



**CAPRI HEIGHTS LIMITED
MWANZA**

**FEASIBILITY & BUSINESS
PLAN**

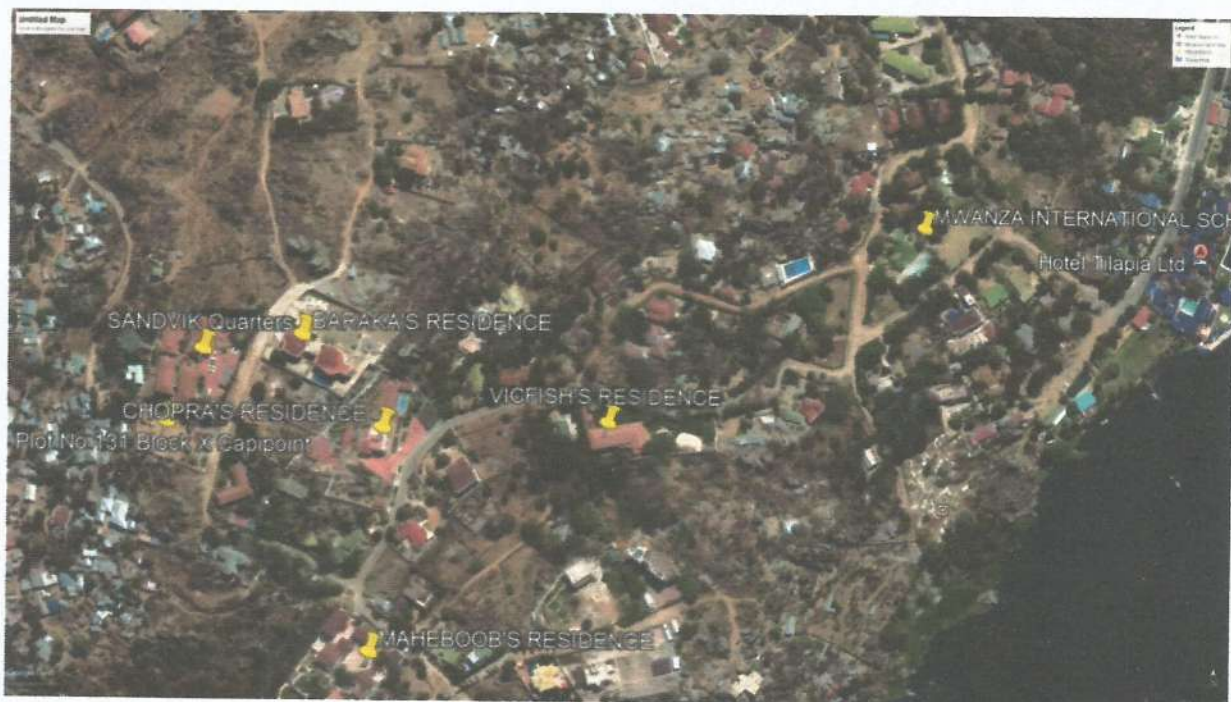
BACKGROUND

The Capri heights Boutique Hotel Project entails the construction of a boutique hotel offering hospitality services to the visitors. Construction of the building started in 2019 with retention walls and boundary walls and is scheduled to be completed by 2021.

To-date, the project has been financed by the owners and the money required for the official construction to commence is planned to be obtained through a loan applied by a Company to Diamond Trust Bank.

LOCATION OF THE PROJECT

The property commands a prime pitch location in a vicinity of the Central Business District (CBD) of Mwanza, in a high per square meter residential neighbourhood in the city and enjoys a clear and direct frontage to Lake Victoria. Capripoint is a prime residential address in Mwanza City, with Isamilo and Bwiru being the only other streets in Mwanza that competes with Capripoint in terms of their visitors count and ability to attract business. The potentiality of the location of the Capriheights Boutique Hotel is its main attraction, hence enabling the development to command a high occupancy rate and invariably a high return on capital.



PLOT AREA

The land on which the subject property will stand measures 2,170 square metres.

BRIEF DESCRIPTION OF THE PROJECT

The project is a hospitality property that is intended to offer at least 30 hotel rooms. It is also intended to accommodate other services such as Conference Halls, Restaurants, Bars, Swimming Pool Services, Tourism Center, Culture Houses and other services that will be deemed important

POTENTIAL CUSTOMERS FOR THE CAPRIHEIGHTS BOUTIQUE HOTEL

Our findings on the type of customers likely to visit the Hotel indicate there are various companies, organisations, business men and the neighbours. Such customers are like the following among others

- Non Governmental Organisations including foreign organisations like AGPAHI, INTRAHEALTH and others that have their operational offices at Capripoint and Mwanza City at large. This group of organisations forms between 15-25% of customers in most of the hotels in Mwanza.
- Local institutions like commercial banks are potential customers of the available and upcoming Conference Halls. These institutions are currently occupying about 30% of the available Conference Halls and Accommodation services
- International & Local Firms mostly dealing Mining Sector are the other potential customers of this project, these are such as Geita Gold Mines, Barrick Gold, Orecorp Mining, Capital Drilling and many more. These Companies are currently occupying a variable percent of hotel space but it ranges between 20-35% of the available space.

- A number of investors who can be categorised as “new investors’ are also likely to be potential customers for good and safe quality hotel accommodation. The phenomenal recent growth of the country’s economy especially growth in the mining sector has led to an influx of a large number of new investors. This category of investors includes local and overseas investors involved in, agriculture, service industry, the mining sector itself and tourism.

FUTURE OF THE HOTEL MARKET

The future for the Hotel market in the Mwanza City is as bright as it seemed five years ago, particularly for standard and high-grade hotel accommodation. The hotel property market in Mwanza has been such that demand has always outstripped supply, and this is evidenced by more developments coming up recently such as NSSF tourist hotel, Rock City Mall, Expansion of Mwanza International Airport, Building of Ships, Building of Kigongo-Busisi bridge, Resuming of mineral extraction at Buzwagi, and the proposed building of Disney Land Africa at Kijereshi, Simiyu Region. both being developments intended to cater for the top end of the hotel property market.

It is worth noting, however, that on average rates per head for hotel have gradually been rising from US \$60 to US\$ 250 per day for the best hotels. Generally, this should be regarded as a standard phenomenon as most property analysts currently consider the hotel market rates to be growing in the City as compared to the past.

Hence, generally, the future of hotel markets in Mwanza is bright particularly for high quality hotel properties and modern conference halls that are well located. The impending upturn in the hotel property market is likely to further boost the performance of the Hotel properties

DEMAND ANALYSIS

There are two major indicators of hotel property market demand, one being the number of applications for accommodation space and the second being the

occupancy rate of the available hotels. Whereas credible evidence on the total number of applications for accommodation in Mwanza City is difficult to gather on account of the liberalised nature of the hotel market, an indicator that is relatively easy to capture is the occupancy rate of hotels. In Mwanza, while prime Hotels are 100% booked, there are a number of hotels showing a significant amount of unoccupied rooms. The average occupancy rate for hotels in Mwanza is around 80 percent

Explaining non-occupancy rates for accommodation space in hotels in Mwanza is difficult on account of the confounding factors that interact to determine whether or not a hotel has voids. In general, however, it can be said that the level of voids is a function of the level of rates charged, quality of accommodation, location of the property, quality of management and how the property can meet specific business requirements

Demand for the subject property, i.e. Capriheights Hotel, is likely to be immense primarily on account of the property's locational advantage. The general perception or guiding philosophy in the property market is that *"SO LONG AS A PROPERTY'S LOCATION IS RIGHT, THE FINANCIALS FOLLOW"*.

SUPPLY ANALYSIS

Data on Hotel supply in Mwanza is scant particularly on the nature of oncoming developments that have just been granted planning permission. How property supply data is kept in Mwanza City Authorities is part of this problem. Nonetheless, based on available information on on-going construction projects within Mwanza city, it is estimated that there is a total of around 5 Hotels that would be completed by the year 2025.

It is worth noting that these up-coming hotel developments, for instance the NSSF tourist hotel, are not in the same class as the subject property hence their impact on major or first class hotel property development schemes is likely to minimal.

Details of Project Cost

Particulars	Amount in TSH
Land	600,000,000
Land Development & Boundary Wall	350,000,000
Building	5,200,000,000
Furniture & Fittings	468,000,000
Other expenses	468,000,000
Total Project Cost	7,086,000,000

Advantages of the Project to the country

The proposed project will be highly advantages to the country in that it will have a positive impact on:

- ✓ Employment creation.
- ✓ Income generation for economic development.
- ✓ Transfer of technology and offer training to Tanzanians.
- ✓ Supply of best accommodation and food serving in the Lake region.
- ✓ Increase the growth and development for the country.

AGGREGATE DEMAND-SUPPLY GAP

It is observed that, Supply of standard and high quality hotels in Mwanza is at a very minimal level. Most of the available hotels are of a medium and low standard that they can't offer the desired services to the target customers. Demand of the standard and high quality hotels in Mwanza City is at the higher level that the available hotels have a 100% occupancy rate.

The implication of this finding is that Capri heights Boutique Hotel will be able to absorb most of the prevailing demand for hotel space accommodation.

PROJECT COMPETITIVENESS

Demand for the subject property, i.e. Capri heights Hotel, is likely to be immense primarily on account of the property's locational advantage. Second, the quality of the property is a boon to the development as it would be likely to appeal to high-class customers with ability to pay. The quality of the property manifests itself in terms of the quality of the building components compared to other hotel properties in Mwanza City that are above 5 years old, quality of finishes, availability of modern services/installations such as high-speed lifts, fire protection, data and communication cabling and so on. The size of the property is also an added advantage for the property as the property would be able to accommodate few customers with a wide range of requirements.

POTENTIAL ANCHOR CUSTOMERS

A number of customers form potential anchor tenants who could be interested in residing at Capri heights Hotel. Companies such as Anglo-Ashanti (Geita Gold Mines), International NGO's working in the Lake regions such as ICAP, AGPAHI, INTRA HEALTH, Barrick Gold, Tanzania Tourism Board, Tour Companies, Banks, and many others should be contacted long in advance with a view to finding out their likely interest in using Capri heights Hotel.

Anchor tenants play a pivotal role in giving a development character and reducing investment risk in terms of variability of returns between time periods. Hence, the

actual identification and engagement of anchor tenants is a matter that would require to be attended to by the appointed Estate/Property Investment Analyst long before the property is completed.

In addition to this, when construction is at its final stage, the marketing team must prepare and provide some fliers to the anchor customers and online outlets that covers all of the services offered by Capri heights Boutique Hotel

PROJECT COMPONENTS, COST AND VALUE

Project construction is at its very initial stage. To-date, the total amount of money that has been paid by the client to the various contractors and sub-contractors is not known to us. The project is intended to be financed by the Bank. The estimated cost to completion is arrived at by taking the Quantity Surveyor's estimate of completion costs as shown in the Bills of Quantity and adding thereon interest payable to contractors and sub-contractors, VAT and finance charges. The detailed construction components of the property can be obtained through the certified detailed architectural drawings which are with the client

CURRENT PROJECT MARKET VALUE

In valuing the property, the Comparable and Cost Approach of Valuation have been employed as are the most commonly used methods of valuation that are applicable to value work-in-progress. By the cost approach, the value of a property is determined by first establishing the Current Replacement Cost of the property as on the valuation date, then depreciation is deducted from the replacement cost estimate to take into account the effects of accumulated obsolescence/depreciation.

The Depreciated Replacement Cost (DRC) is a proxy for market value based on the hypothesis that any prospective purchaser would relate his bid to the replacement cost of the same and make allowances for adverse factors the property in question has been subjected to. Even work-in-progress may be susceptible to depreciation where the construction does not seem to hold the same appeal as that of similar modern buildings coming up in the neighbourhood.

In our opinion, if the scheme is offered for sale in its condition today, it would not attract many buyers due to the lumpiness of the project and the required cost of completion, which is beyond reach for most individual investors. It is likely, that in such circumstances, the disposal of the property would call for some form of syndication to raise the required finances for the purchase of the property.

Having due regard to the state of completion of the property, the cost of the scheme so far and the desirability of the hotel development relative to modern hotel development schemes in Mwanza City, we are of the opinion that the current market value of the development as it stands today, is in the region of Tshs 700,000,000 (Tanzania Shilling Seven Hundred Million Only).

WORKING CAPITAL REQUIREMENT

Despite the fact that, for most hotel properties, the working capital tends to be constant, It is worth noting that, the amount of net working capital increases gradually depending on the amount of services that will e provided. The estimation of the working capital is based on one month's salary and requirement for the purchase of material for maintaining the business (stocks), one week's revenue for servicing suppliers, and three months' commission payable to the Managing Agent (if the agent is there).

ECONOMIC VIABILITY

The economic viability of the Capri heights Boutique Hotel Project is underscored by the fact that the project, in addition to exhibiting financial viability, will be able to attract foreign exchange earnings, create employment and effect capital formation.

The project is expected to create employment and provide jobs to about 50 people employed by the Company. Estimated business operational manpower to be deployed for the Capri Heights project (with their estimated numbers in brackets) would be likely to include Estate Manager (1), Hotel Manager (1), Electricians(2), plumbers (2), bar tenders (20), chefs (5), janitors & cleaners (10). Some specialist

works will be contracted out by the Estate Manager when required and these works would also create more employment. Certainly, the various organisations that will be working in Capri heights Hotel will employ manpower to help out with their operations in Capri heights Hotel and this may also be regarded as being part of employment creation.

Real estate investment is a long-term undertaking. Hence, it is important to bear in mind that the project would continue commanding income even after the period of time covered by this appraisal study. It is equally important to appreciate that the project would contribute towards capital formation. On completion, the Capri Heights Project is expected to be worth more than 2 Billion Tanzania Shillings.

Furthermore, the project will play a vital role in redefining the Mwanza City Hotel Business, making the Mwanza City more vibrant, and giving it a more cosmopolitan appeal. The completion of the Capri heights Hotel will greatly contribute to city centre regeneration in accordance with the current Mwanza Central Area Redevelopment Scheme.

MARKETING STRATEGY

This proposed boutique Hotel, has the best locational view than ANY other hotel in the lake regions. It is meant to be the best hotel in the region. Its distinctive architectural design which has been made basing on the shape of the plot, will make it special and well known especially to those observing it while cruising along Lake Victoria.

Basing on the study made especially on analysing the market and the likely competition. Online and offline strategies are obvious, basically web designing and social media intergration.

A website is a crucial marketing tool which covers the globe market (customers) as they can easily understand the business and the services provided there through the contents of the website. This also makes it easier for prior bookings and payments

yet monitoring of their bookings when necessary. Tools of the website have to be user friendly with less or no complications for the web visitors. Yet, the website MUST be designed with a very strong design that can't be interfered with online piracy.

Social media marketing is of an avoidable consideration in the current business world. This can easily be done through classified advertisements in the most listened radio stations where the target customers are. The other unavoidable online tool is instagram "*sponsored adds*", this is cheap yet useful marketing tool as it has a very high coverage and an advertisement can easily be accessed by many smartphone users.

FEASIBILITY OF THE PROPOSED PROJECT

Basig on some factual considerations made, the current market conditions and investments, the current and the ongoing known investments done by the government and private sectors. Assessment of the feasibility of he project has been made basing onthe following factors

- *Number and services offered by competitors*

There are several hotels that are acting as competitors of the project, the hotels are such as Ryan's Bay Hotel, Tilapia Hotel, The proposed NSSF tourist Hotel, Gold Crest hotel, Isamilo lodge and Malaika Hotel which is a bit less competitive as it is distant from the project location. The other competitive hotel that has a likely setup with the proposed project is Rock Bay Hotel which is also distant from the project location despite of its setup advantages it is likely to enjoy.

- *Locational advantages*

The project is intended to be effected on the vicinity to the City Center, with less than 5 minutes driving time, yet it is close to te famous historical and tourist attraction that is "Bismarck rock". The project area is also the best "SUNSET" observation point in the city, despite of being un improved it still

receives a good number of observers especially the tourists which are the target customers of this project.

Mwanza is also close to Serengeti National Park, Burigi National Park, and Rubondo Island , there also makes the region as the best nearby big city to tourists who have a plan of visiting those tourist attractions. This makes the project even more feasible as the ministry of tourism is highly promoting the tourism sector in the country.

- *Architectural design*

The architectural design of this project is the best out of all Hotels in the lake regions. Its layout is meant to copy with the shape of the plot yet providing high level of privacy to the non visitors can't see what is going on inside as the main activities are downside the property. A few non visitors passing through the lake can have the best view of the project yet can see in detail what is going on hence privacy is at it's best.

- *Economic status of mwanza*

Despite Mwanza being among the biggest cities in Tanzania and the only city in the lake regions, it is an active trade city in the lake regions so far. The business performance of the city promises its growth over the years is inevitable, yet, the construction of the ship that will be going all around the lake regions which is on progress almost at the finishig stage will boost trade in the city as there will be close intergration with other lake regions. Construction of the Kigongo-Busisi bridge is also another advantage to the city because it will have a direct connection with Geita Region which is the mining region in the Lake regions. Expansion of Mwanza International Airport will also be of a potential advantage to the City's business performance as it will be receiving more visitors due to landing of even more flights with more aviation companies having their planes land here.

CONCLUSION

As the study suggests, this is a very potential and beneficial project which is a must pay. Yes it needs huge finances to make is complete in a desired and

designed way. The Capri Heights Boutique Hotel Project is a financially and economically viable project exhibiting a good pre-tax Internal Rate of Return and an after-tax Internal Rate of Return. The project, in addition to exhibiting financial viability, will also be able to attract foreign exchange earnings, create employment and effect capital formation, invariably making the project of substantial interest to both, the central and local government.

The Boards of directors of CAPRI HEIGHTS CO LIMITED has agreed that additional financing for the completion of the project be sought from the Bank, as developers of the project are willing to negotiate terms and conditions that will be mutually beneficial to both parties, i.e. the board of directors on the one hand and the loan sponsor on the other hand. This position has also been accepted by the Government of Tanzania.

CAPRI HEIGHTS, MWANZA
Projected - Financials - 68 Rooms

Rooms \$ 68
 Directors Contribution \$ 1,000,000
 Loan from Bank \$ 2,000,000
 Total Investment \$ 3,000,000
 EBIT % 35%

Year	1	2	3	4	5	6	7	8	9
Room Rent	110	115	120	125	130	135	135	140	140
Food (USD)	8	8	9	9	9	9	10	10	10
Beverage (USD)	22	22	26	26	26	26	30	30	30
Total Revenue (USD)	140	145	155	160	165	170	175	180	180
Occupancy Percentage	0%	0%	35%	40%	50%	50%	50%	50%	50%
Number of Rooms - Occupied	-	-	24	27	34	34	34	34	34
Revenue per day (USD)	-	-	3,689	4,352	5,610	5,780	5,950	6,120	6,120
Total Revenue per year	-	-	1,346,485	1,588,480	2,047,650	2,109,700	2,171,750	2,233,800	2,233,800
Administration, General, marketing, F & B Department, Heat light, Power, Repair & maintenance.	-	-	875,215	1,032,512	1,330,973	1,371,305	1,411,638	1,451,970	1,451,970
EBIT	-	-	471,270	555,968	716,678	738,395	760,113	781,830	781,830
Interest	163,992	138,873	111,938	83,056	52,086	18,877	-	-	-
Profit Before Tax (USD)	(163,992)	(138,873)	359,332	472,912	664,592	719,518	760,113	781,830	781,830
Tax 30%	-	-	-	141,874	199,378	215,856	228,034	234,549	234,549,00
Net profit (USD)	(163,992)	(138,873)	359,332	331,039	465,214	503,663	532,079	547,281	547,281
Principal Loan repayment	-	0	264,145	289,264	316,199	345,081	376,051	409,260	
Capex Spend					25,000			25,000	
Net Cash (USD)	(163,992)	(138,873)	95,187	41,775	124,015	158,582	156,027	113,021	547,281

