

The "3S-Risk Method" with Transaction Decisions

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This German-language article was published on September 29, 2002 in *Immobilien Zeitung*, Nr. 20, page 10.

ABSTRACT

Property valuation for development processes must address a number of assumptions and uncertainties, and in response to a need for better risk analysis, FPDSavills created an analysis tool that applied three different bottom-up methods. Using a DCF-residual model, FPDSavills performed a qualitative and quantitative analysis using its "3S-Method," which analyzes sensitivity, scenarios, and simulation.

The 3S-Method for special development projects offers developers the following advantages:

- Optimized risk-management (identification of risk factors and structures)
- Optimized Due Diligence Process (concentration on the most important assumptions)
- Formulation of strategies for minimizing risk
- Optimized Reporting
- Aimed controlling
- Model flexibility (can adapt the model with new information)
- Possibility to implicate complex information (e.g., macroeconomic aspects)

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