

**Pre-Feasibility Study**  
**A Multi-Purpose Real Estate Project**  
**The Capital**

April, 2017

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### Amman Governorate



## 1. Executive Summary

This study aims at determining the pre-feasibility of establishing a multi-purpose real estate project in Tla' Al-Ali area, the Capital Governorate, which offers all services such as serviced residential apartments, business offices, restaurants, cafes, swimming pools, parking lots and other services required for the project within a safe and clean environment, due to the need of a particular customers group for a special real estate product that focuses on quality, location and services. The project consists of 19 floors with different areas. The following table shows the project initial indicators.

**Table 1: Initial Indicators of the project:**

<b>Project Name</b>	Multi-purpose real estate project
<b>sector</b>	Service - Real Estate
<b>Governorate</b>	Amman
<b>Region</b>	Mecca Street
<b>Services</b>	<ul style="list-style-type: none"> <li>● Serviced residential apartments with private ownership</li> <li>● Commercial Offices</li> <li>● Restaurants and Cafes</li> <li>● Swimming pools</li> <li>● Fitness Center</li> <li>● Commercial Stores and Shops</li> <li>● Maintenance, cleaning, guarding and horticultural services</li> <li>● Multi-purpose halls</li> <li>● Parking lots</li> <li>● Etc</li> </ul>
<b>Project Description</b>	<p>A multi-purpose real estate project will be established in Tla' Al-Ali area, Amman Capital City, consists of 19 floors in various areas divided into 3 floors. A basement having an area of 4,310 m<sup>2</sup>, 3 floors having an area of 2,615 m<sup>2</sup>, 12 floors with an area of 1,828 m<sup>2</sup>, roof floor with an area of 2,615 m<sup>2</sup>. The total area of the land is around 5,136 m<sup>2</sup>, the built up area is around 43,711 m<sup>2</sup>. In addition, the project will render multi-purpose commercial services.</p> <p>The lease price of the roof and the commercial floors ranges between JD 200 - 250 per m<sup>2</sup> and the sale price of the floors, which are multi-purpose will reach around JD 1,700 per m<sup>2</sup>. The number of employees in the project will reach up to 22 employees.</p>
<b>Target Market</b>	<ul style="list-style-type: none"> <li>● High income Jordanian within Jordan.</li> <li>● High income expatriate Jordanians.</li> <li>● Arab and foreign residents and tourists of high income.</li> </ul>
<b>Investment Cost</b>	The investment cost of the project is JD 28 million.
<b>The Average Return on Investment</b>	The average return on investment during the five years is around 18.9%.

<b>Internal Rate of Return</b>	The Internal Rate of Return of the project is around 33%.
<b>Average Added Value of the Project</b>	The value Added of the project within five years is around JD 5.09 million.
<b>Risk Assessment</b>	The Sensitivity Analysis indicates a low risk in case of 10% increase in investment cost, or 10% increase in operating costs, or 10% decrease in revenues.
<b>The Project Justifications</b>	<ul style="list-style-type: none"> <li>• A specific category of the community needs a specific real estate product that concentrates on the quality, location, and services.</li> <li>• Manpower employment.</li> </ul>
<b>Partners/ Stakeholders</b>	<ul style="list-style-type: none"> <li>• Ministry of Industry &amp; Trade.</li> <li>• Greater Amman Municipality.</li> </ul>

## 2. The Macroeconomic Environment

### 2.1 An Overview of the Hashemite Kingdom of Jordan

The Hashemite Kingdom of Jordan is a landlocked country surrounded by land except at its southern extremity at the port of Aqaba, where that area is the only sea exit area in Jordan. The Kingdom is bordered at its west side by Palestine and the Mediterranean Sea, at its south and east by the Kingdom of Saudi Arabia, at north east by Iraq and at north by Syria.

Figure1 : Map of the Hashemite Kingdom of Jordan



Jordan is marked by three climatic zones from west to east including the Jordan Valley, most of which lies below sea level and is considered subtropical, and upland areas to the east of the Jordan Valley, ranging in height from 100 to 1500 meters above sea level and this is one of the areas dominated by Mediterranean climate, and the desert areas stretching to the east of the highlands.

The total area of the Kingdom is approximately 89.3 thousand square kilometers, and the semi-desert conditions prevail in over 80% of this area where there are some wet lands settings like Azraq Basin.

The kingdom is divided administratively into twelve governorates distributed into three regions: the Northern Region (includes the governorates of Irbid, Mafraq, Jerash and Ajloun) while the Central Region (includes the governorates of the capital, Zarqa, Balqa, Madaba) and the Southern Region (includes the governorates of Karak, Tafila, Ma'an, Aqaba), and the major cities are Amman (the capital), Zarqa and Irbid.

## 2.2 Population

Based on the General Census of Population and Housing in 2015, the population in the kingdom amounted to about 9.5 million people with a population density of 107.3 inhabitants per km<sup>2</sup>, where the Capital City knocked off other governorates by population amounting to about 4 million people and a population density of 538.8 inhabitants per km<sup>2</sup>, mainly because Amman is the most attractive governorate for Jordanians and for those coming to Jordan from other countries, followed by Irbid Governorate with a population of 1.8 million people, and then Zarqa Governorate with a population of 1.4 million. Tafila Governorate which is considered to be the least populous governorate whose population is about 96 thousand people.

**Table 2: Number of population and population density in the Kingdom for 2015**

Governorate	Population (people)	Area (Km <sup>2</sup> )	Population density (people/ km <sup>2</sup> )
<b>Central Region</b>			
Capital	4007526	7,579	528.8
Zarqa	1364878	4761	286.7
Balqa	491709	1120	439.0
Madaba	189192	940	201.3
<b>North Region</b>			
Irbid	1770158	1572	1126.1
Mafraq	549948	26551	20.7
Jerash	237059	410	578.2
Ajloun	176080	420	419.2
<b>Southern Region</b>			
Karak	316629	3495	90.6
Tafeileh	96291	2209	43.6
Maan	144082	32832	4.4
Aqaba	188160	6905	27.2
<b>Total of Kingdom</b>	<b>9531712</b>	<b>88793.5</b>	<b>107.3</b>

Source: Department of Statistics, Jordan General Population and Housing Census, 2015

On the other hand, the population growth rate has reached about 3% in 2010 and increased to 9% during the years 2013 and 2014 and then dropped a little during 2015 to reach about 8%, according to demographic surveys for the Department of Statistics. The reason for the high growth rates is attributed to the influx of large numbers of refugees from Syria to the Kingdom which resulted in a marked decline in per capita real GDP index by 5.4% to JD 1,197.4, based on the Statements of the Central Bank of Jordan.

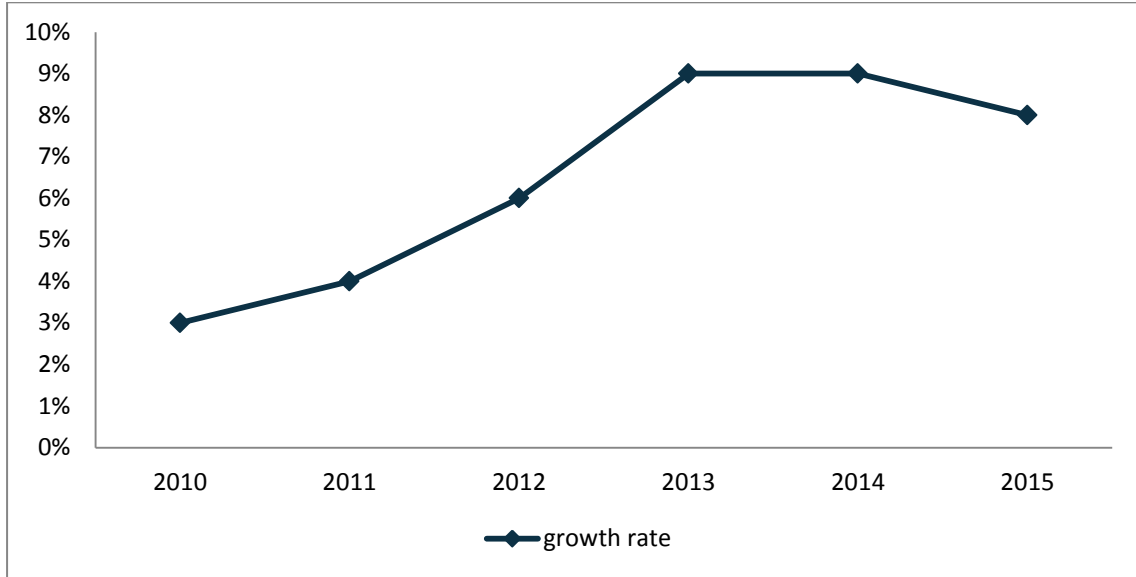
The unemployment rate among Jordanians also witnessed a rise by 1.1 percentage to reach to 13%, due to the structural imbalances that the labor market is suffering from and the acquisition of the low-paid foreign workers on a large number of new jobs in the economy, according to the Central Bank of Jordan.

**Table 3: Number of population and population growth in the Kingdom, thousand**

	2010	2011	2012	2013	2014	2015
population	6698.0	6993.0	7427.0	8114.0	8804.0	9531.7
growth rate	%3	%4	%6	%9	%9	%8

Source: Department of Statistics

**Figure 2: population growth rate in the Kingdom**





### 2.3 Economic Indicators in the Kingdom <sup>1</sup>

Countries across the Middle East are still suffering from instability and closure or partial closure of borders; including the borders of important markets for the Kingdom's products. These factors led to a decline in the performance of many of the economic sectors, including the external sector, national exports, touristic income, and Foreign Direct Investment (FDI), and they contributed to a slowdown in the economic growth to about 2.4% in 2015, compared to 3.1% in 2014. The growth achieved in 2015 came from growth across several economic sectors, especially in the finance, insurance, and real estate services; the transport, storage, and communications services; the mining industry; the manufacturing industry; and the agriculture sector. These sectors contributed a combined 1.8 percentage points (or 75%) of the growth rate achieved during 2015, reflecting the diversity of the economic growth sources in the Kingdom.

Additionally, the general price level registered a decline in the prices of oil, commodities, and other related services in the global markets. Therefore, the general price level, measured by the relative change in the average consumer price index deflated by 0.9% in 2015, compared to the inflation of 2.9% in 2014.

The budget deficit, after aid, increased by 1.2% to a record 3.5% of GDP, compared with 2.3% in the previous year. In addition, the Balance of Payments' Current Account recorded a deficit of 8.9% of GDP, compared with 7.3% in 2014. At the end of 2015, the net public debt amounted to 22,847.5 million Jordanian Dinars (85.8% of the GDP), with an increase of 5.0% of the GDP. However, the total public debt reached 24,876.5 million Jordanian Dinars (93.4% of GDP). This increase resulted from financing both the general budget deficit and the guarantees for loans for the National Electricity Company and the Water Authority, as well as the slowdown of economic growth during 2015. The indebtedness of the National Electricity Company and the Water Authority recorded 6.7 billion Jordanian Dinars at the end of 2015.

On the monetary and banking front, most monetary indicators experienced positive development in performance in 2015, primarily in the Central Bank's foreign reserves, which maintained comfortable levels that amounted to about \$14.2 billion. The dollarisation rate decreased, which reflected positive demand for Jordanian Dinars in comparison to other major foreign currencies. With regards to the activities of licensed banks, the outstanding balance of credit increased by 9.5%, to reach 21,103.5 million Jordanian Dinars at the end of 2015. The total deposits registered with licensed banks increased by 7.7%, to reach 32,598.5 million Jordanian Dinars at the end of 2015. The increase in deposits came as a result of the high dinar deposits, which increased by 2,001.4 million Jordanian Dinars (8.3%), and higher foreign currency deposits, which increased by 336.1 million Jordanian Dinars (5.4%).

Furthermore, many of the external sector indicators registered a drop in performance in 2015 due to the deepening instability in the region and almost full closure of the borders

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<sup>1</sup> The Central Bank of Jordan

with Iraq and Syria. However, the drop in oil prices in the global markets contributed to the decline in the Kingdom's imports bill for energy, as it dropped by 40.6%, which in turn contributed to a decline in total imports and the trade deficit by 11.4% and 14.0%, respectively. Thus, the Current Account, excluding aid, declined to 11.9% of GDP, compared to 12.4% in 2014.

The Current Account deficit increased after aid, to reach 2,365.6 million Jordanian Dinars (8.9% of GDP) in 2015, compared with a deficit of 1,851.7 million Jordanian Dinars (7.3% of GDP) in 2014. This decline is due mainly to the decline in total exports by 6.6% and the decline in surplus in the services account by 27.7%, as touristic income decreased by 7.1%, and the decline in the surplus in the current transfers account decreased as a result of reduced foreign aid.

Capital and financial accounts resulted in a net inflow of 1,593.7 million Jordanian Dinars in 2015, compared to 909.0 million Jordanian Dinars in 2014; this was due to the Kingdom's higher net obligations towards the outside world. Foreign Direct Investment registered a net inflow of 909.4 million Jordanian Dinars, and the reserved investment registered an inflow of 918.4 million Jordanian Dinars due to the Kingdom issuing Eurobonds that are worth \$2.0 billion in the global markets. The withdrawal of bank loans on behalf of the Central Bank increased the use of funds from the International and Arab Monetary Funds by 543.3 million Jordanian Dinars. This led to the registration of a surplus in the overall Balance of Payments of 328.7 million Jordanian Dinars during 2015, compared to a surplus of 1,550.7 million Jordanian Dinars during 2014.

According to the Central Bank of Jordan, the increased international investment at the end of 2015 showed an increase in the external net liabilities of the Kingdom, which reached 24,357.5 million Jordanian Dinars, compared with 22,578.8 million Jordanian Dinars at the end of 2014. This was due to an increase in the external balance of assets and financial liabilities for all of the economic sectors in the Kingdom, which reached to 18,657.9 million Jordanian Dinars and 43,015.5 million Jordanian Dinars, respectively, during 2015.

**Table 4: main economic indicators 2011 to 2015 in millions of dinars**

	2011	2012	2013	2014	2015
<b>Population (millions)</b>	6.993	7.427	8.114	8.804	9.532
<b>Unemployment rate</b>	12.9	12.2	12.6	11.9	13.0
<b>Production and Prices</b>					
GNP at current market prices	20,288.8	21,690.0	23,611.2	25,141.2	26,289.6
GDP at current market prices	20,476.6	21,965.5	23,851.6	25,437.1	26,637.4
The rate of growth in GDP at constant market prices (%)	2.6	2.7	2.8	3.1	2.4
The total national disposable income at current prices	23,743.5	24,774.9	28,424.5	30,302.1	30,234.7
The rate of growth in gross national disposable income at current prices (%)	4.7	-0.2	8.6	3.1	-2.4
Change in the index of consumer prices (%)	4.2	4.5	4.8	2.9	-0.9
The change in the GDP deflator (%)	6.4	4.5	5.6	3.4	2.3
<b>Money and Banking</b>					
Exchange rate of the Jordanian dinar to the US dollar	1.410	1.410	1.410	1.410	1.410
Money supply (P2)	24,118.9	24,945.2	27,363.4	29,240.4	31,605.5
Net foreign assets of the banking system	9,370.1	6,665.5	6,923.4	7,932.3	8,137.3
Net domestic assets of the banking system	14,748.8	18,279.7	20,440.0	21,308.1	23,468.2
Net debt of the government	6,701.4	9,461.3	10,494.8	10,473.9	11,386.4
Private sector debts (Residents)	14,925.0	15,953.6	17,222.5	17,852.8	18,704.5
Other factors <sup>(1)</sup>	-6,877.6	-7,135.2	-7,277.3	-7,018.5	-6,622.7
Deposits in dinars at licensed banks	19,119.1	17,711.1	21,003.0	24,013.1	26,014.5
Foreign currency deposits at licensed banks	5,258.8	7,258.6	6,590.2	6,247.9	6,584.0
Rediscount rate (%)	4.50	5.00	4.50	4.25	3.75
Treasury bills interest rate for 6 months (%)	3.232	3.788	-	-	-
<b>Public Finance</b>					
Total revenue and foreign aid	5,413.9	5,054.2	5,758.9	7,267.6	6,796.4
Ratio to GDP (%)	26.4	23.0	24.1	28.6	25.5
Total spending	6,796	6,878.2	7,077.1	7,851.1	7,722.9
Ratio to GDP (%)	33.2	31.3	29.7	30.9	29.0
Overall deficit/savings (on an accrual basis)	-1,382.7	-1,824.0	-1,318.2	-583.5	-926.5
Ratio to GDP (%)	-6.8	-8.3	-5.5	-2.3	-3.5

	2011	2012	2013	2014	2015
Net outstanding balance of the domestic public debt	8,915.0	11,648.0	11,863.0	12,525.0	13,457.0
Ratio to GDP (%)	43.5	53.0	49.7	49.2	50.5
Outstanding external public debt <sup>(2)</sup>	4,486.8	4,932.4	7,234.5	8,030.1	9,390.5
Ratio to GDP (%)	21.9	22.5	30.3	31.6	35.3
<b>Foreign Trade and Balance of Payments</b>					
Current account	-2,098.8	-3,344.9	-2,487.7	-1,851.7	-2,365.6
Ratio to GDP (%)	-10.2	-15.2	-10.4	-7.3	-8.9
Trade balance (Deficit)	-6,261.7	-7,486.6	-8,270.1	-8,495.6	-7,249.3
Ratio to GDP (%)	-30.6	-34.1	-34.7	-33.4	-27.2
Commodity exports	5,684.5	5,599.5	5,617.9	5,953.6	5,558.3
Imports of goods (FOB) <sup>(3)</sup>	11,946.2	13,086.1	13,888.0	14,449.2	12,807.6
Balance of services (net)	896.0	1,332.3	1,209.5	1,778.9	1,286.4
Income account (net)	-187.8	-275.5	-240.4	-295.9	-347.8
Current transfers (net)	3,454.7	3,084.9	4,813.3	5,160.9	3,945.1
Capital and financial account (net)	2,298.9	3,808.9	1,811.1	908.9	1,593.7
Direct foreign investment in Jordan (net)	1,055.0	1,074.3	1,281.2	1,426.7	905.1

Source: Monthly Statistical Bulletin, Central Bank of Jordan

1. Includes the debts of public and financial institutions and other factors, as shown in the Monetary Survey Agenda.
2. This represents the total balance of drawn loans, minus total repayments.
3. Does not include imports of non-resident entities.

## 2.4 The Jordanian Investment Environment

### Investment Law No. 30 for 2014

Investment Law no. 30 for 2014 is considered an appropriate legislative framework to attract foreign investments and stimulate local investments. It is considered a competitor to other investment laws in the region because it contains many advantages, incentives, and guarantees, and it offers a range of incentives and benefits in and outside the Development and Free Zones. The law includes a series of public provisions, such as foreign investment guarantees (depositing and withdrawal of capital, investment management, and transfers) and the inadmissibility of the disbarment of investment property. The law offers provisions to settle investment disputes, protection, and encouragement of mutual investment agreements between the Kingdom and other countries.

The following shows the major incentives granted by the law:

#### ❖ Incentives and Benefits outside the Development and Free Zones

- The production inputs for the industrial and crafts sectors are exempted from customs duties.
- The return of the general sales tax on the production inputs for the industrial and crafts sectors within 30 days.
- Production inputs and fixed assets of the industrial and crafts sectors are exempted from customs duties and are granted a reduction in general sales tax to 0%.
- Returning to the sales tax on the services needed to practice economic activity within 30 days.
- The goods that are necessary for the economic activities of the following sectors are exempted from customs duties and are subject to 0% general sales tax:
  - Agriculture and livestock, hospitals and specialised medical centres, hotels and touristic facilities, touristic entertainment and recreation centres, call centres, scientific research centres and laboratories, art and media production, convention centres and exhibitions, transfers and/or distributions and/or extraction of water, gas and oil derivatives, air transport, maritime transport, and railways.

#### ❖ Incentives and Benefits inside the Development and Free Zones

- 5% income tax on the income generated from economic activity within the Development Zone.
- 5% income tax on income generated from economic activity in the industrial sector.
- Tax exemptions that are granted in the Kingdom on goods and services exports.
- Reduction of sales tax to 0% on goods and services that are used by the establishment in order to exercise its activity inside the Development Zone.
- 7% sales tax on specific services provided by a registered company in the zone when these services are consumed in the zone.

- Exemptions from customs duties except for a specified number of goods.
- ❖ **The Reduction of Income Tax in the Least Developed Areas for Regulation No. 44 for 2016**
  - The reduction of income tax in the least developed areas for Regulation No. 44 for 2016 was approved. It aims to create an attractive environment for investments that promote economic development through the reduction of income tax outside the Development Zones and in the least developed areas in the Kingdom. The regulation specified the areas that are considered least developed and identified the activities that are excluded from this reduction.
  - Under the provisions of Articles 4 and 5 of this regulation, the areas that were categorised as least developed and enjoy the reduction in income tax are divided into four categories; each category enjoys a reduction in income tax on their activities for a period of 20 years.
  - Category A includes the Northern Valley District, Deir Alla District, Shouneh Al-Janoubieh District, the Southern Valley District, Rweished District, the Northern Desert District, the North Western Desert District, Al-Azraq Province, Al-Jiza District except for the borders of the new Al-Jiza municipality, Al-Moakar District except for the borders of Al-Moakar municipality, and the Governorate of Aqaba except for the Aqaba Special Economic Zone. The reduction rate for this category is 100%.
  - Category B includes the Governorates of Maan, Tafileh, Karak, and Ajloun. The reduction rate for this category is 80%.
  - Category C includes the Governorates of Jarash, Mafraq, and Irbid except the borders of the Greater Irbid Municipality. The reduction rate for this category is 60%.
  - Category D includes the Governorates of Madaba, Balqa, Amman except for the Greater Amman Municipality, and Zarqa except for the borders of Zarqa Municipality and Russaifeh Municipality. The reduction rate for this category is 40%.

❖ **Trade and Free Trade Agreements**

The most important agreements are:

- Jordan joining the World Trade Organisation in 2000, which led to the opening of the markets of 150 countries for Jordanian exports in goods and services, and provided new opportunities of access to other countries within a clear and transparent environment of laws, regulations, and procedures.
- A series of regional trade agreements, such as the Jordan Partnership Agreement with the European Union, Agadir Agreement, Free Trade Arab Agreement, the free trade agreement between Jordan and the European Free Trade Association, and the adoption of the Euro-Mediterranean simplification of the rules of the Origin System, which includes the decision to simplify the rules of the origins of Jordanian products between Jordan and the European Union came into effect on July 19, 2016, and will remain in effect until December 31, 2026.
- A series of bilateral trade agreements with many countries, such as the free trade agreement between Jordan and the United States of America, the Qualified Industrial

Zones Agreement, the free trade agreement between Jordan and Singapore, the free trade agreement with Turkey, the free trade agreement with Canada, and many other agreements.

- Jordan has signed more than 35 agreements with Arab and foreign countries in order to prevent double taxation between Jordan and these countries, thus protecting investors' rights.
- The Agreement of Promotion and Protection of Investments and the Movement of Capital between the Arab Countries was signed in 2000 with 11 Arab countries who are members of the Arab Economic Unity Council, in order to establish an appropriate environment for investments and economic cooperation between investors in the Arab countries, thus pushing and stimulating investment activities by providing encouragement and mutual protection for Arab investments.

### **Human Development Report for 2015**

The Human Development Report that was issued by the United Nations Development Program in 2015 showed that Jordan fell 3 points to number 80. Please note that Jordan's place on the Human Development Report index value has improved slightly.

### **Global Competitiveness Report**

The Kingdom's rank has improved by one point in the Global Competitiveness Report for the year 2016/2017, at 63 out of 138 countries compared to 64 out of 140 countries in the 2015/2016 report. It is considered an insignificant improvement, especially because of the reduction in the number of countries participating in this year's report. Amongst the Arab countries, Jordan was ranked after the United Arab Emirates, Qatar, the Kingdom of Saudi Arabia, Kuwait, and Bahrain, who were ranked 16, 18, 29, 34, and 39, respectively.

### **Doing Business Report**

In the Doing Business Report that was issued by the World Bank Group, Jordan is still ranked 118, up one rank from the 2016 report, because of the variation in the performance of the different sub-indicators. Jordan ranked ninth among the Arab countries; the United Arab Emirates was ranked first among the Arab countries at 26, followed by Bahrain at 63 and Oman at 66.

## 2.5 The Economic Environment in the Short and Medium Term

Risks analysis implemented by BMI indicates that the Jordan's political and economic risks in the short and medium term are less than the overall average of the world and the Middle East. The state's risks and the operational risk are estimated to be within the acceptable levels. The international institutions' forecasts point out that the economic and foreign trade indicators are expected to achieve acceptable rates of growth with the exception of the continued increase in internal and external indebtedness.

**Table 5: Assessment of short and long-term risks**

	Long term		Short term		Operational risks	State risks
	political	Economic	political	economic		
Jordan	63.1	39.2	66.6	46.2	58.7	55.4
Turkey	60.2	49.4	58.4	56.9	55.9	56.1
Egypt	53.3	45	52.4	48.7	42.9	47.5
Lebanon	45.8	54	55.4	53.5	44.2	49.5
West Bank and Gaza	33.1	38.1	32.2	36.5	32.5	34.3
Syria	22.9	24.4	22.4	23.6	29.3	26.1
Regional average	49.4	46.9	51.2	48.7	46.6	48.3
global average	64.1	50.7	61.3	51.9	49.8	54.6

Source: the economy and state risks, IHS, 15/09/2016

**Table 6: The most important key economic indicators 2016-2020**

Indicator	2016	2017	2018	2019	2020
The growth rate of GDP	2.6	2.7	2.8	3.2	3.1
GDP (in USD billions)	39.6	42.1	44.8	47.8	50.9
Population (In millions)	9.8	10.1	10.4	10.7	11.0
Consumer Price Index (% change)	-0.7	1.8	3.3	4	3.2
Exports (in USD billions)	7.3	7.6	8.2	8.8	9.6
Imports (in USD billions)	18.3	19.2	20.1	21.3	22.8
Foreign direct investment, the net value (in USD billions)	1.5	1.5	1.6	1.6	1.7
Foreign direct investment, the net value (% of GDP)	3.7	3.7	3.6	3.4	3.3
Foreign exchange reserves (in USD billions)	13.9	14.9	15.7	16.8	17.7
Total external debt (in USD billions)	24.4	27.8	30.7	33.7	36
Total external debt (% of GDP)	61.6	66	68.6	70.4	70.6
Total external debt (% of foreign currency earnings)	127.3	138.3	143.6	147.5	147.8

Source: the economy and state risks, IHS, 15/09/2016



### 3. Market Study

#### 3.1 Project Description

The project is to establish a multi-purpose real estate project in Tla' Al-Ali area, the Capital Governorate, which offers all services such as serviced residential apartments, business offices, restaurants, cafes in addition to swimming pools and parking lots and other services required by the project within a safe and clean environment, due to the need of a particular segment of the customers group for a special real estate product focuses on quality, location and services. The project consists of 19 floors with different areas, divided as follows.

- Three floors allocated for parking lots with an area of 4,310 m<sup>2</sup> per floor.
- Three floors with an area of 2,615 m<sup>2</sup> per floor for hypermarket and different retail shops.
- 12 floors with an area of 1,828 m<sup>2</sup> per multi-purpose floor. The property can be used as residential apartments or commercial offices because the property official use is "multi-use" (which will be determined upon design).
- The area of the roof floor is 1,000 m<sup>2</sup> for restaurants and cafes.
- Security, cleaning, lighting and maintenance services are provided for the project to ensure always a safe and clean environment.

The rental price of the roof and commercial floors is JD 200 - 250 per m<sup>2</sup>. The sale price for multi-use floors will be around JD 1,700 per m<sup>2</sup>. It should be noted that the number of employees in the project will be 22 Jordanian employees.

#### 3.2 Expected Services Description

The Expected project services include the following:

- Serviced residential apartments with private ownership
- Commercial Offices
- Restaurants and Cafes
- Swimming pools
- Fitness Center
- Stores
- Maintenance, cleaning, guarding and horticultural services
- Multi-purpose halls
- Parking lots
- Etc.

### 3.3 The Real Estate Sector

According to central bank studies, the construction sector has witnessed decline by 1.3% in its performance compared with 6.8% of growth in 2014, contributing to 0.1 percent decline in Gross Domestic Product (GDP) growth at fixed prices against 0.4 percent of positive contribution in 2014. In addition, its relative importance in GDP has declined by 0.3 percent from 2014 level to 5.5%. Indicators of decline in construction sector during 2015 include:

- Building licensed areas have declined by 12.5% compared with 7.2% in 2014.
- Building licenses numbers have declined by 9.6% compared with 8.1% growth in 2014.
- Growth in credit facilities granted to the construction sector has slowed by 7.7% compared with 11.4% growth rate during 2014.

However, the growth rate at fixed prices for the last 4 years was 3.3%.

**Table 7: most important indicators in the construction sector of constructions during the period (2012-2015)**

Indicator	2012	2013	2014	2015	Rate
Added value at current prices (million JD)	961.7	1066.6	1,140	844.4	
Growth rate at fixed prices (%)	-1	8.7	6.8	-1.3	3.3
GDP reduction for the construction sector (1994 = 100)	206.4	209.4	210.8	217.2	
Balance of credit facilities granted by the licensed banks (million JD)	3682.6	4086.4	4552.8	4904.5	
Number of registered construction companies	241	217	224	148	
Capital of registered construction companies (million JD)	16.3	10.3	11.1	7.7	
index of cement production quantities (1999=100)	45	37	40.6	34.6	
Number of granted building licenses (license)	32466	36601	39578	35775	
Licensed building area (Thousand m2).	12907	13985	14992	13123	

Source: Monthly Statistical Bulletin / Central Bank of Jordan.

The number of operating establishments in the construction sector in the Capital Governorate reached around 799 companies representing around 65% of the total operating establishments in the construction sector in the Kingdom. Most of the construction sector activities focused on building construction, plumbing installation, heating and air conditioning systems and electrical equipment installation. The construction sector provides job opportunities for 6.3% of the workers in the Capital Governorate, which is higher than the Kingdom's average set at 6%. According to the statistics published by the Jordanian

Construction Contractors Association, show the remarkable increase in contractors number in all fields, specialties and classifications in the Capital Governorate reaching 1,640 contractors, making the governorate an important center for the vast majority. The Governorate has executed approximately 5,634 projects with a total value exceeding JD 440 million in 2016.

The following table shows the number of companies operating in the construction sector in the Capital Governorate and the Kingdom`s total.

**Table 8: Number of companies operating in the construction sector in the Capital Governorate.**

	Activity	No. of establishments	Kingdom Total	Governorate to Kingdom
41	Construction of buildings	457	571	80%
4100	Construction of buildings	457	571	80%
42	Civil engineering	39	59	66%
4210	Construction of road and railways	16	28	57%
4220	Construction of utilities projects (utilities)	22	29	76%
4290	Construction of other civil engineering projects	1	2	50%
43	Activities of specialized construction	303	594	51%
4312	Sites preparation	4	6	%67
4321	Installation of electric devices	71	117	61%
4322	Installation of plumping, heating systems and air-conditioning	147	312	47%
4329	Other construction installations	20	27	74%
4330	Completing and finishing the buildings	58	126	46%
4390	Other specialized construction activities	3	6	50%
	<b>Total</b>	<b>199</b>	<b>1224</b>	<b>%65</b>

Source: Department of Statistics, General Census for 2011

### **Building Licenses and Licensed Areas**

The number of licenses issued in the Capital Governorate was around 10,238 licenses representing 25.8% out of total licenses in the kingdom for the year 2014. The following table shows the total number of building licenses and total licensed area in the capital governorate and the kingdom for the year 2014.

**Table 9: number of licenses issued for the residential and non-residential purposes in the kingdom for 2014.**

	License No.	Total building area (1000 m2)
The Capital Governorate	10,238	7,700
Kingdom	39,578	14,992
Share of governorate to the kingdom	25,8%	51%

Source: Department of Statistics, Building Permits Census 2014

The following table shows the growth rate in the licensed areas in the kingdom for 2010-2016. The average rate of growth in licensed areas in the kingdom during these years is around 2.29%.

**Table 10: growth rate in licensed areas in the kingdom (1000 m2/year)**

Year	2010	2011	2012	2013	2014	2015	2016*	Rate
Total areas of kingdom	11,798	112,160	12.907	13,985	14,992	13,123	13,310	-
Growth rate for kingdom	-	3.07%	6.14%	8.36%	7.20%	- 12.47%	1.43%	2.29%

Source: Annual reports and statistical bulletin of the Central Bank of Jordan, and calculation of the study team

\* Preliminary results

Where a seven-year time series was reviewed with purpose of real representation of the amount of licensed areas during the last period.

### **Trading volume in real estate market**

The trading volume in real estate market in the Kingdom during 2016 is around JD 7.7 billion, by 7% decline compared with the same period in 2015. The Directorate of land registration of Northern Amman ranked first by trading volume reached JD 1.4 billion, followed by Amman land Registration Directorate which ranked second by trading volume reached 924 million JD. The Western Amman land Registration Directorate with trading volume of JD 796 million while the Directorate of registration of land in southern Amman was the fourth with a trading volume of JD 715 million.

The trading volume in the Capital Governorate land Registration directorates and the has reached 72% of the total trading volume in the Kingdom, which is close to JD 5.7 billion.

When looking at the trading volume over a period of five years (2012-2016), It is noticed that the average annual growth rate in the trading volume during these five years is 6.5%, which reflects the real estate life cycle, where the increase in trading volume between 2012-2013, reached 12.8% while reached 22.4% during the period 2013-2014. However there was a decline in the trading volume during the period 2014-2016.

**Table 11: trading volume in Jordanian real estate market in 2012-2016, in million JD**

Year	Trading volume (million JD)
2012	5,624
2013	6,344
2014	7,763
2015	7,607
2016	7,057
Annual growth rate during 5 years period (%)	6.5%

Source: Department of Land and Survey - Real Estate Indicators 2016

### Real estate sales during 2016

The total real estate sales in the Kingdom during the year 2016 has reached 143,387 properties including plots of lands and apartments with an increase of 33% compared with the same period of the previous year. It is distributed to 54,657 properties in the Capital Governorate by 38% and 88,730 real estates in the other governorates by 62%. In addition, the real estate sales in the Capital Governorate were distributed on 27,693 apartments and 26,964 plots of land. While the sales of the rest of the Kingdom, were distributed to 13,157 apartments and 75,573 plots of land.

As for the apartment sales during the period (2012-2016), a continuous increase during the five years period for apartment sales in noticed at a rate of 11.75% during that period. Which is an evident of the growing demand for apartments in Amman and the Kingdom in general.

The following table shows the apartment sale in the Capital Governorate and the rest of the Kingdom during the period 2012-2016.

**Table 12: apartments sales in the kingdom during 2012-2016 (No. of sale transactions)**

Governorate	2012	2013	2014	2015	2016	Average annual growth rate over 5 years
Capital Governorate	17,897	20,792	24,871	27,396	27,693	11.75%
Remaining governorates of kingdom	7,537	9,588	11,337	16,416	13,157	
Total	25,434	30,380	36,208	43,812	40,850	

Source: Department of Land and Survey - Real Estate Indicators 2016

### Land and apartment sale for non-Jordanians during 2016

The number of real estate sales to non-Jordanian investors during the year 2016 was 3,657 properties, of which 2,655 apartments and 1,002 plots of land with an area of 416,313 m<sup>2</sup> for apartments and 18,430,550 m<sup>2</sup> plots of land with an estimated value of 375,146,503 JD, with a decline of 11% compared with the previous year. Out of which (246,634,665) JD for apartments with a share of 66% and (128,511,838) JD for the plots of land with a share of 34%.

Regarding the demand on apartments by non-Jordanians, the demand growth rate has increased during the periods (2012-2013) and (2013-2014) by 1.3% and 13.3%, respectively. While the demand rate for apartments by non-Jordanians decreased during the period from 2014-2016 at different rates, indicating that the real estate sector has a life cycle ranges from 5-7 years, which means expecting an increase in demand for apartments in the coming period.

**Table 13: Non Jordanians Real Estate Purchases 2012-2016**

Year	Value (JD)	Apartments No.	Land Plots No.	Total No. of apartments and land plots
2016	375,146,503	2,655	1,002	3,657
2015	423,212,294	3,481	1,248	4,729
2014	492,030,034	3,604	1,566	5,170
2013	406,464,613	3,180	1,782	4,962
2012	429,626,622	3,139	1,853	4,992

Source: Department of Land and Survey - Real Estate Indicators 2016

The Iraqi Nationality came first in 2016 sales with a total of 1,530 properties, the KSA Nationality came second in a total of 694 properties, the Kuwaiti Nationality came third with a total of 269 properties and the Syrian Nationality came fourth in a total of 241 properties.

### 3.4 Demand Analysis

The demand on the project's services depends on the following:

- Security and political stability in Jordan.
- Economic growth rate and average incomes.
- Population growth rate.
- Number of kingdom visitors.
- Amount of Arab and foreign investments in the kingdom.
- Seasonality, because the Arab and foreign tourism increases in summer months.

The demand on the project services is affected by the following:

- Price.
- Project Location.
- Specifications and excellence degree of the internal and external design, etc
- Services available in the project and the nearby services.
- Nature of the local competition (similar projects).
- Reputation.

There is no real information on the market volume for the multi-purpose real estate projects. Therefore, the study team conducted a field survey for the multi-purpose real estate projects in the Capital Governorate; especially in Abdoun and Abdali. In order to identify the multi-purpose real estate projects established in these regions and to draw a clear picture about these projects and associated demand. The following projects have been visited:

- Project of St. Regis Amman Hotel and Residence St. Regis Amman / Under-Construction.
- W-Tower Project / Under-Construction.
- Damac Project / project completed
- Campbell Gray Living project / project completed.

To estimate the demand size on the project services through the studies and surveys, the following is witnessed:

- The idea of these projects is still new in the kingdom, because it began during a period not exceeding ten years.
- The occupancy rate of commercial sites allocated for restaurants, cafes, shops reached around 90-95% for similar projects.
- The occupancy rate of leased offices reached around 70% in the commercial complexes (the same percentage in similar projects).
- The percentage of offices sold during three years of the project development reached around 75%.
- The percentage of residential apartments sold in the competitive projects during three years of the project development reached around 75%.

Thereupon it was found that there is an increasing demand for the project services, because the occupancy rates in all services rendered by the project are good and encouraging to establish the proposed project.

## Key Competitors

This part of the study shows the key competitors of the project in the Capital Governorate

<b>Project Name</b>	St. Regis Amman Hotel & Residence St. Regis (Al Maabar - Jordan)
<b>Location</b>	Capital - Abdoun
<b>General description</b>	<p>The project is currently being established in the Abdoun area. The project consists of a range of hotel rooms, apartments and high quality services including swimming pool, fitness and sports center, spa, etc.</p> <p>St. Regis Amman Hotel consists of a 17 floor-tower with 270 rooms including 91 suites, 4 restaurants and cafes, swimming pool, fitness and sports center, spa, parking lots and more than 2,800 m2 of meeting and events rooms and business center. The hotel also includes a commercial facility, "The District", which extends over three floors of the St. Regis Amman Hotel, and have shops for the finest brands and trademarks, cafes and restaurants.</p> <p>Residence St. Regis Amman consists of two residential towers connected to an external facade and each with 17 floors, each consist of 79 apartments divided among two, three, four and five bed rooms, provided with high quality recreational facilities including swimming pool, fitness and sports center, reception area, business center, children's playgrounds, an executive hall and a cinema, as well as a large hall for meetings and events. St. Regis Amman also provides personalized services as well as specialized services upon request. The project will be completed in July 2017.</p>
<b>Services</b>	<ul style="list-style-type: none"> <li>• Reception areas</li> <li>• Cleaning</li> <li>• General Maintenance</li> <li>• Security and protection</li> <li>• Parking</li> <li>• Many entertainment services</li> </ul>



<b>Project Name</b>	W Tower
<b>Location</b>	Capital - Abdali
<b>General description</b>	<p>The project is currently being established in Abdali area. The project consists of a set of the hotel rooms, residential apartments and high quality services that include swimming pool, fitness and sport center and spa .. etc.</p> <p>The project consists of 37 floors divided as follows:          (1<sup>st</sup> floor – 6<sup>th</sup> floor) commercial offices.          (7<sup>th</sup> floor – 30<sup>th</sup> floor) hotel rooms, 5 stars.          (31<sup>st</sup> floor – 37<sup>th</sup> floor) residential units, the number of the residential units is 41.</p> <p>The company receives a commission from the owner in case of lease, which hasn't been determined yet, because the project is under construction.</p>
<b>Services</b>	<ul style="list-style-type: none"> <li>• Reception areas</li> <li>• Cleaning</li> <li>• General Maintenance</li> <li>• Security and protection</li> <li>• Parking</li> <li>• Many entertainment services</li> </ul>

<b>Project Name</b>	Damac - The Heights
<b>Location</b>	Capital - Abdali
<b>General description</b>	<p>It is a real estate project located at the entrance of new main Abdali project located in Amman. The project consists of 32 floors divided to studio and residential apartments; categories of one bed room, two bed rooms and three bed rooms as well as luxury apartments on the top of the tower in large areas. The project only renders sale services for the residential apartments, shops and commercial offices. Around 90% of the residential apartments and 70% of the stores and commercial offices have been sold; the sale price per square meter is around 1600-2300 JD.</p>
<b>Services</b>	<ul style="list-style-type: none"> <li>• Reception halls.</li> <li>• Standby generator.</li> <li>• Restaurants and cafes.</li> <li>• Swimming pools.</li> <li>• Shops.</li> <li>• Spa.</li> <li>• Entertainment facilities.</li> <li>• Sport center.</li> <li>• Parks.</li> <li>• Parking.</li> </ul>

	<ul style="list-style-type: none"> <li>• Security services.</li> </ul>
<b>Project Name</b>	Campbell Gray Living – Amman
<b>Location</b>	Capital - Abdali
<b>General description</b>	<p>A real estate project aims to provide new standards for housing, offices, shops and hotels in Amman. The project serves a number of local and international segment of customers.</p> <p>Campbell Gray Living Amman consists of 62 housing units’ tower and a building of 16 housing units. It has 7 floors of office space. Each floor is around 950 m<sup>2</sup>. The project provides luxurious furnished or unfurnished apartments consisting of one, two or three bedrooms provided with luxury means such as rooftop swimming pool, private huts, 24-hour security, in addition to maintenance services and more.</p> <p>The project also includes offices near the Shmeisani area, where there are offices for ownership and other for providing services. It has meeting rooms and reception and maintenance services. It also has several retail outlets and boutiques with the finest brands, restaurants and cafés in a 4,200 square meter commercial area, near the 5-star hotel.</p> <p>Around 6% of apartments have been sold so far, and around 90% of shops and commercial offices have been leased. The square meter was sold at around JD 3200 - 4500, and the square meter was leased at around JD 150 per year.</p>
<b>Services</b>	<ul style="list-style-type: none"> <li>• Residential units.</li> <li>• Offices.</li> <li>• Restaurants and stores.</li> <li>• Parking.</li> <li>• Residential services.</li> </ul>

### 3.5 Price Analysis

Field research has been conducted on the sale price of the residential units in Residence St. Regis Amman and W-Tower. These existing projects have been visited to collect the selling price of the residential units. The price is affected by the area of the residential unit and number of rooms as well as the available services.

The following table shows the average sale price in JD for residential units in the competing projects by area and location.

**Table 14: Lease prices of offices and sale of residential apartments, JD**

Item (number of rooms in residential units)	Residential unit area (m <sup>2</sup> )	Sale price (JD)
<b>St. Regis Amman, Residence St. Regis Amman</b>		
Two bedrooms	238	875,000
3 bedrooms	378-345	1,100,000 – 1,700,000
4 bedrooms	524-456	1,500,000 – 1,800,000
<ul style="list-style-type: none"> <li>• 35 JD/m<sup>2</sup> are paid annually as services fee.</li> </ul>		
<b>W-Tower Hotel</b>		
One bedroom	76-82	300,000 – 360,000
Two bedrooms	104-118	400,000 – 460,000
3 bedrooms	148-149	600,000 – 620,000
4 bedrooms	320	1,650,000
<ul style="list-style-type: none"> <li>• 25 JD/m<sup>2</sup> are paid annually as services allowance.</li> </ul>		
<b>Campbell Gray Living – Amman</b>		
One bedroom	78-145	3200 / m <sup>2</sup>
Two bedroom	165-300	3200 / m <sup>2</sup>
Three bedrooms (the tower)	237-450	4500 / m <sup>2</sup>
<ul style="list-style-type: none"> <li>• The lease price of the offices is around 150 JD/m<sup>2</sup>/annually.</li> <li>• 35 JD/m<sup>2</sup> is payable for service fee.</li> </ul>		

### 3.6 Marketing Strategy

#### Targeted Market

The project targets the following client:

- High income Jordanians inside Jordan.
- High income expatriate Jordanians.
- High income Arab and foreign residents and tourists.

#### Expected services and products

The expected services of the project include:

- Serviced residential apartments with private ownership
- Commercial Offices
- Restaurants and Cafes
- Swimming pools
- Fitness Center
- Commercial Stores and Shops
- Maintenance, cleaning, guarding and horticultural services
- Multi-purpose halls
- Parking lots
- Etc

### **Expected prices**

Price strategy of the project include the following:

- Lease price per m2 of roof is around JD 250.
- Lease price per m2 of commercial areas is around JD 200.
- Sale price per m2 of multi-use (areas that are described as "multi-use", upon designing, the commercial floors and the residential floors will be determined) in the first year of the project; around JD 1,700.

### **Promotion**

The promotion strategy of the project includes the following:

- Designing attractive website and social media page.
- Project brochures.
- Advertisements in newspapers and in the specialized magazines.
- Billboards on the main streets.

### **Selling**

Project sale strategy includes the following:

- Direct sale for local and expatriate clients.
- Sale through real estate offices.

### **Services**

Strategy of rendering the project services is as follows:

- Building residential apartments with high quality and specifications.
- Maintaining continuous cleaning of all project utilities, residential apartments, swimming pools and others.
- Concentration on quality of products and used materials.
- Respecting roles of maintaining the health, cleanness and public safety.
- Continued maintenance of the supplies.
- Timely service delivery.
- The services rendered should be similar to its type.
- Keeping the used tools, furniture and various utilities and equipments clean.
- Creditability in dealing with the clients.

### 3.7 Expected Revenues

The following table shows the expected revenues of the project during first five years of the project:

**Table 15: Project Expected Revenues**

Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Roof area(m <sup>2</sup> )	1,000	1,000	1,000	1,000	1,000
Lease rate(JD/m <sup>2</sup> )	250	250	250	250	250
Commercial area(m <sup>2</sup> )	2,615	2,615	2,615	2,615	2,615
Lease rate(JD/m <sup>2</sup> )	200	200	200	200	200
Multi-use area*(m <sup>2</sup> )	5,433	5,433	5,433	5,433	5,433
Sale price(JD/m <sup>2</sup> )	1,700	1,800	1,900	2,000	2,100
Lease revenues(JD)	773,000	773,000	773,000	773,000	773,000
Sale revenues(JD)	9,236,440	9,779,760	10,323,080	10,866,400	11,409,720
Services revenues(JD)	138,547	285,243	440,089	440,089	440,089
<b>Total revenues(JD)</b>	<b>10,147,987</b>	<b>10,838,003</b>	<b>11,536,169</b>	<b>12,079,489</b>	<b>12,622,809</b>

\* The areas described as licensed for multi-use purposes their composition; as residential apartments, offices or commercial shops ... etc. will be determined at the time of project design.

## 4. Technical Study

### 4.1 The Designed Project Capacity

The following table shows the designed capacity of the project. The designed capacity of the project is 19 floors with a total land area of 5,136 m<sup>2</sup> and total built up area of 43,711 m<sup>2</sup>.

**Table 16: Project Designed Capacity**

Item	Unit
Floors No.	19
Land area – m2	5,136
Total built up area – m2	43,771

### 4.2 The Required Fixed Assets

The following table shows the total cost of the financial resources required for the project.

**Table 17: Required Financial Resources**

Item	Unit	Price (JD)	Value (JD)
Land m <sup>2</sup>	5,136	2,000	10,272,000
Organization revenues	5,136	350	1,797,600
Cost of general services	43,711	20	874,220
Building cost	43,711	100	4,371,100
Finishing cost	43,711	200	8,742,200
Cost of supervision and design			1,085,713
<b>Total</b>			<b>27,142,833</b>

\* The figures are estimated based upon the market study.

### 4.3 The Required Human Resources

the following table shows the human resources required for the project. The required number of employees is around 22 employees with total salaries of JD 247.800 annually.

**Table 18: Human resources required for the project**

Item	No. of employees	Salary (JD/ monthly)	Total Salary (JD/ annually)	Administrative (JD/ annually)	Operational (JD /annually)
Director general	1	5,000	60,000	-	60,000
Marketing director	1	3,000	36,000		36,000
Marketing and customer service officer	4	700	33,600		33,600

Item	No. of employees	Salary (JD/ monthly)	Total Salary (JD/ annually)	Administrative (JD/ annually)	Operational (JD /annually)
Accountants/procurement/warehouses	4	600	28,800	-	28,800
Collectors	1	350	4,200		4,200
Administrators	3	500	18,000	-	18,000
Technicians and maintenance	4	400	19,200		19,200
Engineers	4	1,000	48,000		48,000
<b>Total</b>	<b>22</b>		<b>247,800</b>		<b>247,800</b>

\* The services of (guards, gardeners and cleaning) will be provided by external entities shown in the operating cost of the project.

The following table shows the general job description of the jobs required in the project:

**Table 19: General job description of the jobs required in the project**

Job	Job description
Director General	<ul style="list-style-type: none"> <li>• Developing a clear vision for the company and determining its priorities.</li> <li>• Ensuring that the strategies and financial and technical objectives of the company are implemented.</li> <li>• Managing the company's budget to ensure that the revenues and profits exceed the target and cover costs.</li> <li>• Evaluating the financial and technical performance of the company and presenting reports on the work progress to the board of directors.</li> <li>• Developing the knowledge and information related to the real estate market by being updated with new competitors and developments occurring in the market.</li> <li>• Holding meetings with the directors to discuss the work progress and ensure the good work progress and giving the necessary instructions in this regard, when necessary.</li> </ul>
Marketing Director	<ul style="list-style-type: none"> <li>• Drafting and proposing the marketing strategies that are suitable for the strategies of the company.</li> <li>• Preparing the suitable action plan.</li> <li>• Supervising the market studies and competitors.</li> <li>• Attending the workshops, commercial exhibitions and presentations continuously.</li> <li>• Participating in the operations regarding the preparation of the agreements or contracts of new investments.</li> </ul>
Marketing & Customer	<ul style="list-style-type: none"> <li>• Performing the periodic analysis, market analysis, and</li> </ul>

Service officer	<p>competitors analysis.</p> <ul style="list-style-type: none"> <li>• Identifying the most important competitors in the market and the status of each project.</li> <li>• Communicating with the clients by distributing the publications and advertisements in various media sources.</li> <li>• Building database about the direct and indirect competitors and showing their strengths and weaknesses and their activity in the market.</li> <li>• Communicating with the entities that have programs to adopt the housing projects.</li> <li>• Measuring the clients satisfaction.</li> </ul>
Accountant	<ul style="list-style-type: none"> <li>• Preparing the financial reports and updating and keeping the accounting files.</li> <li>• Maintaining the money necessary for paying employees' salaries by end of each month.</li> <li>• Following up the payments and accounting dues.</li> <li>• Registering and updating statements of registered fixed assets.</li> <li>• Following up the accounts and balances at banks.</li> <li>• Establishing and maintaining the structure, procedures and accounting policies of the company.</li> </ul>
Administrator	<ul style="list-style-type: none"> <li>• Preparing the employees guide and circulating the same in the company.</li> <li>• Circulating the administrative instructions and procedures.</li> <li>• Preparing and updating system of keeping files of all general and administrative documents.</li> <li>• Preparing the periodic reports about the activities, productivity and efficiency of various departments and approving the same by the high management.</li> <li>• Following up the employees' appointment, holding awareness sessions for the new employees and the administrative issues related to the salaries, leaves and departures.</li> <li>• Following up the employees' training, preparing their job description and evaluating and promoting the employees.</li> <li>• Following up the employees' issues with the government entity.</li> <li>• Determining needs of employees from the devices and software for various tasks pursuant to their needs.</li> <li>• Providing the computer and service systems that are in conformity with the company's needs.</li> </ul>



#### 4.4 The Required Licenses

The following table shows the licenses needed to implement the project:

**Table 20: Licenses required for the project**

Statement	Analysis
Project and company registration and licensing	<ul style="list-style-type: none"> <li>• Ministry of Industry &amp; Trade.</li> <li>• Greater Amman Municipality</li> </ul>
Land procurement	<ul style="list-style-type: none"> <li>• Greater Amman Municipality</li> </ul>

#### 4.5 Project Timetable

The following table shows the period for implementation of the project estimated at 24 months; as follows:

Stage	First Year (month)												Second Year (month)												
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Studies																									
Approvals and Company Registration																									
Land procurement and project licensing																									
Project construction																									
Marketing and sale																									
Total period	24 months																								

## 5. Financial Study

### 5.1 Financial Assumptions

The following table illustrates the financial assumptions of the project.

**Table 21: The Financial Assumptions of the Project**

Item	Assumption
Inflation Rate	3%
Financing Structure	Shareholders contribution constitutes 86% of the investment, unearned revenues constitutes 9%, and accounts payable constitute 5%
Working Capital	JD 163,938
Pre-Operating Expenses	1% of total investment
Tax Rate (income and buildings)	25%
Annual Salaries Increase	5%
Land cost (per meter)	JD 2,0000 per meter
Build cost (per meter)	JD 120 per meter
Finishing cost (per meter)	JD 200 per meter
Regulating Returns	JD 350 per meter
Public services cost	JD 20 per meter
supervision and design cost	About JD 1 million
Security	JD 50 thousand at the first year, with 3% annual increase
Cleaning works	JD 30 thousand at the first year, with 3% annual increase
Insurance	JD 12 thousand at the first year, with 3% annual increase
exemptions	Fixed assets are exempted from customs and tax exemptions by 40% of the income tax
Distribution	4% of the asset value
Marketing expenses	2% of total revenues
Maintenance	JD 100 thousand at the first year, with 3% annual increase
Electricity and water	JD 72 thousand at the first year, with 3% annual increase

## 5.2 Investment Cost

The project's Investment cost is estimated at JD 28 million distributed among fixed assets of JD 150 thousand, project's cost of JD 27.4 million, working capital of JD 164 thousand, and pre-operating expenses totaled of JD 280 thousand.

The following table shows the project's Investment cost.

**Table 22: the project's investment cost**

Item	Value (in JD)
Fixed assets	150,000
Project cost	27,406,063
Pre-operating expenses	280,000
Working capital	163,938
<b>Total</b>	<b>28,000,000</b>

## 5.3 Financing

The project will be financed by the partners' shares (shareholders) in the company by 86% which is estimated at about JD 24 million, while the other 14% of the project investment cost will be financed through unearned revenues and accounts payable of about JD 4million.

The following table shows the financing schedule for to the implementation of the project.

**Table 23: Project financing schedule**

Item	Value (in JD)	%
Shareholders Contribution	24,000,000	86%
Unearned Revenues	2,500,000	9%
Accounts Payable	1,500,000	5%
<b>Total</b>	<b>28,000,000</b>	<b>100%</b>

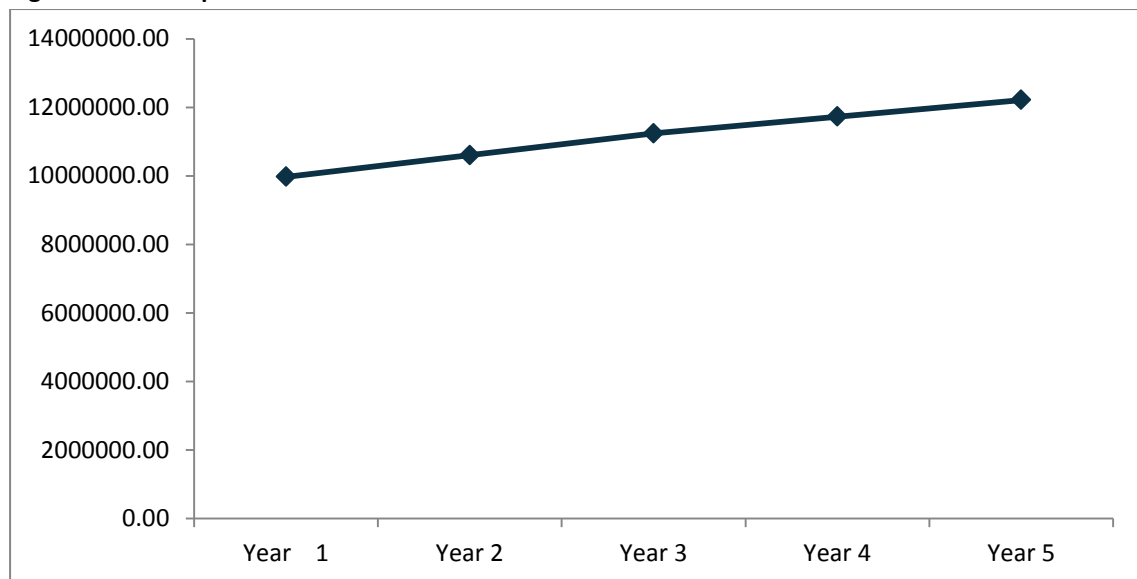
## 5.4 Revenues

The following table shows the total revenues of the project, where it is noted that the revenues will be earned by selling or renting of the project's services, the selling revenues in the first year amounts to about JD 8.8 million, and increased to reach up to JD 10.7 million in the fifth year, while the renting revenues in the first year amounts to about JD 132 thousand and reach to JD 418 thousand in the fifth year.

**Table 24: The Expected Revenues**

Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Roof area	1,000	1,000	1,000	1,000	1,000
Rental rate	250	250	250	250	250
Commercial area	3,500	3,500	3,500	3,500	3,500
Rental rate	225	225	225	225	225
Multi-purpose area	4,891	4,891	4,891	4,891	4,891
Selling price	1,800	1,900	2,000	2,100	2,200
Rental revenues	1,037,500	1,037,500	1,037,500	1,037,500	1,037,500
Selling revenues	8,803,080	9,292,140	9,781,200	10,270,260	10,759,320
Services revenues	132,046	271,428	418,146	418,146	418,146
<b>Total Revenues – JD</b>	<b>9,972,626</b>	<b>10,601,068</b>	<b>11,236,846</b>	<b>11,725,906</b>	<b>12,214,966</b>

**Figure 3: Total expected revenues**



## 5.5 The Projected Costs

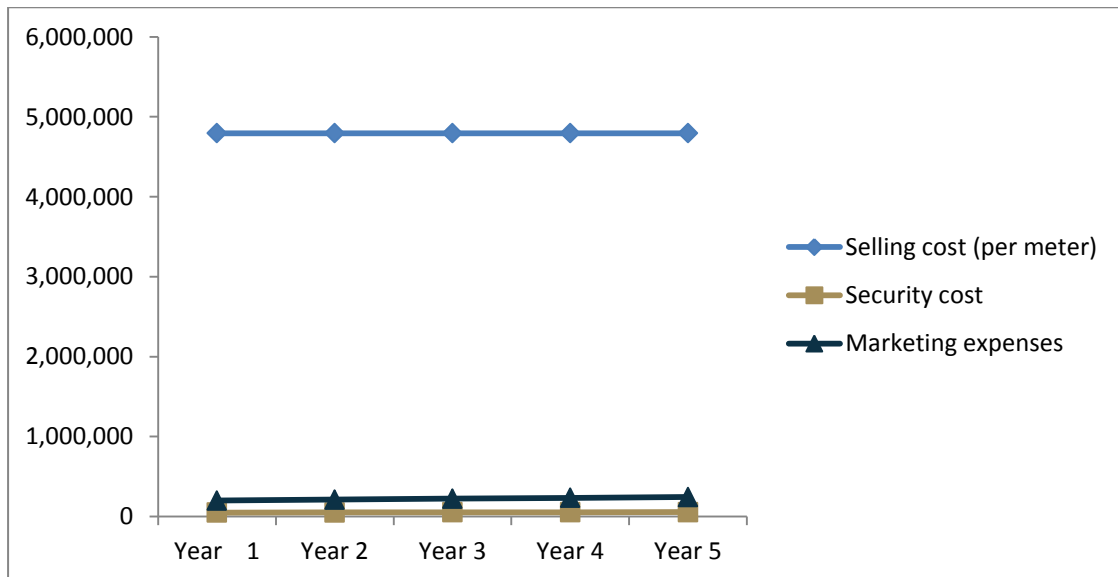
### Operating Costs

The following table shows the project's operating costs over five years. The selling revenues amounted to JD 4.7 million during the whole project's life. Marketing expenses in Year 1 amounted to JD 199 thousand which increase to reach JD 244 thousand in Year 5.

**Table 25: Operating Costs**

Operating Costs (in JD)					
Item	Year 1	Year 2	Year 3	Year 4	Year 5
Selling cost (per meter)	4,794,909	4,794,909	4,794,909	4,794,909	4,794,909
Security cost	50,000	51,500	53,045	54,636	56,275
Cleaning cost	30,000	30,900	31,827	32,782	33,765
Maintenance cost	100,000	103,000	106,090	109,273	112,551
Insurance cost	12,000	12,360	12,731	13,113	13,506
Marketing expenses	199,453	212,021	224,737	234,518	244,299
Depreciation	137,261	137,261	137,261	137,261	137,261
Electricity, water and services	72,000	74,160	76,385	78,676	81,037
<b>Total</b>	<b>5,395,622</b>	<b>5,416,111</b>	<b>5,436,984</b>	<b>5,455,168</b>	<b>5,473,603</b>

**Figure 4: Operating Costs**



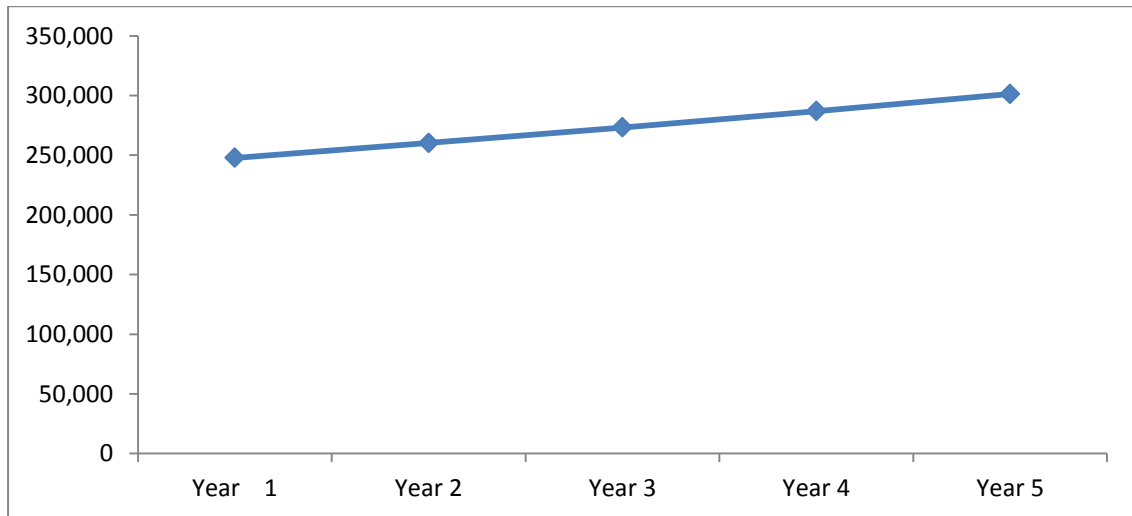
### Administrative Expenses

The following table shows the projected administrative expenses of the project. Employees' salaries reach JD 247,800 in the first year and increase to JD 301,202 in the fifth year.

**Table 26: General and Administrative Expenses**

General and Administrative Expenses (in JD)					
Item	Year 1	Year 2	Year 3	Year 4	Year 5
Salaries	247,800	260,190	273,200	286,859	301,202
Stationery	5,000	5,250	5,513	5,788	6,078
Hospitality	5,000	5,250	5,513	5,788	6,078
Professional Fees	5,000	5,250	5,513	5,788	6,078
Other Expenses	10,000	10,500	11,025	11,576	12,155
Administrative Depreciation	30,000	30,000	30,000	30,000	30,000
Amortization	280,000	-	-	-	-
<b>Total</b>	<b>582,800</b>	<b>316,440</b>	<b>330,762</b>	<b>345,800</b>	<b>361,590</b>

**Figure 5: General and Administrative Expenses**



## 5.6 Projected Financial Statements

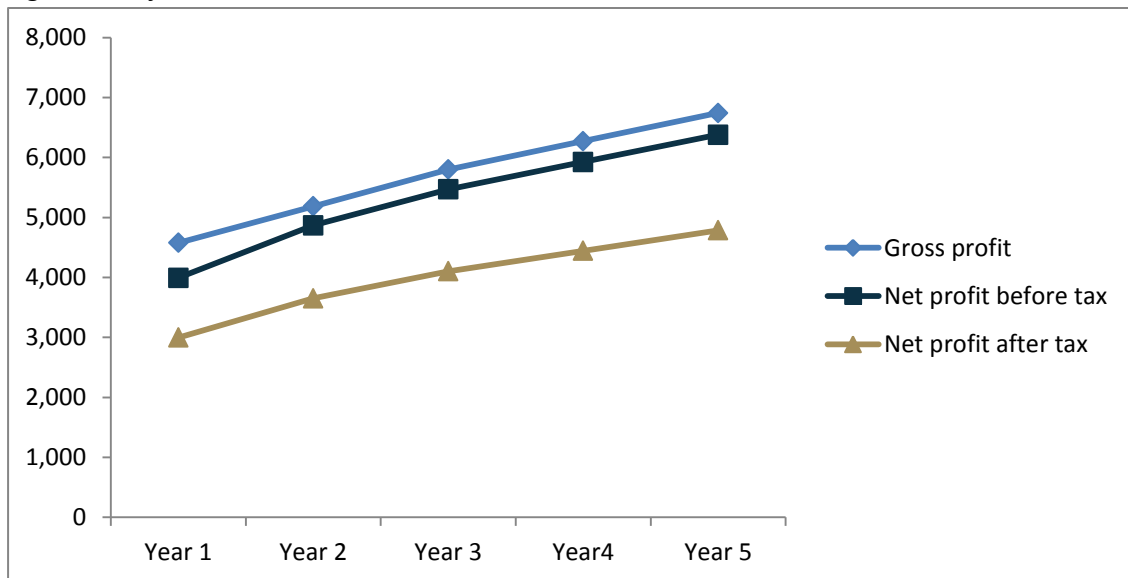
### Income Statement

The following table shows the projected income statement of the project. It indicates that gross profit will increase from JD 4.5 million in the first year to JD 6.7 million in the fifth year. The net profit before tax will also increase from JD 3.9 million in the first year to JD 6.3 million in the fifth year, and the net profit after tax will increase from JD 2.9 million in the first year to JD 4.7 million in the fifth year.

**Table 27: The Projected Income Statement**

Income Statement (in thousand JD)					
Item	Year 1	Year 2	Year 3	Year4	Year 5
Revenues	9,973	10,601	11,237	11,726	12,215
Operating costs	5,396	5,416	5,437	5,455	5,474
Gross profit	4,577	5,185	5,800	6,271	6,741
Administrative expenses	583	316	331	346	362
Net profit	3,994	4,869	5,469	5,925	6,380
Net profit before tax	3,994	4,869	5,469	5,925	6,380
Tax	999	1,217	1,367	1,481	1,595
<b>Net profit after tax</b>	<b>2,996</b>	<b>3,651</b>	<b>4,102</b>	<b>4,444</b>	<b>4,785</b>

**Figure 6: Projected Income Statement**



### Projected Balance Sheet

The following table shows the projected balance sheet of the project during the first five years. It indicates that total assets will decrease from JD 28 million in the year of incorporation to about JD 25.9 million in the fifth year. The Shareholders' Equity will increase from JD 28 million in the year of incorporation to reach JD 25.9 million in the fifth year.

**Table 28: Projected Balance Sheet**

Projected Balance Sheet (in thousand JD)						
Statement	Year of incorporation	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>						
Cash	164	1,208	5,973	11,282	16,639	22,031
Receivables		997	1,060	1,124	1,173	1,221
Inventory	23,975	19,180	14,385	9,590	4,795	-
Pre- Paid Expenses	24,138	21,385	21,418	21,995	22,607	23,253
<b>Total Current Assets</b>	<b>3,862</b>	<b>3,862</b>	<b>3,862</b>	<b>3,862</b>	<b>3,862</b>	<b>3,862</b>
Fixed Assets	-	447	615	782	949	1,116
Cumulative Depreciation	3,862	3,414	3,247	3,080	2,912	2,745
<b>Net Fixed Assets</b>	<b>28,000</b>	<b>24,800</b>	<b>24,665</b>	<b>25,075</b>	<b>25,519</b>	<b>25,998</b>
<b>Total Assets</b>	<b>164</b>	<b>1,208</b>	<b>5,973</b>	<b>11,282</b>	<b>16,639</b>	<b>22,031</b>
<b>Shareholders Equity and Liabilities</b>						
Accrued Expenses and Payables	1,500	500				
Long Term Loans	2,500	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,000</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Shareholders Contributions	24,000	24,000	24,000	24,000	24,000	24,000
Retained Earnings		300	665	1,075	1,519	1,998
<b>Shareholders' Equity</b>	<b>24,000</b>	<b>24,300</b>	<b>24,665</b>	<b>25,075</b>	<b>25,519</b>	<b>25,998</b>
<b>Shareholders Equity and Liabilities</b>	<b>28,000</b>	<b>24,800</b>	<b>24,665</b>	<b>25,075</b>	<b>25,519</b>	<b>25,998</b>



### Cash Flow Statement

The following table shows the projected cash flow statement of the project during the first five years. It indicates that the cash flow from operation will increase from JD 3.7 million in the second year to JD 9.6 million in the fifth year; while the Cash at the ending period will increase from JD 164 thousand in the year of incorporation to JD 22 million in the fifth year.

**Table 29: The Expected Cash Flows Statement**

Cash Flow Statement (in thousand JD)						
Statement	Year of incorporation	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Operation Activities</b>						
Net Profit	-	2,996	3,651	4,102	4,444	4,785
Depreciation	-	447	167	167	167	167
Change In Working Capital	(23,975)	4,795	4,795	4,795	4,795	4,795
Cash Flow From Operation	4,000	(4,497)	(563)	(64)	(49)	(49)
<b>Investing Activities</b>						
Fixed Assets	(3,862)	-	-	-	-	-
Cash From Investing Activities	(3,862)	-	-	-	-	-
<b>Financing Activities</b>						
Capital (Equity)	24,000	-	-	-	-	-
Loan		(2,696)	(3,286)	(3,692)	(3,999)	(4,306)
Dividends	24,000	(2,696)	(3,286)	(3,692)	(3,999)	(4,306)
Cash Flow From Financing Activities	164	1,044	4,764	5,309	5,358	5,392
Net Cash Flow	0	164	1,208	5,973	11,282	16,639
Cash At The Beginning Period	164	1,208	5,973	11,282	16,639	22,031
Cash At The Ending Period	24,000	-	-	-	-	-

## 5.7 Financial, Economic and Social Analysis

### Financial Analysis

The following table shows the financial analysis of the project. It indicates that the net profit ratio will increase from 30% in the second year to 39% in the fifth year, and the return on investment will increase from 12% in the first year to 18% in the fifth year.

**Table 30: Financial Analysis**

Financial Analysis (In Thousand JD)					
Item	Year 1	Year 2	Year 3	Year 4	Year 5
Assets	24,800	24,665	25,075	25,519	25,998
Revenues	9,973	10,601	11,237	11,726	12,215
Profits	2,996	3,651	4,102	4,444	4,785
Capital (Equity)	24,000	24,300	24,665	25,075	25,519
Net Profit %	30.0%	34.4%	36.5%	37.9%	39.2%
Return On Investment (ROI)	12.1%	14.8%	16.4%	17.4%	18.4%
Return On Capital (ROC)	12.5%	15.0%	16.6%	17.7%	18.7%

### Economic Analysis

The following table shows the economic analysis of the project during the first five years, we conclude that:

- The Internal rate of return is 31%. It exceeded eight times the return on assets, which means the economic feasibility of the project
- The present value of the project reached about JD 40.9 million. It exceeds the net present value with JD 24 million, which means the economic feasibility of the project.
- The profitability index of the project reached 1.71 times, which means that the expected value of the project will increase by two times of the investment value, which proves that the project is feasible.
- The project payback period is 3.4 years.

**Table 31: The Economic Analysis**

Economic Analysis (in Thousand JD)						
Statement	Year of incorporation	Year 1	Year 2	Year 3	Year 4	Year 5
Net cash flow from operating and investing activities	(24,000)	3,741	8,051	9,000	9,357	9,698
terminal value						25,998
Net Cash flow	(24,000)	3,741	8,051	9,000	9,357	35,696
Internal Rate of Return (IRR)	31%					
present Value	40,966					
Net present value	16,966					
Profitability Index (Time)	1.71					
Payback period (Year)	3.4					

### Social Analysis

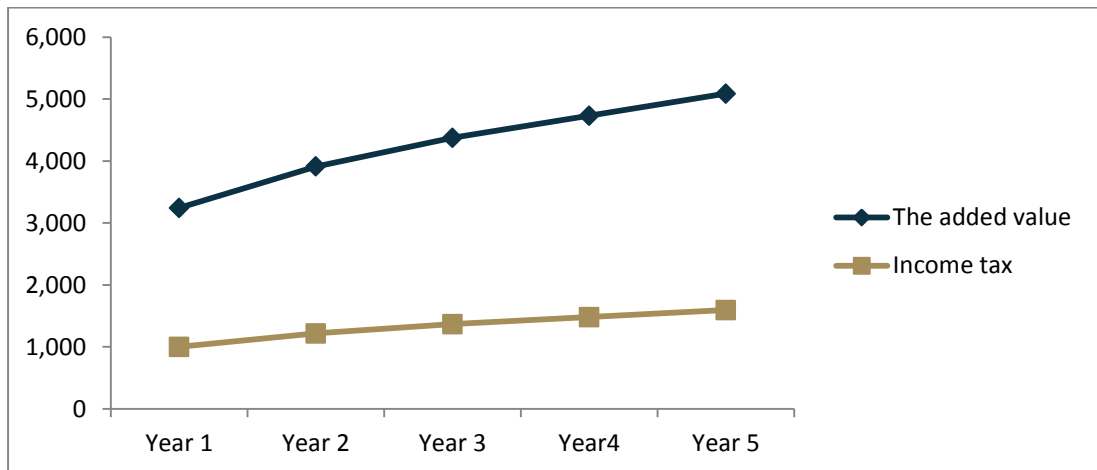
The following table shows the social analysis of the project. It is noticed that the number of staff required for the project will increase from 22 employees in the first year to 26 employees in the fifth year, and all employees are with Jordanian nationality.

The added value of the project will also increase from JD 3.2 million in the first year to JD 5 million in the fifth year, while the income tax will increase from JD 999 thousand to JD 1.6 million in the fifth year.

**Table 32: The Social Analysis of the Project**

Social Analysis					
Statement	Year 1	Year 2	Year 3	Year4	Year 5
Number of Employees	22	23	24	25	26
Jordanian employees	22	23	24	25	26
The added value –thousand JD	3,243	3,912	4,375	4,731	5,086
Income tax –thousand JD	999	1217	1367	1481	1595
sales tax value –thousand JD	-	-	-	-	-
Exports value / imports substitution	-	-	-	-	-

**Figure 7: The Social Analysis**



## 6. Risk and Sensitivity Analysis

### 6.1 Risk Analysis

The following table shows the risk matrix analysis that may face the project.

**Table 33: Project Risk Matrix**

Risks	Type of Risks	Risk Assessment
<b>Financial Risks</b>	<ul style="list-style-type: none"> <li>▪ <b>Credit Risk</b> Credit risk represents the risk of the company's financial loss as a result of the customer's default of the contractual obligation or that of the party dealing with the company through a financial instrument. These risks are mainly caused by trade receivables and others.</li> <li>▪ <b>Liquidity Risk</b> Liquidity risk is the risk resulting from the company's inability to meet its financial obligations at time. The company's liquidity management is to ensure as much as possible that the company always maintain enough liquidity to meet its obligations as they become due and payable in normal and emergency conditions without incurring unacceptable losses or risks that affect the company's reputation.</li> <li>▪ <b>risk of currency fluctuation</b> Currency risk is the risk of the fluctuation of the value of financial instrument, due to fluctuations in foreign</li> </ul>	<ul style="list-style-type: none"> <li>▪ The financial risks that may face the company are moderate, due to the project's accounts payable.</li> <li>▪ There is no risk of currency exchange, because the company sales and purchases will be in the local market.</li> <li>▪ There is no risk of inflation because the company's pricing is based on an annual basis</li> </ul>

Risks	Type of Risks	Risk Assessment
	<p>currency exchange rates.</p> <ul style="list-style-type: none"> <li>▪ <b>inflation risk</b> It is the risk associated with the possibility that the inflation or the rise in the cost of living might lead to the decrease the real value of the investment.</li> </ul>	
<p><b>Business risk (sector risk)</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Strategic Risk</b> It is the risk resulting from taking bad decisions by the company's management, or implementing the decisions in a wrong way, or not taking the decisions at the right time; which leads to losses or causes loss of alternative opportunities.</li> <li>▪ <b>Legal and Regulatory Risks</b> These risks are reflected as a result of non-compliance with laws, guidelines and instructions governing the work. Legal risks are caused by the company's break of the laws governing the work in the state in which the company operates. While regulatory risks arise from the company's violation of laws and standards issued by the regulatory authorities.</li> <li>▪ <b>Reputation Risk</b> Reputation risk arises from influential negative public views which result in great losses of customers or money. It includes the actions of the company's management or its employees which project a</li> </ul>	<ul style="list-style-type: none"> <li>▪ The risks are considered moderate before the company's establishment, because there is no difficulty in getting the approval of the official authorities</li> <li>▪ Reputational risk is very high, as the company deals with very sensitive issues</li> <li>▪ Market risk in the short term will be moderate because of the low competition from other companies in the governorate</li> </ul>

Risks	Type of Risks	Risk Assessment
	<p>negative image of the company, its performance and its relationships with customers and other stakeholders. Reputation risk also results from circulating rumors about the company and its activities.</p> <ul style="list-style-type: none"> <li>▪ <b>Competition Risk</b> Competition risk results from domestic and external competitors and reduces sales and profits.</li> </ul>	
<p><b>Operational Risk</b></p>	<p>Operational risk involves losses resulting from the failure of internal operations, human resources and systems. It includes:</p> <ul style="list-style-type: none"> <li>▪ <b>IT Risks</b> They are losses arising from downtime or systems failure due to the infrastructure, information technology, or the lack of systems, and any failure or malfunction in the systems. They include: the crash of computer systems, breakdowns in communication systems, programming errors, computer viruses and opportunities losses due to breakdown.</li> <li>▪ <b>Human Resources Risk</b> Losses caused by employees or related to them (intentionally or unintentionally). It also includes acts that are intended as methods of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operational risks are moderate, because of the licensing requirements and building activities</li> <li>▪ Market competitive salaries will be paid</li> <li>▪ Information security plan will be put in place to safely keep the company information</li> </ul>

Risks	Type of Risks	Risk Assessment
	cheating, abusing property or circumvent the law, regulations or company policy by officials or employees, as well as losses arising from the relationship with the customer, shareholders, regulators and any third party.	
<b>State Risk</b>	State Risk includes politicians' interference, civil unrest, wars, financial and monetary policies, and high level of debts.	<ul style="list-style-type: none"> <li>▪ State Risk is considered to be low, due to security and political stability; international reports indicate that State Risk is low both in medium and long terms</li> </ul>



## 6.2 Sensitivity Analysis

### First: Increase of Investment Cost By 10%

The following table shows the results of the sensitivity analysis when investment cost increases by 10%.

**Table 34: Investment Increase by 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	31.0%	26.9%	4.1%
The Present Value at a discount rate of 13% (in Thousand JD)	40,966	40,973	(7)
Net Present Value at a discount rate of 13% (in Thousand JD)	16,966	14,173	2,793
Profitability Index (Time)	1.7	1.5	0.2
Payback period (Year)	3.4	3.7	(0.3)
The Net Profit Ratio – an average of 5 years	35.6%	35.5%	0.1%
Return on Investment - an average of 5 years	15.8%	14.9%	0.9%
The added value - an average of 5 years (in thousand JD)	4269	4263	6
income tax - an average of 5 (in thousand JD)	1332	1330	2
sales tax - an average of 5 years (in thousand JD)	0	0	0

The above analysis refers to the feasibility of investment in the project, in light of the high cost of the total investment of the project, which increased by 10%. It is noted that:

- The internal rate of return reaches 26.9%, which is considered high for investment purposes
- The new payback period is 3.7 years, and it is reasonable for recovery purposes
- The return on capital is 14.9%, which is suitable for investment purposes

**Second: Reducing Revenues by 10%**

The following table shows the results of the sensitivity analysis when reducing revenues by 10%.

**Table 35: Reducing Revenues 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	31.0%	27.7%	3.2%
The Present Value at a discount rate of 13% (in Thousand JD)	40,966	37,834	3,132
Net Present Value at a discount rate of 13% (in Thousand JD)	16,966	13,834	3,132
Profitability Index (Time)	1.7	1.6	0.1
Payback period (Year)	3.4	3.7	(0.3)
The Net Profit Ratio – an average of 5 years	35.6%	31.2%	4.4%
Return on Investment - an average of 5 years	15.8%	12.6%	3.2%
The added value - an average of 5 years (in thousand JD)	4269	3433	836
income tax - an average of 5 (in thousand JD)	1332	1053	279
sales tax - an average of 5 years (in thousand JD)	0	0	0

The above analysis shows the low sensitivity of the project in case of reducing the revenues or demand by 10%. It indicates that:

- The internal rate of return is 27.7%, which is considered high for investment purposes
- The new payback period is 3.7 years, and it is reasonable for recovery purposes
- The return on capital reaches 12.6%, which is suitable for investment purposes

**Third: Increasing the Operating Costs by 10%**

The following table shows the results of the sensitivity analysis when increasing the operating costs by 10%.

**Table 36: Increasing the Operating Costs by 10%**

Index	Base	Impact	Change
Internal Rate of Return (IRR)	31.0%	29.4%	1.6%
The Present Value at a discount rate of 13% (in Thousand JD)	40,966	39,423	1,543
Net Present Value at a discount rate of 13% (in Thousand JD)	16,966	15,423	1,543
Profitability Index (Time)	1.7	1.6	0.1
Payback period (Year)	3.4	3.6	(0.2)
The Net Profit Ratio – an average of 5 years	35.6%	31.9%	3.7%
Return on Investment - an average of 5 years	15.8%	14.3%	1.5%
The added value - an average of 5 years (in thousand JD)	4269	3862	408
income tax - an average of 5 (in thousand JD)	1332	1196	136
sales tax - an average of 5 years (in thousand JD)	0	0	0

The above analysis shows the feasibility of the project in light of increasing the operating costs of the project by 10%. It indicates that:

- The internal rate of return is 29.4%, which is considered high for investment purposes
- The new payback period is 3.6 years, and it is reasonable for recovery purposes
- The return on capital is 14.3%, which is suitable for investment purposes