4. Other expenditures (transport, office support, management operation etc.)	€600 000
TOTAL:	€6 900 000

What has been made:

- Market and competitor analysis has been conducted
- Business plan of the Project is elaborated
- Equipment manufacturers analysis has been conducted
- Equipment has been selected (*German manufactured **WEINMANN** equipment and **SEMA** software complex*)
- The Project has been considered by a Belarus bank (Belarus Industrial Bank OSC) and bank guarantee for its implementation is granted.

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- Negotiations with would-be buyers are conducted
- Minsk administration authorities shall provide their support
- Team for the Project implementation has been built up.

Types of frame houses:



Alternative housing offers:



- Gorodishe village, Minsk district.
- Price 155 000 EUR
- Land 22 hundred square meters
- Total space 205 m²