

## **GRANDE VALEUR: A STUDENT-FRIENDLY COMMERCIAL COMPLEX**

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### **ABSTRACT**

*Every business needs a place for it to conduct its day-to-day activities/operations. This is essential to its existence because like individuals, a business needs a “roof over its head” in order to survive as well. Nowadays, a rising trend in well-developed towns and cities where numerous places of commerce are being established is becoming prevalent in today’s society. The concept of Grande Valeur traces its roots on a vision shared by the proponents, a vision of “bringing businesses closer” to the people in order to contribute to the overall growth of the economy within its vicinity. That being said, it will not only be exclusive to a select few, but will be open to both the Lyceum Community and the public. By applying the knowledge imparted to the proponents during their stay in the institution, the project goes hand-in-hand with continuously improving itself in more ways than one. It aims to dedicate itself towards sustainability not only in terms of cost-effectiveness, but also towards the neighboring communities and the environment. With the presence of a demand in various scenarios of occupancy in the commercial complex, the proponents have determined the feasibility of this project throughout the course of the study and is deemed to be profitable. Moreover, it has also been determined to keep up with the competition based on the current state of the area. It aims to not only to eventually pull ahead of the competition and become the primary choice to conduct a business in with its own unique selling point and its sense of responsibility to the community around it.*

Keywords: *real-estate, commercial complex, Philippines, Asia*

## INTRODUCTION

Property is an integral part of our lives as human beings, it may come in different forms, shapes, and sizes. Property can be classified into many things, defined by the Civil Code of the Philippines as “an object, is that which is or may be appropriated.” Simply put, something that belongs to someone is considered as his property. But it doesn’t just include only material objects, things that cannot be seen or touched can be considered as property as well, these are then called intangibles.

Broadly defined, *Grande Valeur* essentially falls under the real estate industry. Real estate, according to Investopedia, is a property that is comprised of land and the buildings on it, as well as the natural resources of the land, uncultivated flora and fauna, farmed crops and livestock, water and mineral deposits. Simply put, everything within the boundaries of an area falls under real estate.

Investopedia categorized real estate into three categories, these are based on its use: residential, commercial, and industrial. The study was focused on the commercial part of real estate. According to Robert Kiyosaki, “there will always be a real estate market.” With regards to that, he added that “In a civilized world, a roof over one’s head is as essential as food, clothing, energy, and water.” Though his statement is mostly centered on real estate as a residential purpose, it also applies to *Grande Valeur* despite having a commercial nature.

Pressing on, Kiyosaki’s statement that having a roof over one’s head is essential for our daily lives. On a business aspect, having a place to conduct day-to-day operations is very important for a businessman. Even with changes in the trends of running a business, especially the continuous rise of E-commerce, it still pays to have a “brick-and-mortar” store that a customer can go to. It won’t just provide a “shelter” for the business, but it will also give a sense of security for someone with a business that only he has the right to run his business in that specific spot.

Commercial real estate, defined by Investopedia, is a property that is used solely for business purposes and that are leased out to provide a workspace rather than a living space. *Grande Valeur* belongs to this industry. It primarily deals with the leasing out of commercial spaces to businesses where *Grande Valeur* rents out its property to a business where they are bound by a contract of property rental.

The rise of E-commerce in this modern era is arguably a part of the changes brought about by the Internet. With this, many businesses are putting up websites and partnerships with online shopping companies in order to sell their goods. An “old-school” businessman with a physical store would think that it is a threat to the existence of his business, people still don’t think that E-commerce can replace “brick-and-mortar” stores.

Goldman Sachs says that people shouldn’t jump to the conclusion that E-commerce signifies the “apocalypse” for physical stores. Matthew Fassler, a Goldman analyst argued that “retail is not dead, it is changing.” Which is true, to which he added: “How brick-and-mortar stores employ new technologies and new models may determine how they survive the relentless shift online.” The stats also dictate the same for physical stores, where Goldman stated that eighty-five (85) percent of retail sales are still made in physical stores today. This is reassuring especially for those engaged in *commercial real estate* despite the ever-growing threat of E-commerce.

Barbara Thau, a columnist for Forbes also wrote about Five (5) Signs that Stores (Not E-commerce) Are the Future of Retail. She discussed points that contradict the fear of retail stores dying out because of E-commerce. Starting off with a list, Thau wrote that 9 out of the top 10 U.S. Retailers are physical chains, with Amazon as the only one not having a physical store. A few other reasons that Thau stated was when Amazon purchased Whole Foods, one of the United States’ biggest brick-and-mortar chains and also the current trend of how online retailers are being eaten by Legacy retailers. This is also good news for people wanting to put up their business.

One of other two reasons that Thau stated is that stores are more profitable than E-commerce, she justified that “a store purchase is more profitable than an e-commerce order...” to which she added that “factors like shipping and handling charges, and the costs associated with increased returns, eat into margins.” Of course, there’s still the irreplaceable experience of human interaction and a customer being face-to-face with a retailer compared to making a purchase by simply clicking.

Lastly, Thau stated that Millennials and Gen-Z have a lot to do with the continued existence of physical stores. This is because those that belong to these generations prefer real-life stores. Her claim that “most global millennials (70%) prefer brick-and-mortar stores.” is

justified by a research conducted by CBRE Inc. one of the largest *commercial real estate* companies in the western United States. “It is a certainty that the physical store retains its position of importance in the shopper’s journey.” According to Anthony Buono, chairman of CBRE’s global retail executive committee. He also added that “Online is seen to complement in-store shopping rather than conflict with it.” A claim which further provides a sense of security for people who want to put up a business in the near future.

With all those brought up, the researchers have found no other similar studies in LPU – Laguna regarding the feasibility of a business of this nature save for one. The feasibility study of Verde Elegante, a transient hotel/dormitory which provides accommodation to people of the LPU Community within the campus has become a reality and is nearing its completion. Verde Elegante deals with *residential* matters of leasing, Grande Valeur on the other hand, is focused on *commercial real estate*

## RESULTS AND DISCUSSION

A project’s feasibility depends on its ability to recover its capital as well as its performance and financial standing during the first few years of operation. Earning enough income to overpower the expenses to keep the business alive and in a good financial condition is the main goal. Factoring in the demand and the existence of a market can make or break the business too. In this case, it is a huge risk to shell out such a large amount of money as the capital. The commercial real estate industry is very to penetrate. With the fundamental element, the structure itself taking up a huge chunk of time to establish, a proven demand for the project is indeed necessary for it to push through.

Table 1 shows the comparative analysis of the projected demand and supply:

Table 1. Projected demand for the business at 200% capacity

Dimensions	Capacity (at 100%)	Respondents (at 200%)	Willing Businesses (at 200%)	Percentage (at 200%)
Standard (63m <sup>2</sup> )	9 units	18 businesses	12 businesses	67%
Downsized (31.5 m <sup>2</sup> )	4 units	8 businesses	8 businesses	100%
Total	13 units	26 businesses	20 businesses	76%

Table 1 showcases the results from the survey of the demand for Grande Valeur. As a test, setting the capacity at double the amount as a benchmark for the demand for the project at this stage. The percentage of willing businesses at 200% capacity shows that more than half of the total respondents surveyed were willing to lease commercial spaces in Grande Valeur. That being said, the presence of a reasonable demand for the business means that both the proponent and the potential tenant of Grande Valeur are given a sense of security yielded by the results. Though the test was pegged at double the amount of the normal capacity, the numbers dictate that it is enough to secure a 100% occupancy (at normal capacity) for Grande Valeur as tested.



Figure 1. Development Stages of the Project

Figure 1 shows the project's stages of development after conducting the study. To start off, necessary documents must be prepared to ensure a smooth flow. Next, the presentation of the design and budget will be done together with the selection of the ideal contractor and negotiations. After that, necessary permits must be acquired prior to the start of construction. Marketing and reservation of spaces will be conducted prior to the completion until the opening of the establishment.

Table 2. Total project cost

DESCRIPTION	AMOUNT
Fixed Assets	
Building	₱40,921,506.43
Land	58,175,000.00
Equipment	3,075,718.00
Furniture	949,480.00
Total Fixed Assets	₱103,121,704.43
Working Capital (2 months)	
Employee's wages	₱32,000.43
13 <sup>th</sup> month pay	2,200.00
SSS/PhilHealth/PAG-IBIG	1,508.70
Repair and maintenance	4,037.50
Supplies-Operating	6,799.43
Total Working Capital	₱46,245.43
Organizational Cost	
Administrative salary	₱328,000.00
13 <sup>th</sup> month pay	27,333.33
SSS/PhilHealth/PAG-IBIG	9,325.00
Supplies-Operating	6,180.98
Total Organizational Cost	₱370,839.31
Professional Fees	₱365,000.00
Pre-operating Expenses	₱85,180.00
Total	₱103,989,269.17
Add: Contingency	5,199,463.46
Total Project Cost	₱109,188,732.60

Table 2 shows the computation and breakdown of the costs associated with the project. Included are the amounts for fixed assets associated with the business, working capital for the employee to be assigned during the pre-opening phase, and organizational costs related to the salaries of employees and related accounts.

Also included in the total project cost are the following: professional fees for the consultants from different fields, and the pre-operating expenses of the project. The expenses incurred during the research and feasibility study have been included in the pre-operating expenses, together with the marketing and advertising expenses incurred prior to the opening of the establishment.

Another account added to the total project cost is the contingency. This is a form of reserve to cover up for sudden expenses arising from various scenarios during the pre-operation and operation phase of the business.

**Table 3. Cost of office equipment**

Office equipment	Quantity	Cost per unit	Total
Cassette-type air conditioner (inverter)	2	₱ 123,500.00	₱247,000.00
Laptop computer	8	34,990.00	279,920.00
Printer/Fax/Scanner	2	8,950.00	17,900.00
Safe vault	2	28,899.00	57,798.00
Water dispenser	1	6,999.00	6,999.00
Coffee maker	1	3,595.00	3,595.00
Fire Extinguisher	1	4,999.00	4,999.00
LED TV (43")	1	32,990.00	32,990.00
Stapler	3	129.00	387.00
Electric sharpener	2	815.00	1630.00
<b>Total cost of office equipment</b>			<b>₱653,218.00</b>

**Table 4. Cost of operating equipment**

Operating equipment	Quantity	Cost per unit	Total
Cassette-type air conditioner (inverter)	8	₱ 123,500.00	₱988,000.00
Loudspeaker	8	28,990.00	231,920.00
Monitor speaker	4	26,990.00	107,960.00
Subwoofer	4	36,990.00	147,960.00
Analog audio mixer	4	14,990.00	59,960.00
Wireless microphones	4 sets	25,890.00	103,560.00
Projector	4	49,500	198,000.00
Generator	2	206,000.00	412,000.00
Fire Extinguisher	12	4,999.00	59,988.00
CCTV (8 Channels, 8 cameras per kit)	4 kits	27,899.00	11,596.00
Vacuum cleaner	2	5,499.00	10,998.00
Emergency light	24	1,399.00	33,576.00
Exhaust fan	8	2,999.00	23,992.00
LED TV (43")	1	32,990.00	32,990.00
<b>Total cost of operating equipment</b>			<b>₱2,422,500.00</b>

Tables 3 and 4 show the broken-down cost of equipment for Grande Valeur into two categories: Office Equipment and Operating Equipment.

**Table 5. Total cost of equipment**

<b>Total</b>	
Office equipment	₱653,218.00
Operating equipment	2,422,500.00
<b>Total cost of equipment</b>	<b>₱3,075,718.00</b>

Table 6. Total cost of required furniture and fixtures

Item	Quantity	Cost per unit	Total
Filing cabinet	12	₱6200.00	₱74,400.00
Office table	4	5600.00	22,400.00
Work station	8	2485.00	19,880.00
Visitor's chair	6	2,600.00	15,600.00
Multi-purpose chair	300	999.00	299,700.00
6ft. long table	8	3,499.00	27,992.00
Foldable round table	50	3,550.00	177,500.00
Office chair (high back)	20	5,500.00	110,000.00
Couch	1	16,600.00	16,600.00
Conference table	1	14,500.00	14,500.00
LED lights (wall-mounted, 6W)	64	1,752.00	112,128.00
LED lights (office ceiling, 6W)	6	990.00	5,940.00
LED lights (indoor, 6W)	24	490.00	11,760.00
LED lights (outdoor, 8W)	8	599.00	4,792.00
Portable LED stage lights (25W)	24	1,512.00	36,288.00
<b>Total cost of furniture and fixtures</b>			<b>₱949,480.00</b>

Table 7. Pricing and options

Options	Total size	Dimensions	Rate
<b>Commercial space</b>			<b>₱ 1,000.00/m<sup>2</sup></b>
Standard	63m <sup>2</sup>	9 x 7m	₱ 63,000.00
Downsized	31.5m <sup>2</sup>	9 x 3.5m	**35,000.00
Expanded A (same level)	126m <sup>2</sup>	9 x 14m	126,000.00
Expanded B (up and down)	126m <sup>2</sup>	9 x 7m (2 floors)	126,000.00
<b>Function rooms</b>			
Expanded	126m <sup>2</sup>	9 x 14m	10,000.00/4hrs.

Table 7 shows the options as well as the rates for both Commercial spaces and function rooms. Notice the rate of the Downsized commercial space, it does not follow the rate of ₱1,000.00/m<sup>2</sup>. This is subject to a higher rate of rent vs the standard

space. These rates however, are still subject to change on annually in order to adapt with the current economic conditions.

Table 8. Cost of electricity of the establishment

	Monthly	Yearly
Office equipment	₱32,664.24	₱391,970.88
Operating equipment	13,883.96	166,607.56
Light fixtures	3,165.12	37,981.44
<b>Total cost of electricity</b>	<b>₱49,713.32</b>	<b>₱596,559.88</b>

Table 9. Cost of water consumption for the establishment

Rates	Charge (per m <sup>3</sup> )	Consumption (per m <sup>3</sup> )	Monthly cost	Annual cost
First 10 m <sup>3</sup>	*₱3,660.00	10	*₱3,660.00	₱43,920.00
11-20 m <sup>3</sup>	20.30	10	203.00	2346.00
21-30 m <sup>3</sup>	24.05	10	240.50	2886.00
31-40 m <sup>3</sup>	30.80	10	308.00	3696.00
41m <sup>3</sup> above	36.45	511	18,625.95	223,511.40
<b>Total</b>		<b>551m<sup>3</sup></b>	<b>₱23,037.45</b>	<b>₱276,359.40</b>

Table 10. Cost of telecommunication for the establishment

Item	Monthly cost	*Months	*Total Cost
Subscription	₱3,198.00	24	₱76,752.00
Devices	1,584.00	24	38,016.00
<b>Total</b>	<b>₱4,782.00</b>	<b>24</b>	<b>₱114,768.00</b>

Tables 8, 9, and 10 account for the cost of utilities related to the operation of the building, tenants on the other hand, are to pay for the utilities separately. Tenants have to provide for their own means of internet connection.

Table 11. Cost of maintenance supplies of the establishment

Item	Quantity	Cost per unit	Total
Filing cabinet	12	₱6200.00	₱74,400.00
Office table	4	5600.00	22,400.00
Work station	8	2485.00	19,880.00
Visitor's chair	6	2,600.00	15,600.00
Multi-purpose chair	300	999.00	299,700.00
6ft. long table	8	3,499.00	27,992.00
Foldable round table	50	3,550.00	177,500.00
Office chair (high back)	20	5,500.00	110,000.00
Couch	1	16,600.00	16,600.00
Conference table	1	14,500.00	14,500.00
LED lights (wall-mounted, 6W)	64	1,752.00	112,128.00
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Portable LED stage lights (25W)	24	1,512.00	36,288.00
<b>Total cost of furniture and fixtures</b>			<b>₱949,480.00</b>

Table 11 shows the breakdown and cost of supplies necessary to maintain the cleanliness of Grande Valeur.

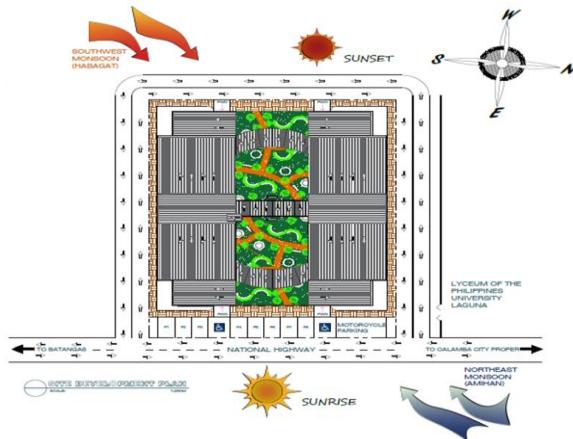


Figure 2. Site development plan of Grande Valeur

Figure 2 shows the site development plan of Grande Valeur. It is situated along the National Highway with a road going around the building as well as a direct access gate to LPU-Laguna, providing

convenience and ease of going to and from the institution. Furthermore, the mini eco park at the center is an open area that serves not only as an aesthetic function but also as a way to minimize energy consumption of the establishment while giving a natural feel of the area.

With its design and strategic location, it certainly is aligned with nature. Being away from the bustling urban life near its location helps provide a relaxing feel and a full view of Mt. Makiling on the East, and Tagaytay on the West. Grande Valeur aims to capture the vibe of being the “go-to place” of the Lyceum Community and the general public within its vicinity.



Figure 3. Perspective views of the building

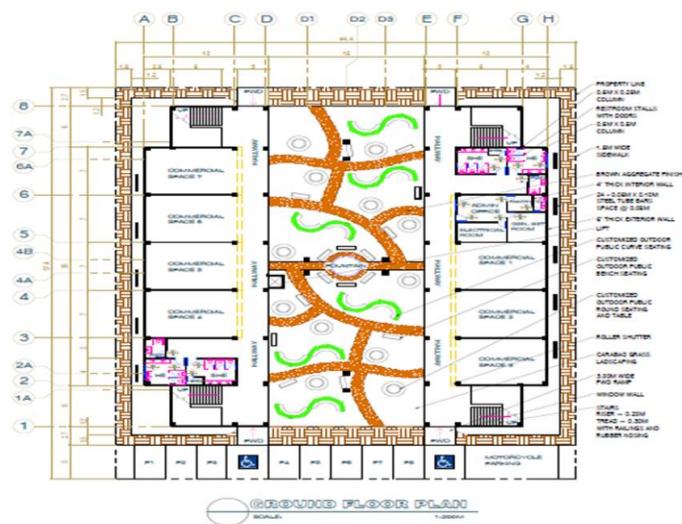


Figure 4. Ground floor plan of the building

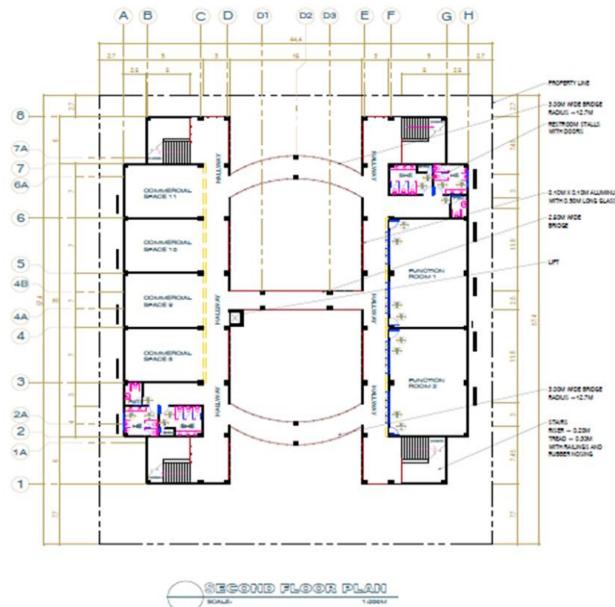


Figure 5. Second floor plan

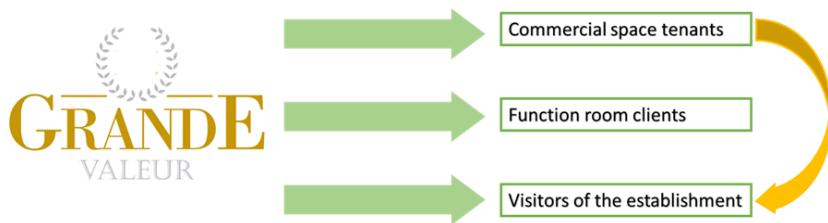


Figure 6. Distribution channel of Grande Valeur

Figure 6 shows the distribution channel of Grande Valeur, the establishment provides the spaces to commercial space tenants and function room clients, it also gives the visitors the opportunity to visit the place and utilize its amenities. That being said, it also has the indirect channel to the visitors through the tenants and their products and services.

Table 12. Projected sales figures for the first five years (for Commercial Spaces)

Year 1			Year 2			Year 3			Year 4			Year 5		
Rental	Occ	M												
₱ 63,000.00	7	10	₱ 64,890.00	8	10	₱ 66,836.70	9	10	₱ 68,841.80	9	11	₱ 70,907.06	9	12
35,000.00	3	10	36,050.00	3	11	37,131.50	4	10	38,245.45	4	11	39,392.81	4	12
₱ 5,460,000.00			₱ 6,380,850.00			₱ 7,500,563.00			₱ 8,498,137.88			₱ 9,548,816.74		
			17%			18%			13%			12%		

Table 12 shows the sales projection of the commercial spaces for the first five years. These figures expect an annual increase of 3% in the rental fees in order to counter the effects of inflation.

Table 13. Projected sales for the first five years (for Function rooms)

Year 1		Year 2		Year 3		Year 4		Year 5	
Rental	Occ	Rental	Occ	Rental	Occ	Rental	Occ	Rental	Occ
₱ 10,000.00	40	₱ 10,200.00	44	₱ 10,404.00	48	₱ 10,612.08	52	₱ 10,824.32	55
10,000.00	40	10,200.00	44	10,404.00	48	10,612.08	52	10,824.32	55
₱ 800,000.00		₱ 897,600.00		₱ 998,784.00		₱ 1,103,656.32		₱ 1,190,675.38	
		12%		11%		11%		8%	

Table 13 shows the sales projection of the function rooms for the first five years. These figures expect an annual increase of 2% in the rental fees in order to counter the effects of inflation.

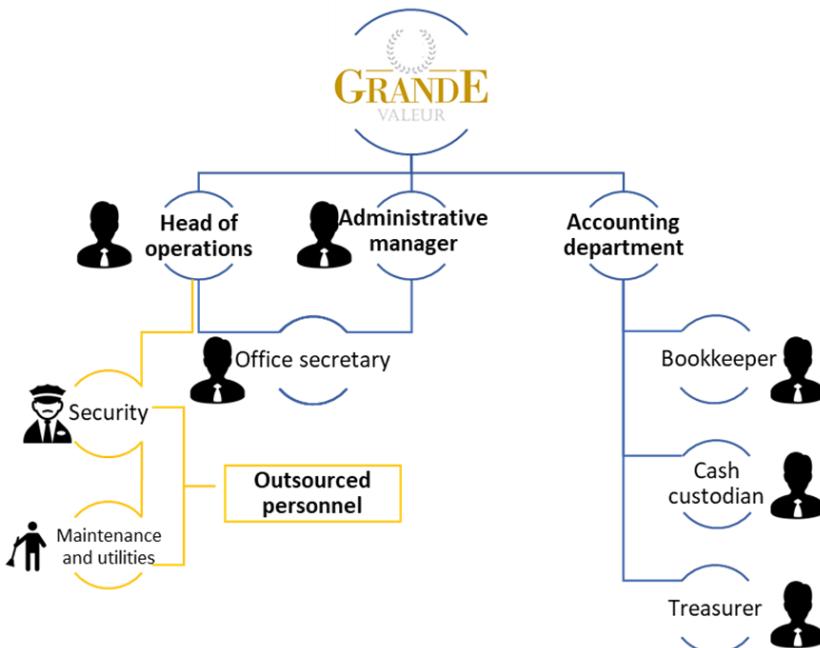


Figure 7. Organizational chart of Grande Valeur

The organizational structure of Grande Valeur follows a department based structure in order to divide the labor across appropriate departments.

**Table 14. Payback period**

<b>Payback Period</b>				
	<b>Cash Inflow</b>	<b>Initial Investment</b>	<b>Remaining Investment to be Payback</b>	<b>PAYBACK PERIOD</b>
2020	54,744,618.15	158,175,000	103,430,381.85	1 yr
2021	-104,112.14		103,534,493.99	2 yrs
2022	753,035.21		102,781,458.77	3 yrs
2023	1,481,777.72		101,299,681.05	4 yrs
2024	2,234,890.35		99,064,790.71	5 yrs
2025	3,620,522.36		95,444,268.35	6 yrs
2026	5,539,399.21		89,904,869.13	7 yrs
2027	8,752,250.75		81,152,618.38	8 yrs
2028	13,592,245.42		67,560,372.96	9 yrs
2029	21,339,825.31		46,220,547.65	10 yrs
2030	33,290,127.49		12,930,420.16	11 yrs
2031	52,099,049.51		-	0.248189 yrs
<b>11.248189 yrs</b>				

Grande Valeur expects a payback period of 11.25 years. These figures have factored in the effects of inflation to ensure the survival of the business in the long run.

## **CONCLUSION**

The information gained in this study has been proven to be feasible. This project's aspects support this claim. These are as follows:

### Marketing aspects

The strategic location and concept of Grande Valeur is what will make it sell. Its features and affordable and customizable offers, as well as the ambience and environment of the establishment also add support to the foothold that it expects to establish in the vicinity.

### Operating aspects

How the company operates is a vital part of its continued existence. Grande Valeur's proponents have come up with ways of operation that is dedicated to continuous improvement of itself. The establishment aims to operate in convenient hours to provide ample time to both tenants and visitors.

### Financial aspects

For the researchers, this aspect is the most important because the business will rely heavily on finances to keep itself alive in the long run. The competitive payback period correlated to the large amount of capital proves its feasible position upon its establishment.

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