

## PROJECT SUMMARY

**TITLE:** Proposed Hotel Development

**TYPE:** Real Estate

**LOCATION:** Nzuguni, Dodoma City

**FINANCING:**

<b>TOTAL</b>	<u>TZS 9,962,842,322.41</u>	<b>(100%)</b>
<b>EQUITY</b>	TZS 5,977,705,393.45	<b>(60%)</b>
<b>LOAN</b>	<b>TZS 3,985,136,928.96</b>	<b>(40%)</b>

**PROMOTER** JR REAL ESTATE DEALERS LTD

**DURATION** Seven (7) years with a two-year grace period  
inclusive

**PAYBACK:** Nine (9) years after start of operations

**BANKERS:** CRDB, BOA BANK

**COLLATERAL:** The project's Estate

# PROPOSED HOTEL DEVELOPMENT ON PLOT NO. 70, NZUGUNI, DODOMA

## Introduction

JR REAL ESTATE DEALERS LTD (JR) is a company registered under the Companies Act 212 which has dealings in acquiring landed property, developing plots of land under its ownership, hiring out the developed properties on rental basis. As a real estate dealer JR also facilitates the agency business for property owners who want to rent out or sell their properties to firms or individuals who want to buy.

JR is owned by two directors: Mr. Joseph L. H. Sanga and Ms. Rehema H. Chegeka, both of whom have shares in the company. The JR directors have decided to develop a 3-star hotel at Plot No. 70 Nzuguni, Dodoma City.

## The Project

The project is a 3-star hotel structure to be constructed on part of a 7,666 square metre plot of land on Plot No. 70 Nzuguni, Dodoma City, just next to the upcountry bus stand along the Da es Salaam to Dodoma main road. The hotel facility is being developed by the Company side by side to a petrol station to be developed by the Company under the name, AMI&VAI Dodoma Petrol Station.

The hotel will initially be a three-star hotel; however, its structures will be made in such a way that the hotel will allow the hotel to graduate from a three-star to a four, and subsequently to a five-star one, depending on the demands that will emerge.

The structure is designed to be a six (6) - storey one, leading to a total build up area of 1,725 square metres, which will allow the construction of 72 guest rooms. As it is a 3-star hotel which will eventually be upgraded to become a 5-star hotel the main elements are its location, spacing, design, stories and design (to accommodate the different classes of guest tastes and wants. It will have electronic security systems. The main focus will be on services, security, cookery and design to make people get the feel of comfort associated with the class level of the hotel.

## **Project and Product Requirement**

This project requires a huge funding – TZS 9.963 billion; with this amount of money the project expects to complete a structure which will provide services/products that satisfy the customer at the grade level to which the hotel will have been raised.

## **Market Potential in Dodoma**

Dodoma City is growing very fast. It was established as a colonial settlement by Germans in 1890. In 1973 it was decided to make Dodoma a national capital; it was not until the 5<sup>th</sup> Phase Government when an effective effort to make it the actual capital was decided. More than 2000 civil servants have been relocated to Dodoma. Much of the central government's business has been shifted to Dodoma, making it necessary for the city to have better hospitality services. According to the population estimates the city had a population of 180,000 people. The rate of urbanization in Tanzania is higher than the general population growth in the country, which stands at 2.9% per annum, per 2012 population census. This rate is even higher countrywide. While the urban-rural population ratio is growing, the portion that Tanzania takes over other states in the East African countries is high – being surpassed only by Uganda. (See the tables below for the years 2018, 2028 and 2038). For the same years the ratio of urbanization in Tanzania will grow from the present 33% in 2018 to 47% by 2038, and Dodoma is expected to absorb a higher population than other cities in the country because it is to become the center point for all government, legislative and political business in the country.

Furthermore, the location of the proposed hotel is adjacent to the main road on the side of which there is a huge bus stand for buses plying between Dar es Salaam and Dodoma; to this we add the city logistics that will require hotel accommodation and facilities. The hotel is also next to a large games and sporting space that provides a ready market for people coming to the port area and for those wanting to enjoy the facilities and road scenery as a tourist attraction. All of these are catchment areas for the hotel.

### **POPULATION TRENDS IN EAST AFRICAN COUNTRIES**

	<u>2018</u>	<u>2028</u>	<u>2038</u>
<b>East African Population</b>	<b>190 949</b>	<b>250 478</b>	<b>319 737</b>
<i>United Republic of Tanzania Urban Pop.</i>	<b>19 959</b>	<b>32 473</b>	<b>49 620</b>
<b>Un. Republic of Tanzania Total</b>	<b>59 091</b>	<b>79 156</b>	<b>103 663</b>

TZ URBAN/RURAL	33.8%	41.0%	47.9%
TZ URBAN GROWTH	5.4%	4.7%	4.0%
TZ TOTAL GROWTH	3.1%	2.9%	2.6%
TZ TO E.AFR TOTAL	30.9%	31.6%	32.4%
<b>Population Size Per Country</b>			
Burundi	11 216	14 986	19 386
Kenya	50 951	64 167	78 407
Rwanda	12 501	15 428	18 460
South Sudan	12 919	16 502	20 378
Uganda	44 271	60 240	79 443
<b>United Republic of Tanzania</b>	<b>59 091</b>	<b>79 156</b>	<b>103 663</b>
<b>TOTAL EAST AFRICAN POPULATION</b>	<b>190 949</b>	<b>250 478</b>	<b>319 737</b>
<b>Individual Country Share of E.A. Pop</b>			
Burundi	5.9%	6.0%	6.1%
Kenya	26.7%	25.6%	24.5%
Rwanda	6.5%	6.2%	5.8%
South Sudan	6.8%	6.6%	6.4%
Uganda	23.2%	24.0%	24.8%
<b>United Republic of Tanzania</b>	<b>30.9%</b>	<b>31.6%</b>	<b>32.4%</b>
<b>TOTAL EAST AFRICAN POPULATION</b>	<b>2.9%</b>	<b>2.6%</b>	<b>2.3%</b>
<b>Individual Country Pop. Growth</b>			
Burundi	3.2%	2.7%	2.5%
Kenya	2.5%	2.2%	1.9%
Rwanda	2.4%	2.0%	1.7%
South Sudan	2.7%	2.3%	2.0%
Uganda	3.3%	3.0%	2.6%
<b>United Republic of Tanzania</b>	<b>3.1%</b>	<b>2.9%</b>	<b>2.6%</b>

### **Standard Hotel Facility Requirements by Hotel Area**

Rooms	Climate Control Systems of adjustable intensity, in order to ensure the thermal comfort;
	Basic equipment: bed, desk, bedside and its lights, wardrobes, cabinets and chair/sofa;
	Secondary equipment: equipment to store luggage, wastebasket, switches at entrance and by the bed, duvet with its cover;
	Safe (optional);
	Video and Audio system: color television with remote control;
	Free internet (optional);
	Telephone.

Room's private sanitary facilities	Toilet, sink and shower;
	Basic amenities: soap or shower gel;
	Basic equipment: mirror, towels and holder;
	Secondary equipment: lighting in the lavatory mirror, dustbin, laundry bag and towel on the floor.
Common Areas	Reception with Living area (with tables and sofas or chairs);
	Climate Control Systems of adjustable intensity Sanitary facilities.
Dining room	Basic equipment: dining tables, chairs, dishes, glasses and cutlery;
	Climate Control Systems of adjustable intensity;
Service Areas	Area for staff with sanitary facilities and dressing room;
	Storage Area;
Kitchen	Fridge, microwave and sink;
	Cooker and fume hood;
Access Facilities	Lift and Private access to rooms;
	Service entry distinct from entry for guests;
Parking	Parking spaces are necessary for guests.

### Equipment and Services:

The hotel is interested in purchasing requisite hotel interior furnishings, fixtures, equipment and security installations which will include headboards and mattress sets, chairs and sofas, desks and tables, audiovisual equipment, cooking appliances, mirrors and art, lamps and lighting fixtures, elevators.

### Security Systems

Cameras, alarms, electronic and metal detectors, gates and perimeter walls, curtain rails, balustrade, fire places, plumbing, heating and ventilation, automated air conditioning systems, computers and hotel specific software.

### Project Financing

Financing for this project is shown at *TABLE 3* and will come from two main sources:

Equity from the project promoters is TZS 5,977,705,393.45

Bank Term Loan	TZS <u>3,985,136,928.96</u>
Total financing	TZS <u>9,962,842,322.41</u>
Equity will come in two forms: Land valued at	TZS 336,612,966.03
Materials and physical supplies	TZS <u>5,641,092,427.42</u>
Total Equity Financing	TZS <u>5,977,705,393.45</u>

The financing from the bank will be supplied only when the money is needed for purchasing project inputs so as to avoid hoarding the money when it is not needed. This will also ease the cost of the loan because only the needed amount of money will be drawn. It will also check the unnecessary diversion of project funds.

### **Important Assumptions**

At *TABLE 2* we have generated 33 assumptions that govern the outcomes that we expect from this hotel enterprise. Here below we offer our explanations for the assumptions.

#### **(a) Hotel Rooms**

There are 72 rooms planned for the hotel that will occupy the 2<sup>nd</sup> to the 5<sup>th</sup> floor. The facilities in each room shall be placed according to the requirements of the star grade assigned to the hotel during the course of operations.

#### **(b) Operating Capacity**

Generally the hotel is assumed to operate at 50% and will vary according to seasons and individual demand for hotel service on occasional functions. Under this assumption we expect to have at least 26,000 bed nights per year. Operations shall be carried out daily for all the months in a year.

#### **(c) Staffing**

At *TABLE 2(b)* we list 19 categories of staff that can appear on a typical staff caliber that usually appears on hotel employment, but recruitment of staff will depend on the star grade that the hotel will have attained. For the three-star hotel that we want to start with the staffing is listed at *TABLE 5* in which we have identified nine (9) categories. The hotel is envisaged to start with 26 in Year 1 of operations, rising to 33 by Year 5 after the start of operations.



TABLE 7 (c) : COMBINED FINANCIALS FOR THE THREE ENTERPRISES

PARTICULARS	2020	2019	Sep-18	2017	2016	2015	2014
Fixed Assets	53,835	31,447	9,456	11,034	9,618	9,718	5,163
Current Assets	24,572	21,087	17,901	14,605	13,762	12,276	10,288
<b>Total Assets</b>	<b>78,407</b>	<b>52,534</b>	<b>27,357</b>	<b>25,639</b>	<b>23,380</b>	<b>21,994</b>	<b>15,451</b>
<b>LIABILITIES:</b>							
Current Liabilities	47,956	24,100	2,511	3,549	3,575	3,991	1,089
<b>Total Liabilities</b>	<b>47,956</b>	<b>24,100</b>	<b>2,511</b>	<b>3,549</b>	<b>3,575</b>	<b>3,991</b>	<b>1,089</b>
<b>EQUITY:</b>							
Paid up Share Capital	9,320	9,320	9,320	9,320	9,320	9,320	7,320
Retained Earnings	21,130	19,114	15,525	12,769	10,485	8,684	7,041
<b>Total Equity</b>	<b>30,450</b>	<b>28,434</b>	<b>24,845</b>	<b>22,089</b>	<b>19,805</b>	<b>18,004</b>	<b>14,361</b>
Current Ratio	0.5	0.9	7.1	4.1	3.8	3.1	9.4

STATEMENT OF INCOME

Total Income	10,620	9,304	5,763	5,971	4,951	4,092	3,007
Expenditure	5,779	4,024	1,827	2,263	2,081	1,854	1,462
<b>Profit/(Loss) Before Tax</b>	<b>4,841</b>	<b>5,280</b>	<b>3,936</b>	<b>3,708</b>	<b>2,870</b>	<b>2,238</b>	<b>1,545</b>
Tax	1,671	1,448	1,181	1,112	860	671	463
<b>Net Income/(Loss)</b>	<b>3,170</b>	<b>3,832</b>	<b>2,755</b>	<b>2,596</b>	<b>2,010</b>	<b>1,567</b>	<b>1,082</b>
Add : Depreciation	158	162	196	204	239	265	213
	<b>3,328</b>	<b>3,994</b>	<b>2,951</b>	<b>2,800</b>	<b>2,249</b>	<b>1,832</b>	<b>1,295</b>

Cash and Cash Equivalent From Sister Companies

JR	34	26	29	22	0
IBONIKE	608	592	482	462	336
AMI & VAI	337	496	471	474	337
	<u>979</u>	<u>1114</u>	<u>982</u>	<u>958</u>	<u>673</u>

INTERCOMPANY LOANS (amounts in TZS mn./=)

JR	-	-
IBONIKE	1,500	-
AMI & VAI	1,500	1,500
<b>Total Intercoy Loans</b>	<b>3,000</b>	<b>1,500</b>

