

STATE UNIVERSITIES STUDENT ACCOMMODATION

ABBREVIATIONS

BOT - BUILT OPERATE AND TRANSFER

SPV - SPECIAL PURPOSE VEHICLE

BACKGROUND

Zimbabwe has about 10 state owned universities dotted around the country. Of all the universities none has adequate accommodation hostels to cater for enrolled students. As an alternative students look for accommodation in nearby residential suburbs. The government due to tight fiscus space cannot avail funds towards construction of student hostels hence is open to BOT models.

Business Model

- ❖ A SPV will be created to manage funding, built, operate and subsequently transfer.
- ❖ Revenue will be generated from student accommodation fees.
- ❖ The SPV will commit to repayments of funding with interest through a guarantee.
- ❖ The business calendar will be two semesters per annum.

Assumptions

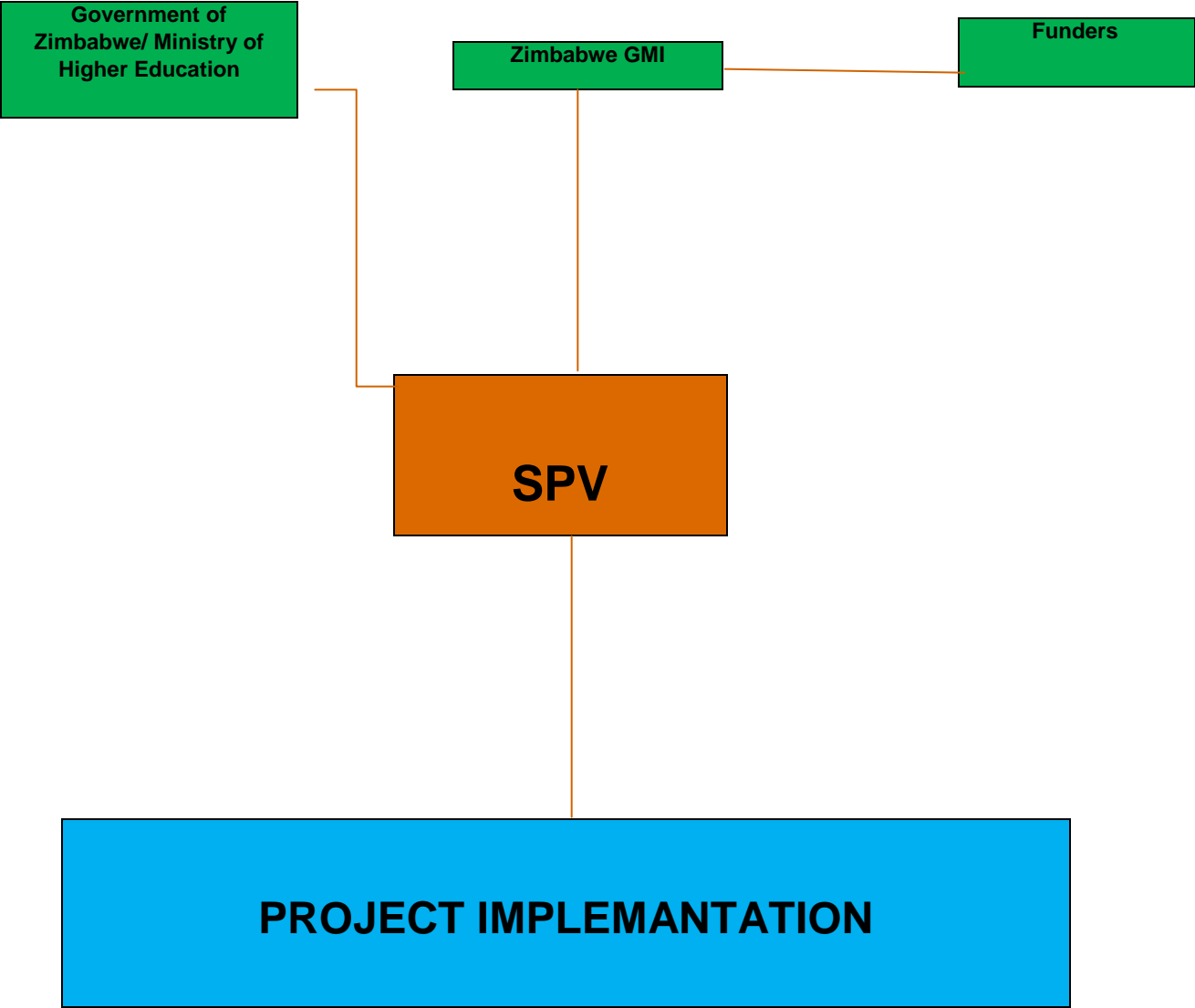
- ❖ The construction will take 3 years to be fully complete.
- ❖ The project will be exposed to 4% average inflation rate over its duration.
- ❖ The hostels will have capacity to house 11000 students.
- ❖ Funding will be at an interest rate of 15% per annum + a variable rate based on collections.
- ❖ No interest will be charged during the construction phase.

Strength of the project

- ❖ Importation of construction materials and equipment may have duty rebates.
- ❖ Ready occupants to occupy the hostels.
- ❖ BOT arrangements have tax advantages.

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STRUCTURE OF THE ARRANGEMENT



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FINANCIAL DATA

The financial data shows the cash flows growth during the post construction period.

NB-The computation is just to show the preliminary financial viability thereof.

YEAR	#OF STUDENTS	ANNUAL RATE/STUDENT	TOTAL REVENUE \$Million	EXPENSES \$Million	NET REVENUE \$Million	CUMMULATIVE \$Million
0	-					
1	11000	1,000	11.00	(0.83)	10.17	10.17
2	11000	1,040	11.44	(0.86)	10.58	20.75
3	11000	1,082	11.90	(0.89)	11.01	31.76
4	11000	1,125	12.37	(0.93)	11.44	43.20
5	11000	1,170	12.87	(0.97)	11.90	55.10
6	11000	1,217	13.38	(1.03)	12.35	67.45
7	11000	1,265	13.92	(1.04)	12.88	80.33
8	11000	1,316	14.48	(1.09)	13.39	93.72
9	11000	1,369	20.53	(1.54)	18.99	112.71
10	11000	1,423	21.35	(1.60)	19.75	132.46
11	11000	1,480	22.20	(1.67)	20.53	152.99
12	11000	1,539	23.09	(1.73)	21.36	174.35
13	11000	1,601	24.02	(1.80)	22.22	196.57
14	11000	1.665	23.10	(1.87)	21.23	217.80

Based on the estimated cash flows, the project will generate about \$440Million in 28 years. The project is likely to cost \$200million<C<\$300million.