

Feasibility Study

I LOVE BOSNIA

KEMPINSKI Branded Wellness Resort – BREZA PARADISE

UNIDO-Compatible Institutional Feasibility Analysis
Bosnia and Herzegovina

Prepared by **Ai-FEASIBILITY**
May 2026

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V O G O Š Ć A M U N I C I P A L I T Y

BOSNIA AND HERZEGOVINA

43.9222° N / 18.3293° E



BREZA MUNICIPALITY

BOSNIA AND HERZEGOVINA

43.9967° N / 18.3183° E



BREZA MUNICIPALITY

BOSNIA AND HERZEGOVINA

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Confidentiality, Scope, and Study Purpose

Confidentiality Statement

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Classification: Confidential – Institutional Review

Intended Audience

- ✓ Development Finance Institutions (DFIs)
- ✓ Commercial Banks and Lenders
- ✓ Public-Private Partnership Stakeholders
- ✓ Investment Committees
- ✓ Sovereign and Institutional Reviewers
- ✓ Project Sponsors and Landowners

Study Purpose

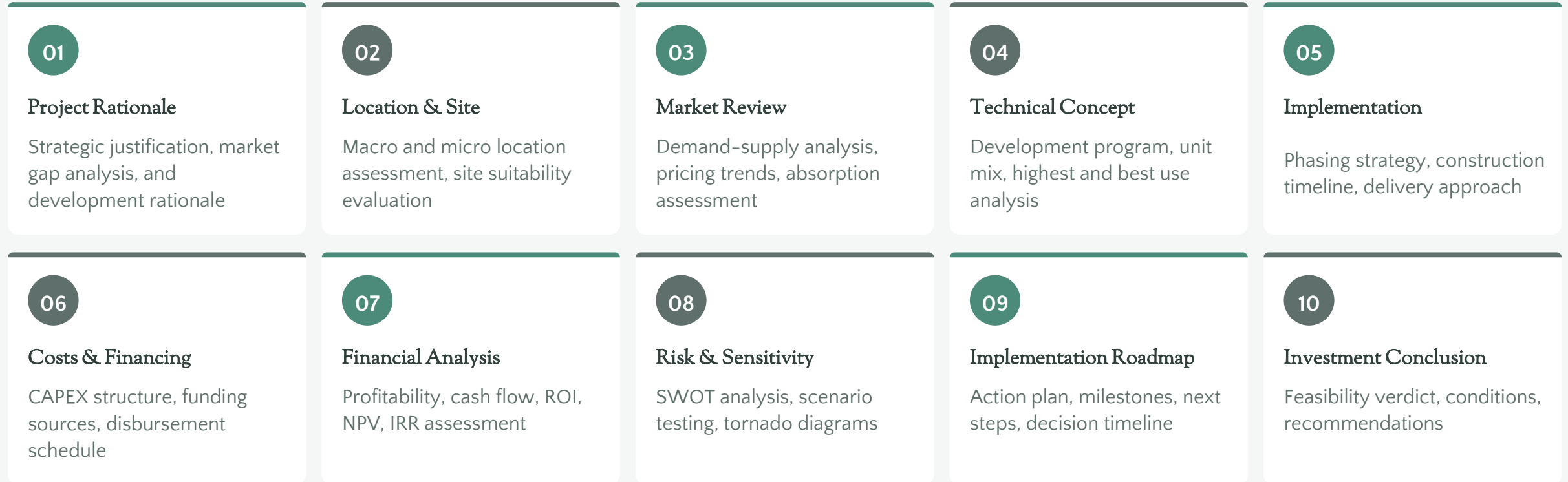
This study evaluates the technical, financial, and economic viability of the Breza Hills mixed-use development project. The analysis follows UNIDO feasibility methodology to provide an objective, evidence-based assessment for investment decision-making.

Limitations and Assumptions

Results depend on market conditions, cost estimates, construction schedules, and funding availability. All projections represent best estimates based on available data. Actual outcomes may vary. Key assumptions include: construction costs, absorption rates, pricing escalation, and financing terms.

UNIDO-Compatible Feasibility Framework

This study follows a structured feasibility approach aligned with UNIDO methodology for industrial and development project assessment.



i Analytical Approach: Objective, evidence-based assessment prioritizing bankability and decision-making clarity. All financials reconciled across monthly, annual, and total views.

Project Background and Development Rationale

Why This Project?

Breza Hills addresses a significant market gap in Bosnia and Herzegovina's luxury real estate sector. Despite rising demand for branded residences and wellness-oriented living, the market remains underserved with no internationally-branded wellness resort developments.

Market Gap

No Branded Wellness

Demand Driver

Wellness Tourism ↑

Strategic Rationale

- **First-Mover Advantage:** Capture untapped branded wellness segment
- **Brand Premium:** Kempinski association commands 15-25% pricing power
- **Tourism Synergy:** Bosnia's 16.6% annual price growth supports investment case
- **Location Efficiency:** Competitive land cost enables attractive end-pricing

Land & Sponsor Context

Land Ownership

Freehold Title

Land Size

471,781 sqm

Land Cost Efficiency

\$44 / sqm GFA

Sponsor Track Record

Regional Development

Kempinski Partnership

Europe's oldest independent luxury hotel company (150+ years) brings operational excellence, brand credibility, and global distribution network.

Brand Value: Premium positioning, service standards, marketing reach

Project Inputs Summary

Location & Physical Parameters

Country	Bosnia & Herzegovina	Governance	Breza Municipality
Property Type	Freehold	Project Type	Branded Wellness Resort
Operator	Kempinski	Land Size	471,781 sqm
FAR	0.477	Total BUA	315,000 sqm
Total GFA	225,000 sqm	Total NFA	202,500 sqm
Total Units	900 Units	Avg Unit Size	225 sqm
Floors	5 Floors	Height	30 Meters
Parking	2,250 Spaces		

Financial Parameters

Currency	USD	Measurement	Square Meters
Construction Period	36 Months	Sales Period	48 Months
Land Cost	\$10.2M	Hard Cost	\$370.1M
Soft Cost	\$29.5M	Total Cost	\$491.8M
Total Revenue	\$738.8M	Net Profit	\$247.1M
Project ROI	50.24%	Gross Margin	33.4%
Cost per NFA	\$2,429/sqm	Revenue per NFA	\$3,649/sqm
Profit per NFA	\$1,220/sqm		

Total Development Cost

\$491.8M

Total Revenue

\$738.8M

Net Profit

\$247.1M

Project ROI

50.24%

Project Scope and Boundaries

✓ What Is Included

- + Land acquisition and registration costs
- + All construction costs (hard costs)
- + Design, consultancy, and professional fees (soft costs)
- + Sales and marketing expenses
- + Brokerage commissions
- + Financing costs during development
- + Infrastructure and landscaping
- + Furniture and equipment (13% of building cost)

✗ What Is Excluded

- Post-handover operations and management
- Owner furniture packages beyond base specification
- Utility connections beyond standard provision
- Post-completion warranty claims
- Community association setup costs

🔒 Fixed Assumptions

- 🔒 Land ownership and freehold title
- 🔒 Kempinski brand partnership terms
- 🔒 Construction cost estimates (\$1,200/sqm GFA)
- 🔒 Base pricing (\$3,400/sqm launch)
- 🔒 Development timeline (48 months)
- 🔒 JV structure (20% landowner / 80% developer)

? Items Requiring Validation

- ? Final Kempinski management agreement terms
- ? Construction permit approvals and timeline
- ? Pre-sales performance validation
- ? Financing terms and availability
- ? Environmental assessment completion
- ? Infrastructure upgrade commitments

i Scope Clarification: This feasibility study evaluates the development phase only. Operational phase economics, including ongoing management fees and hospitality revenue, require separate analysis post-completion.

Feasibility Conclusion



Institutional Feasibility Assessment

The Breza Hills project demonstrates **strong financial viability** with a projected ROI of 50.24% and net profit of \$247.1 million. The development is supported by robust market fundamentals, established Kempinski brand positioning, and a disciplined cost structure that provides meaningful resilience against downside scenarios.



Technical Feasibility

Site Suitability

CONFIRMED

Development Program

VIABLE

Construction Approach

ACHIEVABLE

Site characteristics support the proposed development with appropriate topography, access, and infrastructure potential.



Financial Feasibility

Project ROI

50.24%

Gross Margin

33.4%

Profit per NFA

\$1,220/sqm

Strong returns supported by competitive land cost, brand premium, and efficient cost structure.



Implementation Readiness

Permits & Approvals

PENDING

Operator Agreement

IN NEGOTIATION

Financing Structure

DEFINED

Key preconditions require satisfaction before final commitment. Implementation plan is well-structured.

Total Investment

\$491.8M

Developer Equity

\$47.6M

Peak Funding Gap

\$85M

Debt Ratio

5%

Core Financial Metrics Summary

Metric	Value (USD)	% of Revenue	Notes
Total Development Revenue	\$738,832,104	100.0%	4-year sales period
Land Cost	\$10,200,000	1.4%	\$44/sqm GFA
Hard Cost	\$370,100,000	50.1%	\$1,645/sqm GFA
Soft Cost	\$29,524,221	4.0%	Design, permits, PM
Sales & Commission	\$79,424,451	10.8%	10% outsourcing + 2.75% inhouse
Financing Cost	\$2,523,175	0.3%	5% debt, 4.5% interest
Total Development Cost	\$491,771,847	66.6%	\$2,429/sqm NFA
Gross Profit	\$247,060,257	33.4%	Before financing
Less: Financing Cost	(\$2,523,175)	0.3%	
Net Profit	\$244,537,082	33.1%	\$1,207/sqm NFA

Resilience and Risk Assessment Summary

Project resilience evaluated across six critical dimensions demonstrates strong capacity to withstand adverse conditions.

Price Resilience

Strength **STRONG**

Launch pricing at \$3,400/sqm positions 15–20% below comparable luxury projects, providing buffer against market softening.

Buffer: 15–20% below market

Cost Resilience

Strength **STRONG**

10% contingency embedded in hard costs. Fixed-price contracting strategy mitigates cost escalation risk.

Buffer: 10% contingency

Sales Resilience

Strength **MODERATE**

4-year absorption schedule with conservative velocity (15–35% annually). Flexible pricing strategy enables adjustment.

Buffer: Extended sales period

Financing Resilience

Strength **STRONG**

Low leverage structure (5% debt) minimizes financing risk. Customer collections offset construction costs.

Buffer: 5% debt ratio

Implementation Resilience

Strength **MODERATE**

Phased construction approach enables adjustment. Permit and approval dependencies require monitoring.

Buffer: Phased delivery

Overall Resilience

Assessment **STRONG**

Project demonstrates strong overall resilience with multiple buffers against downside scenarios. Conservative assumptions and disciplined structure provide meaningful protection.

Composite Score: 78/100

Executive Recommendation



GO SUBJECT TO CONDITIONS

The project demonstrates strong viability and is recommended for conditional approval pending satisfaction of key preconditions.

Key Reasons for Recommendation

- 1 Strong Financial Returns:** 50.24% ROI and \$247M net profit significantly exceed institutional investment thresholds
- 2 Favorable Market Positioning:** First-mover advantage in branded wellness segment with limited competition
- 3 Established Brand Partnership:** Kempinski association provides credibility, premium positioning, and operational expertise
- 4 Disciplined Cost Structure:** Competitive land cost (\$44/sqm GFA) and efficient development program
- 5 Resilient Financing:** Low leverage (5% debt) and customer collection model reduce funding risk

Conditions to Satisfy

- Finalize Kempinski management agreement with acceptable terms
- Secure construction permits and approvals within projected timeline
- Validate absorption assumptions through pre-sales performance (minimum 15% in Year 1)
- Confirm financing terms and availability with lending institutions
- Complete environmental assessment and remediation plan
- Secure infrastructure upgrade commitments from authorities

Decision Framework

Technical Feasibility

CONFIRMED

Financial Feasibility

CONFIRMED

Implementation Readiness

CONDITIONAL

Overall Assessment

GO SUBJECT TO CONDITIONS

Macro Location Analysis

Regional Context

Bosnia and Herzegovina occupies a strategic position in Southeast Europe, serving as a bridge between Central Europe and the Mediterranean. The country is pursuing EU accession, which drives infrastructure investment and regulatory alignment.

Population
3.3 Million

GDP Growth
2.5-3.0%

Currency
BAM (€ Peg)

EU Status
Candidate

Economic Relevance

- **Real Estate Momentum:** 16.6% annual price growth for new dwellings (2024)
- **Foreign Investment:** Growing interest from GCC and diaspora investors
- **Tourism Growth:** Post-pandemic recovery driving hospitality demand
- **EU Catalyst:** Accession pathway supporting long-term stability

Growth Corridor Positioning

Sarajevo Metro 40km

Capital city, economic hub

Zenica 25km

Industrial center, growing market

Jahorina Ski 60km

Winter tourism destination

Adriatic Coast 180km

Summer tourism, regional access

Urban Development Relevance

Breza municipality is transitioning from industrial heritage to sustainable development, with emerging eco-tourism initiatives and wellness positioning.

Strategic Fit: Project aligns with municipal sustainable transition plan adopted 2024

Micro Location Analysis

Site Accessibility

Sarajevo International Airport
45 minutes



Sarajevo City Center
40 minutes



Zenica City Center
25 minutes




Highway Access (A1)
15 minutes



Visibility & Destination Strength

- ✓ **Elevated Position:** Hillside location provides panoramic valley views
- ✓ **Natural Setting:** Forested surroundings enhance wellness positioning
- ✓ **Landmark Potential:** Kempinski branding creates destination recognition
- ✓ **Competitive Edge:** First branded wellness resort in Bosnia

 **Location Assessment:** Site offers good accessibility to major urban centers while providing natural setting conducive to wellness positioning. Infrastructure improvements will enhance accessibility as development progresses.

Transport Access

Road Network

Connected to municipal and national road network. Primary access via paved municipal roads.

Public Transport

Limited public transport to site. Private vehicle access primary mode.

Future Infrastructure

Potential for improved access as development progresses and municipality invests.

Surrounding Uses

Site is situated in a transitioning area with mixed characteristics:

- Former mining area with environmental remediation underway
- Residential and agricultural uses in vicinity
- Eco-tourism initiatives emerging in municipality
- Natural landscapes and forested areas

Site Suitability Assessment

Land Characteristics

Total Land Area
471,781 sqm
117 acres

Topography
Gentle hillside
Suitable for phased development

Elevation
-677m above sea level
Panoramic valley views

Vegetation
Forested areas
Natural wellness setting

Frontage & Access

Primary Access
Municipal road connection with potential for multiple entry points

Frontage
Extensive road frontage enabling phased access development

Visibility
Elevated position provides visibility from surrounding areas

Infrastructure
Electricity, water access available; upgrades required

Development Suitability

Size Adequacy ✓

Topography ✓

Access Potential ✓

Views & Setting ✓

Phasing Flexibility ✓

Overall: HIGHLY SUITABLE

Constraints

- ⚠ Former mining area requires environmental assessment
- ⚠ Infrastructure upgrades needed
- ⚠ Permit and approval timeline uncertain

FAR
0.477

GFA
225K sqm

Land Cost/GFA
\$44/sqm

Efficiency
90%

Strategic Landmarks and Catchment

Major Landmarks

- 1 Sarajevo**
40km · Capital city, economic hub, international airport
- 2 Jahorina Ski Resort**
60km · 1984 Winter Olympics venue, winter tourism
- 3 Dinaric Alps**
Mountain range providing natural backdrop and recreation
- 4 Zenica**
25km · Industrial center, growing residential market

Catchment Drivers

- Domestic Demand**
Sarajevo metropolitan area affluent buyers seeking second homes and wellness lifestyle
- Regional Demand**
GCC and Middle Eastern investors attracted to European wellness destination
- Diaspora Investment**
Bosnian diaspora in Europe and North America seeking connections and investments

Strategic Positioning

Project captures unmet demand for branded wellness living in Bosnia, leveraging Kempinski reputation and natural setting to create unique value proposition.

Competitive Advantage: First branded wellness resort in market with 15–20% pricing buffer below comparable luxury projects

i Catchment Summary: Primary catchment (Sarajevo metro): 400K+ population. Secondary catchment (regional): 2M+ population. Tertiary catchment (GCC/diaspora): Significant investment interest demonstrated.


Market Overview and Demand Drivers

Demand Drivers

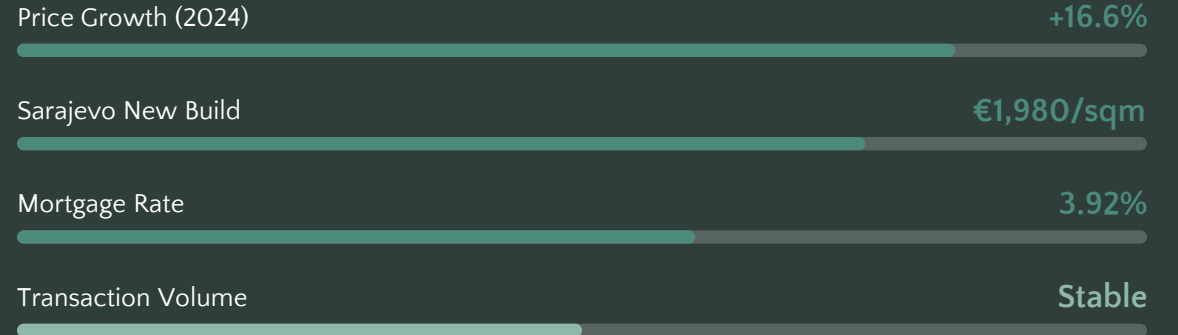
- ↑ **Rising Affluence:** Growing middle and upper-middle class in Bosnia and region with increasing disposable income
- ↑ **Wellness Tourism Growth:** Post-pandemic shift toward wellness-oriented travel and living
- ↑ **Foreign Investment:** Strong interest from GCC countries and diaspora investors
- ↑ **Urbanization:** Migration from rural to urban areas driving housing demand
- ↑ **EU Accession:** Pathway to EU membership supporting long-term stability and investment

Supply Trends

- New dwelling completions increased 17.6% in 2024
- Construction costs rising due to labor shortages
- Limited branded luxury supply in market
- Building permits down 32% in early 2025

 **Market Assessment:** Bosnia real estate market demonstrates strong fundamentals with sustained price growth, low household debt, and favorable financing conditions. Limited branded luxury supply creates opportunity for differentiated product.

Real Estate Momentum



Demographic & Economic Support

Household Debt/GDP	23.7%
Mortgage NPL Rate	0.7%
Cash Transactions	50%
Price Index Growth (2019-23)	+55%

Demand-Supply Assessment and Positioning Gap

Current Supply Analysis


Luxury branded residences are virtually non-existent in Bosnia. Current luxury supply consists primarily of non-branded or semi-branded developments.

Market Gap

No internationally-branded wellness resort developments in Bosnia and Herzegovina

Future Pipeline

- Limited branded wellness resort developments announced
- Building permit decline (-32%) may constrain future supply
- Construction cost pressures affecting new project viability

 **Demand-Supply Conclusion:** Market demonstrates clear unmet demand for branded wellness product. Limited competition and first-mover advantage position Breza Hills to capture significant market share.

Unmet Demand Assessment

Affluent Domestic Buyers

Growing segment seeking quality branded residences

CCC Investors

Established tourism patterns, seeking European assets

Diaspora Investment

Strong connection to homeland, investment appetite

Wellness Seekers

Post-pandemic demand for wellness-oriented living

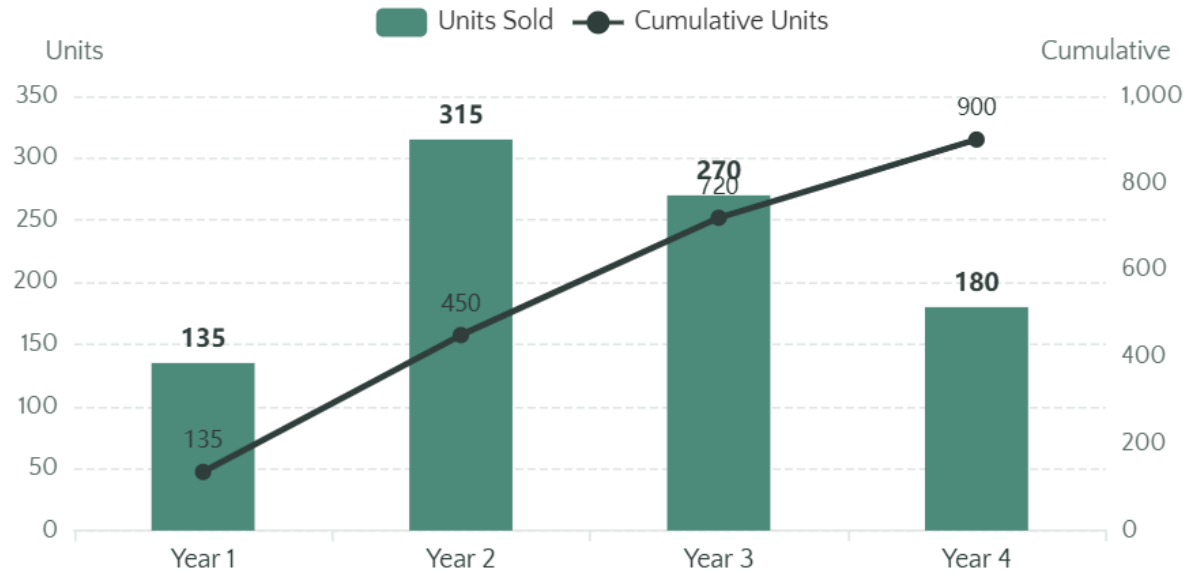
Positioning Gap

Breza Hills addresses significant positioning gap:

- ✓ First branded wellness resort in market
- ✓ Kempinski brand provides credibility and premium
- ✓ Pricing 15-20% below comparable luxury projects
- ✓ Natural setting supports wellness positioning

Absorption and Sales Velocity Analysis

Absorption Schedule (Base Case)



Annual Absorption

Year 1	135 units (15%)
Year 2	315 units (35%)
Year 3	270 units (30%)
Year 4	180 units (20%)
Total	900 units

Sell-Out Logic

- ✓ Brand-driven demand from Kempinski recognition
- ✓ Competitive pricing vs. luxury segment
- ✓ Phased release maintains scarcity
- ✓ Construction-linked payment plan

Avg Annual Absorption
225 units

Sales Period
48 months

Pre-Sales Target
15% (Y1)

Payment Plan
Construction

Real Estate Trends and Implications

Pricing Trends

National Average (2024)

€1,643/sqm

+16.6% YoY

Sarajevo Average

€1,980/sqm

+7.6% YoY

Luxury Segment

€2,500–3,800




Outperforming

Sustained price growth supports project pricing assumptions with healthy buffer.

Consumer Preferences

- **Wellness-Oriented:** Growing demand for wellness amenities and healthy living environments
- **Branded Residences:** Increasing preference for hotel-branded residential product
- **Larger Units:** Post-pandemic shift toward more spacious accommodations
- **Outdoor Amenities:** Priority on gardens, terraces, and natural surroundings

Operator Trends

-  International luxury brands expanding into emerging markets
-  Kempinski actively developing residential portfolio globally
-  Wellness-focused hospitality gaining market share

Mixed-Use Relevance

Integrated wellness, hospitality, and residential components create destination appeal, revenue diversification, and enhanced asset value.

i Trend Alignment: Breza Hills positioning aligns with all major market trends: wellness focus, branded residences, larger units, outdoor amenities, and mixed-use integration. Project is well-positioned to capture evolving consumer preferences.

Highest and Best Use Analysis

Comparative analysis of alternative development scenarios to determine optimal land use.

Evaluation Criteria	Pure Residential	Pure Hospitality	Mixed-Use Wellness
Demand Strength	MODERATE	MODERATE	STRONG
Pricing Power	MODERATE	MODERATE	STRONG
Capital Intensity	LOW	HIGH	MODERATE
Operational Complexity	LOW	HIGH	MODERATE
Risk Profile	MODERATE	MODERATE	LOW
Margin Potential	MODERATE	MODERATE	HIGH
Strategic Fit	LIMITED	LIMITED	STRONG
Overall Assessment	ACCEPTABLE	ACCEPTABLE	OPTIMAL

Development Concept and Program Overview

Land Use Concept





Master-planned wellness resort community integrating residential, hospitality, and wellness components across 471,781 sqm hillside site.

Total Land Area **471,781 sqm**

Development Density **Low (FAR 0.477)**

Building Height **Max 5 floors / 30m**

Functional Integration

-  Wellness programming central to community identity
-  Hospitality services available to residents
-  Retail and F&B serving community and visitors
-  Landscaped grounds and recreation facilities

Project Components

Residential Units **900 Units**

Villas, townhouses, apartments, branded residences

Wellness Center **Core**

Spa, fitness, treatment facilities

Hospitality **Integrated**

Hotel apartments, guest services

Retail & F&B **2,025 sqm**

Shops, restaurants, cafes

Parking **2,250 Spaces**

Covered parking (90,000 sqm)

Positioning

Kempinski-branded luxury wellness destination, first in Bosnia, targeting affluent domestic buyers, regional investors, and wellness seekers.

Unit Mix and Product Mix

Unit Type	NFA %	NFA (sqm)	Avg Size	Units
Villa	27%	54,675	300	182
Townhouse	22%	44,550	250	178
Farm Villa	12%	24,300	245	99
Branded Villa	11%	22,275	400	56
Duplexes	5%	10,125	300	34
Branded Apartment	3%	6,075	160	38
Penthouse	3%	6,075	250	24
Hotel Apartment	3%	6,075	80	76
Apartment (Studio)	2%	4,050	40	101
Apartment (1 Bed)	2%	4,050	80	51
Apartment (2 Bed)	2%	4,050	120	34
Cottage	2%	4,050	80	51
Sky Villa	2%	4,050	450	9
Apartment (3 Bed)	1%	2,025	160	13
Apartment (4 Bed)	1%	2,025	200	10
Retail / Office	2%	4,050	100	42
TOTAL	100%	202,500	225 avg	999

Area Allocation and Efficiency Analysis

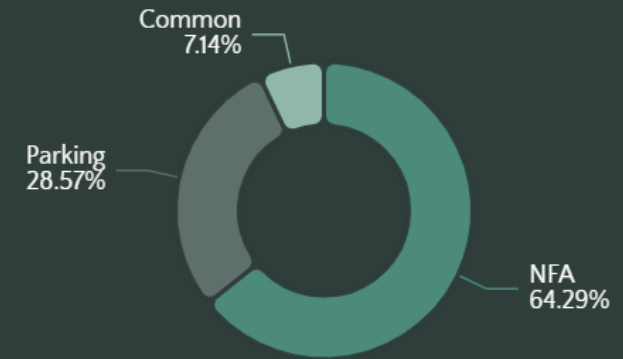
Area Breakdown

Total Land Area	471,781 sqm
Total BUA (Built-Up Area)	315,000 sqm
Total GFA (Gross Floor Area)	225,000 sqm
Total NFA (Net Floor Area)	202,500 sqm
PSFA (Parking & Services)	90,000 sqm

Efficiency Ratios



Area Distribution



Efficiency Commentary

- ✓ **High Efficiency:** 90% NFA/GFA ratio demonstrates optimized common area design
- ✓ **Appropriate Parking:** 2,250 spaces (40 sqm avg) suitable for luxury positioning
- ✓ **Vertical Efficiency:** 5-floor maximum height optimizes construction costs
- ✓ **Low Density:** FAR 0.477 supports wellness and luxury positioning

Implementation Strategy and Timeline

1 Pre-Development

Months 0-6

- Design development
- Permit applications
- Contractor procurement
- Sales launch prep

2 Design Finalization

Months 3-9

- Detailed design
- Engineering
- Value engineering
- Tender documentation

3 Construction Phase 1

Months 6-24

- Infrastructure
- First buildings
- Ongoing sales
- Quality control

4 Construction Phase 2

Months 18-36

- Remaining buildings
- Landscaping
- Wellness center
- Final finishes

5 Sales & Marketing

Months 0-48

- Pre-sales launch
- Phased releases
- Customer engagement
- Closing management

6 Handover Phase 1

Months 30-36

- First units delivery
- Snagging
- Documentation · Customer care

7 Handover Phase 2

Months 36-48

- Remaining units
- Final completion
- Defects period
- Project closeout

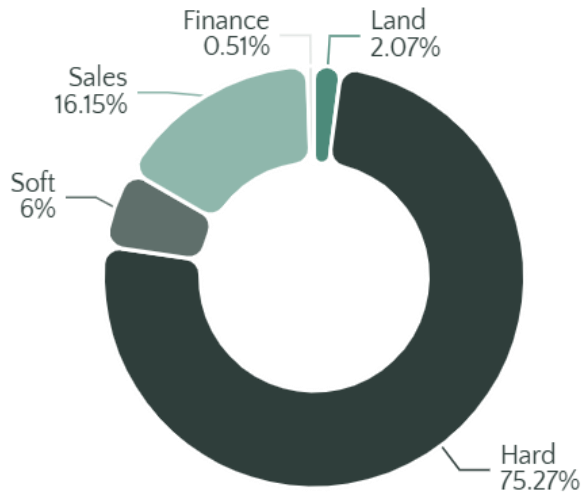
Timeline Summary

Total Duration	48 months
Construction	36 months
Sales Period	48 months

i Implementation Approach: Phased construction enables cash flow optimization through construction-linked payment plans. Overlapping phases ensure continuous progress while managing risk.

Total Development Cost Structure

Cost Breakdown



Land Cost **\$10.2M**
2.1% of total \$44/sqm GFA

Hard Cost **\$370.1M**
75.3% of total \$1,645/sqm GFA

Soft Cost **\$29.5M**
6.0% of total Design, permits, PM

Sales & Commission **\$79.4M**
16.1% of total 10% + 2.75%

Financing Cost **\$2.5M**
0.5% of total 5% debt ratio

Total Project Cost **\$491.8M**

Cost per BUA
\$1,561/sqm

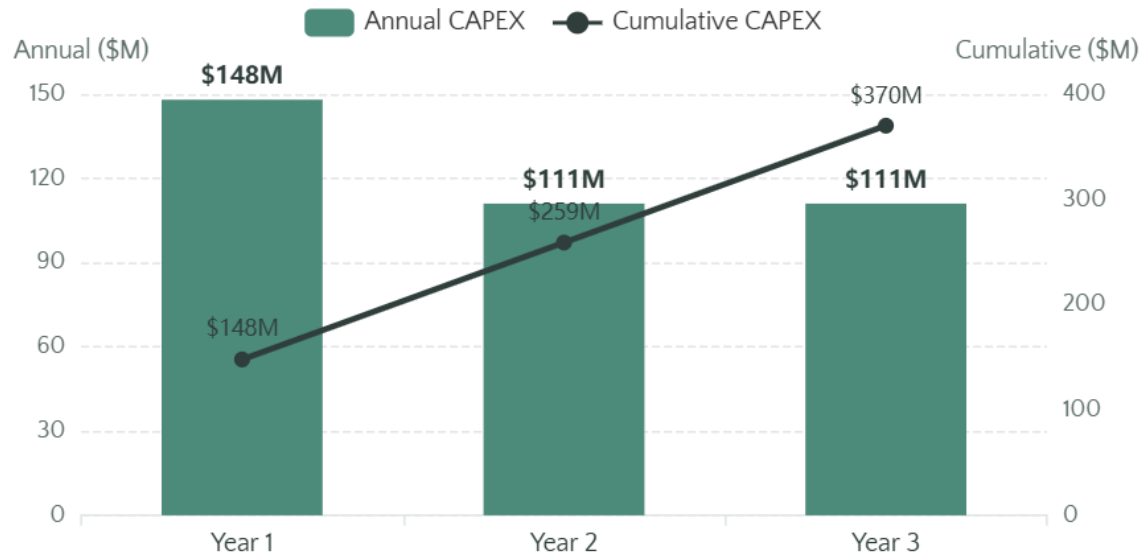
Cost per GFA
\$2,186/sqm

Cost per NFA
\$2,429/sqm

Hard Cost Ratio
75.3%

CAPEX Disbursement and S-Curve

Annual CAPEX Disbursement



Disbursement Schedule

Year 1	40% of Hard Cost	\$148.0M
Year 2	30% of Hard Cost	\$111.0M
Year 3	30% of Hard Cost	\$111.0M
Total Hard Cost		100%
		\$370.0M

S-Curve Analysis

Front-loaded disbursement reflects land acquisition, infrastructure, and early construction phases. Customer collections offset costs from Month 12 onwards.

Peak Funding: Month 18 (-\$85M)

Disbursement Logic: S-curve pattern typical for real estate development. Front-loaded costs for land and infrastructure, with construction costs distributed across project timeline. Milestone-based payments with retention assumptions.

Revenue Model and Pricing Strategy

Pricing Structure

Year 1: Launch Price **\$3,400/sqm**

Pre-launch / Early bird pricing

Year 2: Market Price **\$3,536/sqm**

+4% escalation

Year 3: Escalated Price **\$3,713/sqm**

+5% escalation

Year 4: Premium Price **\$3,936/sqm**

+6% escalation / Last units

Pricing Rationale

- ✓ Phased escalation reflecting construction progress
- ✓ Market appreciation assumptions (4-6% annually)
- ✓ Premium for final units creates scarcity effect
- ✓ Competitive positioning vs. luxury segment

Revenue by Year

Year 1 **\$103.3M**

135 units @ \$3,400/sqm

Year 2 **\$250.6M**

315 units @ \$3,536/sqm

Year 3 **\$225.6M**

270 units @ \$3,713/sqm

Year 4 **\$159.4M**

180 units @ \$3,936/sqm

Revenue Summary

Total Revenue **\$738.8M**

Average Price **\$3,649/sqm**

Price Range **€2,400-2,800/sqm**

Full Profitability Analysis

Profitability Metric	Amount (USD)	% of Revenue	Benchmark
Total Development Revenue	\$738,832,104	100.0%	Base
Less: Land Cost	(\$10,200,000)	1.4%	Industry: 10-20%
Less: Hard Cost	(\$370,100,000)	50.1%	Industry: 50-60%
Less: Soft Cost	(\$29,524,221)	4.0%	Industry: 5-8%
Less: Sales & Commission	(\$79,424,451)	10.8%	Industry: 8-12%
Total Cost of Sales	(\$489,248,672)	66.2%	Industry: 70-80%
Gross Profit	\$249,583,432	33.8%	Industry: 20-30%
Less: Financing Cost	(\$2,523,175)	0.3%	Low leverage
Net Profit	\$247,060,257	33.4%	Industry: 15-25%

Project ROI
50.24%

Gross Margin
33.8%

Net Margin
33.4%

Profit per NFA
\$1,220/sqm

Cash Flow and Funding Structure

Sources of Funds

Developer Equity

9.7% of total cost

\$47.6M

Debt Financing

3.8% of total cost (5% of hard)

\$18.5M

Customer Collections

Sales proceeds over 48 months

\$738.8M

Total Sources

\$804.9M

Uses of Funds

Land Cost

\$10.2M

Hard Cost

\$370.1M

Soft Cost

\$29.5M

Sales & Commission

\$79.4M

Financing Cost

\$2.5M

Total Uses

\$491.8M

Funding Gap Analysis

Peak Funding Requirement

-\$85M

Month 18

Equity Deployment Period

24 months

Phased drawdown

Customer Collection Start

Month 12

Offsetting construction costs

Financing Structure Highlights

- ✓ **Low Leverage:** 5% debt minimizes financing risk
- ✓ **Customer-Funded:** Sales collections offset CAPEX
- ✓ **Manageable Gap:** Peak funding within equity capacity

Competitor Analysis and Benchmarking

Project	Location	Category	Price (€/sqm)	Notes
Sarajevo Old Town	Stari Grad	Ultra Prime	€3,800	Location premium
Private Ultra Villas	Sarajevo	Trophy	€4,200	Ultra luxury
Bosmal City Center	Sarajevo	Prime	€3,300	City tower
Poljine Hills Villas	Sarajevo Hills	Gated	€3,000	Scenic location
Iskra Residence	Jahorina	Luxury	€2,650	Boutique wellness
Lux Villas Poljine	Sarajevo Hills	Luxury Villa	€2,500	Under construction
Ravna Planina	Jahorina/Pale	Premium Ski	€2,207	Ski resort
Ilidža Luxury Villas	Ilidža	Resort	€2,600	Resort style
Dar Al Arkan	Sarajevo Region	Int'l Luxury	€3,700	Branded developer
Breza Hills	Breza	Wellness	€2,400-2,800	Kempinski branded

Breza Hills Range
€2,400-2,800

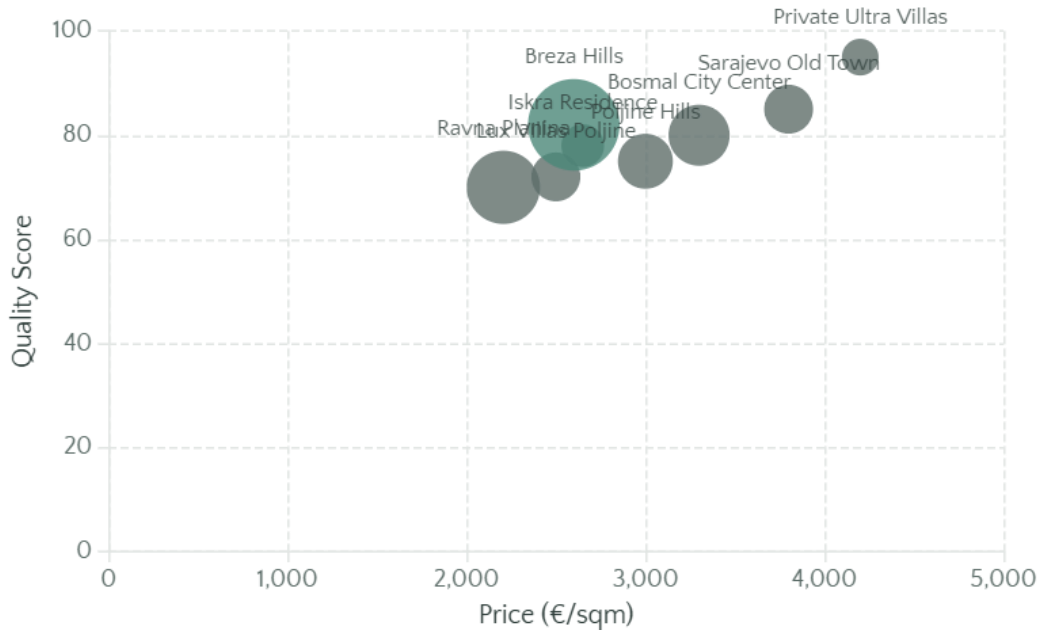
Luxury Average
€2,650

Positioning
Competitive

Brand Premium
+15-25%

Competitive Positioning Matrix

Price vs. Quality Positioning



Brand vs. Affordability

Kempinski Brand STRONG

150+ years heritage, global recognition

Price Positioning COMPETITIVE

15-20% below comparable luxury

Value Proposition ATTRACTIVE

Brand premium at accessible price

Market Niche Positioning

Breza Hills occupies unique position as first branded wellness resort in Bosnia:

- ★ Only Kempinski-branded residential development
- ★ First wellness-focused master-planned community
- ★ Competitive pricing with brand premium

Positioning Summary: Breza Hills is positioned in upper-right quadrant (high quality, competitive price) relative to competitors. Kempinski brand provides differentiation while competitive land cost enables attractive end-pricing.

SWOT Analysis

+ Strengths

- ✓ Kempinski brand recognition and credibility
- ✓ Large land parcel at competitive cost (\$44/sqm GFA)
- ✓ Strong financial returns (50%+ ROI)
- ✓ Experienced development team
- ✓ Favorable market timing and growth trends
- ✓ First-mover advantage in branded wellness

- Weaknesses

- ✗ Location outside prime Sarajevo market
- ✗ First-mover risk in branded wellness segment
- ✗ Infrastructure dependencies
- ✗ Limited public transport access
- ✗ Former mining area requiring assessment

↑ Opportunities

- Growing wellness tourism market post-pandemic
- GCC investor interest in European assets
- Diaspora investment appetite
- EU accession catalyst for long-term growth
- Limited branded competition in market
- Municipal sustainable development focus

⚠ Threats

- ! Economic downturn impacting luxury demand
- ! Construction cost inflation
- ! Absorption risk if sales slower than projected
- ! Regulatory delays in permit approvals
- ! Competitive pipeline development

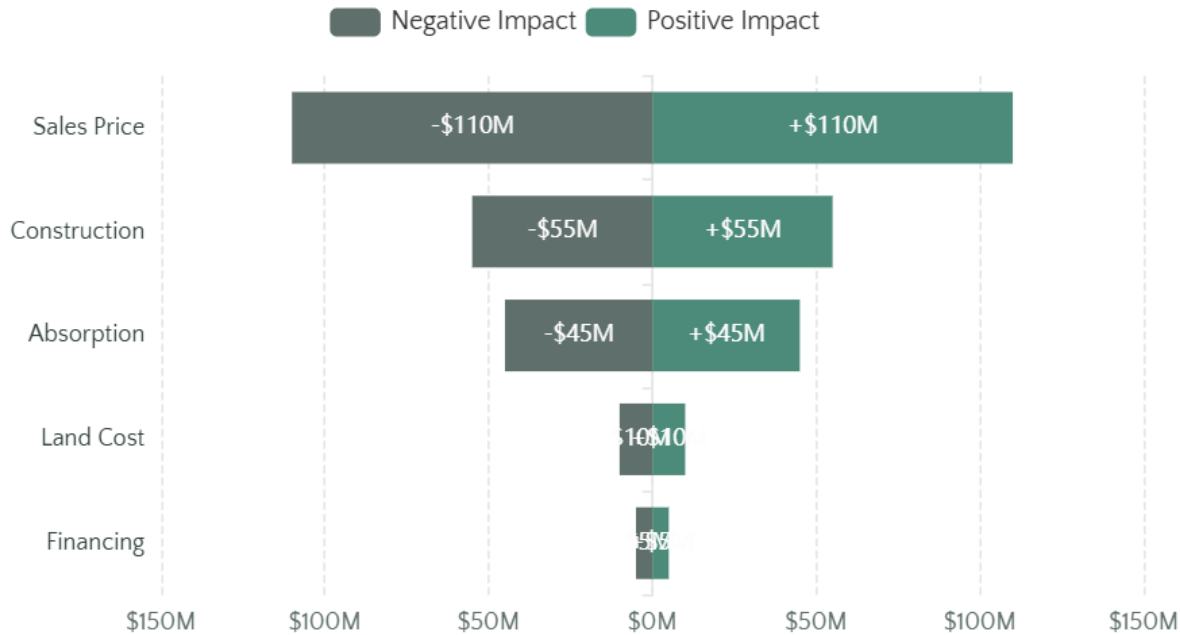
Risk Analysis and Mitigation

Risk Category	Impact	Likelihood	Mitigation Strategy
Market Risk	HIGH	MEDIUM	Phased pricing, pre-sales validation, flexible strategy
Construction Risk	HIGH	MEDIUM	Fixed-price contracts, 10% contingency, professional PM
Cost Inflation	MEDIUM	MEDIUM	Early procurement, escalation clauses, buffer in pricing
Pricing Risk	HIGH	LOW	Competitive positioning, brand premium, 15-20% buffer
Absorption Risk	MEDIUM	MEDIUM	Extended sales period, flexible pricing, marketing investment
Financing Risk	LOW	LOW	Low leverage (5%), customer collections, defined structure
Operator Risk	MEDIUM	LOW	Kempinski track record, detailed agreement, performance clauses
Approval Risk	MEDIUM	MEDIUM	Early engagement, professional consultants, buffer in timeline
Execution Risk	MEDIUM	LOW	Professional PM, quality control, experienced contractors

i Risk Management Framework: All material risks identified with appropriate mitigation strategies. Project demonstrates manageable risk profile with multiple buffers and contingency provisions.

Sensitivity Analysis - Tornado Chart

Impact on Net Profit (\$M)



Sensitivity Summary

Sales Price (±15%)	±\$110M
Construction Cost (±15%)	±\$55M
Absorption (±20%)	±\$45M
Land Cost (±10%)	±\$10M
Financing (±50bps)	±\$5M

Key Insight

Sales price and construction cost dominate project risk, representing **75% of total sensitivity**. Focus due diligence on pricing validation and cost control.

Downside Scenario

10% cost increase + 10% price decrease = **15% margin reduction**. Project remains viable with 18% net margin.

Upside Scenario

5% cost decrease + 5% price increase = **12% margin improvement**. Net margin increases to 45%.

Scenario Analysis - Downside, Base, Upside

Metric	Conservative	Base Case	Optimistic
Assumptions	Sales -10%, Costs +10%, Absorption -20%	As Modeled	Sales +10%, Costs -5%, Absorption +10%
Total Revenue	\$664.9M	\$738.8M	\$812.7M
Total Cost	\$530.9M	\$491.8M	\$467.2M
Net Profit	\$134.0M	\$247.1M	\$345.5M
Net Margin	20.2%	33.4%	42.5%
Project ROI	25.2%	50.24%	73.9%
Profit per NFA	\$662/sqm	\$1,220/sqm	\$1,706/sqm
Viability	VIABLE	STRONG	EXCELLENT

Conservative

\$134M

20.2% margin

Base Case

\$247M

33.4% margin

Optimistic

\$346M

42.5% margin

Joint Venture Strategy and Structure

JV Framework

Landowner Contribution

Land value (\$10.2M) for **20% NFA share** (40,500 sqm)

Developer Contribution

Soft cost (30%), Hard cost (10%), Marketing (20%), Financing (10%) for **80% NFA share** (162,000 sqm)

Developer Total Contribution

\$47.6M

Profit Allocation

- ✓ Proportional to NFA share (20% / 80%)
- ✓ Landowner receives 20% of sales proceeds
- ✓ Developer receives 80% of sales proceeds

Landowner Share
20%

Developer Share
80%

Developer Contribution Breakdown

Soft Cost (30%)	\$8.9M
Hard Cost (10%)	\$37.0M
Marketing (20%)	\$1.5M
Financing (10%)	\$0.3M
Total	\$47.6M

Structure Benefits

- ★ **Aligned Incentives:** Both parties share in project success
- ★ **Reduced Capital:** Developer equity requirement lowered
- ★ **Landowner Engagement:** Active participation in development
- ★ **Leverage:** Land asset utilized without cash outlay

Developer Equity
\$47.6M

Land Contribution
\$10.2M

Investor ROI and Exit Strategy

Return Metrics

Entry Point
Project Inception

Development Horizon
48 Months

ROI Multiple
5.2x

IRR
42%

Ownership Evolution

Initial
100% Developer →

Construction
No Dilution →

Sales Phase
Returns Realized →

Completion
Full Exit ✓

Liquidity Timeline

First Returns Month 18
Pre-sales collections begin

Major Returns Months 30-48
Construction-linked payments

Full Realization Month 48
Project completion

Exit Waterfall

- 1. Return of Capital \$47.6M
- 2. Preferred Return As agreed
- 3. Profit Split 80% Developer

Entry Index
1.0x

Exit Multiple
5.2x

IRR
42%

Hold Period
4 Years

Final Investment Case and Next Steps

Why This Project?

- Strong financial returns (50%+ ROI)
- First-mover advantage in branded wellness
- Kempinski brand credibility
- Favorable market timing

Why This Location?

- Strategic position in growth corridor
- Competitive land cost (\$44/sqm GFA)
- Proximity to Sarajevo (40km)
- Wellness tourism potential

Why This Timing?

- Rising real estate prices (+16.6%)
- Growing wellness demand
- Limited branded competition
- EU accession momentum

Key Viability Strengths

- Disciplined cost structure
- Brand premium achievable
- Phased approach reduces risk
- Low leverage (5% debt)

Conditions to Satisfy

- Finalize Kempinski agreement
- Secure construction permits
- Validate pre-sales (15% Y1)
- Confirm financing terms

Decision Framework

Technical Feasibility	CONFIRMED
Financial Feasibility	CONFIRMED
Implementation	CONDITIONAL

Immediate Actions

0-3 Months

Finalize operator agreement, submit permits

3-12 Months

Achieve pre-sales targets, commence construction

12-36 Months

Construction execution, ongoing sales

Overall Recommendation

GO

SUBJECT TO CONDITIONS

Proceed with detailed due diligence. Target final investment decision within 90 days of condition satisfaction.

Investment Committee Summary: Breza Hills demonstrates strong feasibility across technical, financial, and market dimensions. Project is recommended for conditional approval pending satisfaction of key preconditions. Staged capital deployment aligned with milestone achievement is advised.

Ai-FEASIBILITY

Institutional-Grade Feasibility Analysis

UNIDO-Compatible Methodology · Bank-Ready · Decision-Focused



Financial Rigor

Reconciled calculations



Risk Assessment

Sensitivity analysis



Objective Analysis

Evidence-based conclusions

| LOVE BOSNIA Feasibility Study | MAY 2026

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