

**RESCUE STRATEGIC PLAN BASED ON INVESTMENT ANALYSIS & FINANCIAL
CONCEPTS, FOR A PROPERTY PROJECT
(CASE STUDY: ANAHEIM VILLA PROJECT, LAKE BUYAN, SINGARAJA, BALI)**

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Abstract- The topic of this final project is how to save Anaheim Villa from bank foreclosures. The investor want to acquire Anaheim Villa in order to continue to operate and improve the income of this Villa, with acquired 80% of the assets of Anaheim Villa and renamed the Anaheim Villa into Brouillard Bali and optimize the land of these Villas. This cooperation is assessed as the most excellent decision for owners of this Villa, this is caused by the owner can be freed from debt to the bank, and can earn passive income by 20% from Brouillard. Business solutions in the estimate by Brouillard Bali are sell with time-sharing method, This method give management a high return. The implementation of sell with time-sharing villa is sell the luxury new unit to the buyer and also manage the villa rent. This solution give the high NPV and IRR number to the investor.

Keywords: Business Property, Time-Sharing, NPV, IRR.

1. Background

The tourist that travel to Bali increase every years, this fact give huge opportunity to join the property investment. Anaheim Villa located in Banjar Asah Panji, Desa Wanagiri, Sukasada, Bedugul, Bali, Indonesia. Placed in front of buyan lake and surroundings by the rain forest, Anaheim Villa is the best choice to escape from the boring routine. Built on the area of 1700 m², Anaheim Villas still have a lot of empty space that can utilized to built more villas and more facility. The using of Anaheim Villa is just about half of all the land.

2. Business Issue

Singaraja is the less popular place among visitors, this is because the number of tourists who visited Bali spent much time at the beach, location of Singaraja is quite far away from the Ngurah Rai airport about 2 hours drive. Lack of promotion of Anaheim Villa gives a negative effect to Anaheim Villas such as low occupancy rate so the management does not have sufficient funds to be able to provide excellent service to visitors, and this is led to bad debts for bank amounted to Rp.4.500.000.000 and Anaheim Villa management is not capable to paid the debt, so Anaheim Villa declared bankrupt. There is a huge opportunity in 2015 making investors interested to rescue Anaheim Villa of foreclosure Bank. Huge opportunity on Singaraja tourism supported by:

1. Location still natural, and not too crowded.
2. Inadequate Ngurah Rai airport.
3. Construction of a new airport in Kubutambahan Buleleng, Bali.

3. Conceptual Framework

The conceptual framework start by looking at the market opportunity, the phenomena of increase tourist that visit Bali, the schedule of low-cost airplane to Bali increase significantly, and also the growth of star-rated hotel in Bali that incredibly high. This phenomena lead people to come and invest in business property in Bali, beside that, the development of new airport in Kubutambahan

Buleleng, Bali become the huge opportunity for Anaheim Villa to back on business. After looking the market opportunity, the second stage is to see the current situation of Anaheim Villa, now the operational activity of rent villa already stop, the competition in Singaraja is not to tight, but the another villa is always full booked for a month in the future, these fact is enough to be the reason for new investor to invest and optimize the Anaheim Villa and bring Anaheim Villa to success. The next step is to make the rescue plan anahaim villa by getting a clear picture of the focus should be on the priority aspects: aspects of finance, business development and technical aspects.

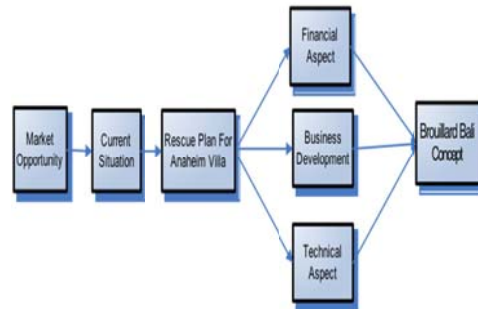


Figure 1. Conceptual Framework

Rescue Plan for Anaheim Villa:

1. Financial Aspect

Calculating the projected income statement that considered will be happened and evaluating all the alternative and scenario that could be happened (Pessimistic, most-likely, and optimistic scenario), and also evaluating by calculate the net present value and internal rate of return of the project. the highest return will lead to the best alternative.

2. Business Development

The land size of Anaheim Villa is 17.000 m², to optimize the land, investor can build 10 new unit of one bedroom villa with the minimalist with the traditional interior and private swimming pool, and can build 7 new villa of two bedroom with private swimming pool with luxury touch. the old building should be renovated also, so all the building looks nice. In addition the name anaheim must replace villa to create new image to visitors.

3. Technical Aspect

Technical aspects describe the steps that must be done to run the project, starting from make the agreement with the owner of Anaheim Villa, design and planning, renovation, marketing stage and construction stage.

4. Business Solution

To select the most appropriate investment strategy to rescue Anaheim Villa, the analysis will be developed into the following scenarios:

1. To get the instant Financial gains by develop and sell.

This alternative give the instant return to the project, without considering about the future of Brouillard Bali.

2. To run a long-term business by sell with time-sharing method.

A timeshare estate conveys a right to occupy, coupled with a freehold estate or an estate for years¹. On this second alternative, Brouillard Bali just sell newly built villa with a time share system which is the inclusion of a second capital of the purchaser for this villa is 30% from the selling price and the rest paid by rental villa for 10 years which will be managed by the management of Brouillard. This transaction involves the Bank Credit system with public housing. On this alternative projection sales villa predicted he will be faster, this is due to the ease offered by Brouillard Bali to the buyer, such as real estate investment system which is

¹YvetteC.Mendez, Timesharing and Realty Interests Under theMartin Act: ConsumerorInvestorProtection?, Volume 17, Issue 41989 Article 3.

easy and cheap and managed by management Brouillard Bali, so this offer became very attractive by the market so that the unit will more quickly predicted villa sold.

Each alternative support by loan to Panin to finance this project.

Cost Of Project & Revenue Projection

1. Initial Investment Budget

Initial investment budget is a fund which is needed to establish cooperation with the owners of the Anaheim Villa that had been bankrupt.

The cost of the initial investment required is as follows:

1. Loan settlement Rp. 4.500.000.000
2. The Cost of the project as stated below.

Table 1. Engineer Estimate

ENGINEER ESTIMATE (EE) REKAPITULASITOTAL			
PROJECT	:	BROUILLARD BALI	
LOKASI	:		
A	PREPARATORY WORK		Rp 486.016.500
B	PROJECT CONSTRUCTION		
	I ONE BEDROOM	10 UNITS	Rp 8.815.727.621
	II TWO BEDROOM	7 UNITS	Rp 9.297.323.077
D	PROJECT RENOVATION		Rp 1.620.000.000
E	SITE DEVELOPMENT		Rp 1.053.500.000
F	FURNITURE	5%	Rp 7.661.926.888
G	ELECTRICITY		Rp 420.000.000
COST OF PROJECT A and G			Rp 29.354.494.086

2. Revenue Projection

The revenue projections are calculated in order to obtain an idea of actual income earned in a specific period according the specific projection.

The necessary data that used to calculate the income projection are:

- Cost of project of Brouillard Bali new building per villa.
- The initial selling price of each new villa.
- Projected sales target Villas.
- Projected revenue from Villa rent every year.

3. Operating Expenditure Projection

In the alternative, sell up and operational costs are 1% of revenue, these costs are estimated for the marketing expense in increased sales.

Operational expenditure assumptions of alternative sell villa and villa is a time-sharing operating cost by 30% of the revenue generated from the operation of the rental of the villa

Financial Analysis

In this two alternative business solutions below, the authors also analyze alternative scenarios that could possibly occur, i.e. the pessimistic, most-likely, as well as optimistic, plus a few choice between using a loan from BTN, Panin Bank or using the private equity as an alternative of financing project.

1. Alternative Solution Business:

Villa development and Sell

Based on the calculation of projected Income Statement, assumptions used are:

- Selling price is increase per year about 10 %
- Operational Cost is about 1% from sales revenue.
- Depreciation cost 3% from building value.
- Development is done in year 0.
- The Transaction funds inflows in 1st year.

Villa sell with Time-Sharing

The assumptions used in this scenario is:

- A year is consider as 340 day.
- Occupancy rate and duration of projected sell new unit villa based on these scenario:
 - Occupancy rate of Pessimistic scenario is 40% in a year, and all unit sold in 3rd year.
 - Occupancy rate of Most-likely scenariois 60% in a year, and all unit sold in 2nd year.
 - Occupancy rate of Optimist scenario is 80% in a year, and all unit sold in 1st.
- Rent price of villa is increase 5% each year.
- The construction is carried out only a single stage i.e. in year 0.

2. Analysis of Solution Business Alternative

Weighted Average Cost of Capital (WACC)

$$WACC = (\text{Cost Of debt} \times \text{Proportion of debt}) + (\text{cost of equity} \times \text{proportion of equity})$$

$$\text{Cost Of Equity} = \text{BI rate} + \text{Beta Unlevered} \times \text{Risk Premium}$$

$$\text{Cost Of Debt} = \text{Interest Rate Panin Loan} \times \text{BI rate 2013} = 5,75\%$$

$$\text{Beta Levered} = 0,9691 \text{ (Damodaran 2013, Property Company in Indonesia).}$$

$$\text{Beta Unlevered} = 0,8714, \text{ Formula: } (\text{Unlevered Beta} = \text{Levered Beta} / [1 + (1 - \text{Tax Rate}) \times (\text{Debt/equity})])$$

Tax rate For Indonesia 25 %.

Table 2. WACC

C. Alternatives Analysis

The analysis of Alternative begin with estimate the project of income statement, the Income statement projection is made using the percent of sales method –a simple method for developing the pro-forma income statement; it forecast sales and then express the various income statement item as percentages of projected sales Gitman (2012;137).

The Table below is the result of the calculation of the above criteria based on three scenarios that may occur, as well as with alternative financing options which could be considered by Brouillard Bali Management. The scenario are Pessimistic, most-Likely, and optimistic scenario.

Table 3. Sell with Time-Sharing

Panin Bank WACC 12,67%			
Sell With Time-Sharing	Pessimistic	Mostlikely	Optimistic
	Rp	Rp	Rp
NPV	(4.098.935.136)	13.217.305.217	17.281.386.571
IRR	32%	33%	32%
ROI	8%	15%	17,20%
ROE	10%	17%	19,81%

Source: Analysis 2013

Table 5. Development and sell

Develop And Sell	WACC 12,67%		
	Optimist Rp	Most-Likely Rp	Pessimist Rp
NPV	(3.596.779.560)	(4.706.382.073)	(4.776.078.534)
IRR	6,10%	5,47%	6,27%
ROI	31,19%	22,11%	17,37%
ROE	35,95%	25,48%	20,02%

Source: Analysis, 2013

Weighted Possibility from alternative of sell and time-sharing villa for all the scenario by using Panin Bank Loan, this calculation based on the trend of willingness of people to own the property in Bali, usually the pessimistic scenario is weighted at 10% from NPV, the most-likely scenario is weighted at 60% from NPV, and the optimistic scenario is weighted at 30% from NPV, so with this calculation, analyst can count the possibility that could most possibly happened in a year.

Table 5. Weighted Possibility of NPV

Most Possible Scenario			
Optimistic	=	30% X Rp	17.281.386.571 Rp
Most-Likely	=	60% X Rp	13.723.521.175 Rp
Pessimistic	=	10% X Rp	(4.098.935.136) Rp
Sum			Rp 13.008.635.162

Source: Analysis, 2013.

Based on the table above the weighted possibility that might be happened for the NPV are Rp. 13.008.635.162. The NPV calculation is higher than 0 , so this Brouillard Bali project is feasible.

Conclusion

From the analysis above the conclusion about Brouillard Bali Project, which are following:

1. Bali is have a huge opportunity in property sector, this is happened because of the tourist that come to Bali is increase every year. This This phenomenon can be seen from the increased occupancy rate of hotel or villa in Bali.
2. Singaraja has a huge potential like Ubud and other popular location in Bali. This opportunity arise because the new airport of Bali in Kubutambahan airport located in Buleleng near Singaraja and also Bali provincial government will build a tool road from north to south Bali.
3. The fact that Anaheim Villa went bankrupt with debts of Rp. 4.500.000.000 with land assets amounting to 17,000 M² and a unique climates from Anaheim Villa location make this acquisition become more attractive. Brouillard Bali management do this acquisition of ownership for majority asset of 80% with a total cost Rp.4.500.000.000. This cooperation, the management of Anaheim Villa position became passive owners who benefit from all the activities of this Villa by 20% per year.
4. The acquisition of Anaheim Villa, make the acquirer should change the name of Anaheim Villa become Brouillard Bali and also improve all the aspect to increase the customer tend to come and stay there, and even participated have new units offered by brouillard.
5. Brouillard Bali will added some extras physical evident to create demand of Brouillard Bali, the example are : to provide the free pick up from airport to villa and so the return at the promotion stage, and after the promotion time Brouillard Bali provide the car rent with a driver to accommodate the tourist travel with lower price than other villa.

6. This project is feasible from the beginning, while the Brouillard Bali management acquired Anaheim Villa. Brouillard Bali just pay for Rp.4.500.000.000 to Anaheim Villa management and get 80% of the total asset of Anaheim Villa which is for the value of land are Rp. 600.000/m², and by getting 80% of 17.000 M², this is mean that Brouillard Bali pay Rp. 4.500.000.000 for Rp. 8.160.000.000 the value of land from Anaheim Villa, the building value is not yet included to the calculation.
7. The funding of this project is from Panin Bank amounted Rp. 4.500.000.000.
8. The time-sharing method allows the target market of Brouillard Bali to have new units built with modern and minimalist design and are equipped with pools at each new unit. Only by paying the down payment amounting to 30% of the selling price, and agree with the mortgagee to bank, the duties of the new owner of this unit has been officially transferred ownership of the units, provided that they are willing to rent out the units for 10 years which will be managed by brouillard management for mortgage payments for 10 years, t hat will be paid by the Brouillard Bali of the results of rental villa for 10 years to the bank for mortgage payment, sell with time-sharing alternative allows owners to occupy this villa for 21 days in 1 year.
9. The weighted NPV that possibly could happened in all year is Rp. 13.008.635.162, with the weighted of possibility of pessimistic 10%, most-likely 60% and optimistic 30%.

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