# ABSTRACT

Every financing option for real estate development construction cost may carry its own advantage and risk. Internal investment has cost of equity affected by country risk-free rate, the industry risk (beta), and the expected return from the industry in stock market while enterprise loan may provide a tax savings and increment in default and bankruptcy probability in which also carry its own cost. As a unique alternative of financing for real estate industry, higher presale weight from the saleable area will secure initial revenue upfront, reduce the capital requirement and development risk by bearing it with the buyer but developer will have less asset to generate the future income after the development is completed. In opposite, with lower presale rate, developer may require a greater capital during the construction but will have more recurring income during the booming period and occupancy rate is high. While common trade-off theory suggests that there is a optimal point for debt and equity capital structure, this research will try to expand the trade-off theory in real estate development by adding foreign debt as alternative source of financing and the presale rate. This research will use a real company as case study who try to diversify its business in real estate development by using its own fixed asset and specific capital structure while also combining both methods of presale before construction and space leasing during the operational phase.



Keyword: *Real Estate Development and Presale, Trade-Off Theory, International Financing*