

**NEVADA GOLDEN COINS LIMITED**

**BUSINESS PLAN**

**FOR**

**DEVELOPMENT OF A FULL FURNISHED APARTMENTS FOR LEASE**

## **1.0. EXECUTIVE SUMMARY**

### **1.1 Project Concept**

The report gives detail on a proposal to develop a high quality and modern commercial full furnished apartments for lease consisting 6 storeys on Plot **No. 1286, Msasani Peninsula, Kinondoni District, Dar es Salaam.**

The project proposes to set up housing estate of fully self-contained apartments together with all basic needs for modern apartment

The project will involves setting up site services/civil works, motor vehicles, general machinery and equipment, room equipment, general furniture and fittings, and room furniture and fittings.

On completion of this project, all apartments will be available for letting complete with all facilities such as internal roads, swimming pool, storm water drainage, waste water system, fire hydrant installations, landscaping DSTV, Stat times, etc

Project is being developed by **NEVADA GOLDEN COINS LIMITED** a locally registered on 27th June 1996 with certificate of Registration No. 30203

The project promoters are confident of mobilizing financial resources through owners' equity by US\$3,000,000 and the remaining US \$5,000,000 will be sourced from local financial institutions; Diamond Trust Bank

### **1.2 Location**

The project will be located at Plot **No. 1286, Msasani Peninsula, Kinondoni District, Dar es Salaam.**

### 1.3 The Sponsors

**NEVADA GOLDEN COINS LIMITED** will be sponsoring this project. The Company is jointly owned by two shareholders

Name of shareholders	% Ownership	Nationality
Sultan S. Mitha	50	Tanzania
Shain S. Mitha	50	Tanzania

### 1.4 The Company Objectives

The company main business objective is development of fully furnished apartment for lease

### 1.5 The Legal Status

**NEVADA GOLDEN COINS LIMITED** was registered on 27th June 1996 with certificate of Registration No. 30203

### 1.6 Objective of Study

The purpose of this study is to work out the project viability technically and financially of developing and operating a commercial residential apartments project.

## 2.0 Project Management and Manpower requirements

The project will under management of **NEVADA GOLDEN COINS LIMITED** as a real estate developer has more than twenty five in the field. The shareholders have another buildings to mention few: Diamond Plaza, IT Plaza etc.

## 2.1 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above; **NEVADA GOLDEN COINS LIMITED** came up with a proposal to develop commercial residential apartments for lease.

It is expected that the construction of a commercial & residential apartment will be completed within two years' time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good.

## 2.2 The General Over View of Tanzania Real Estate

The Tanzanian housing sector's fast-growing demand is mainly driven by the fast-growing Tanzanian population which is estimates to be 53.47 million and that is expected to be more than double by 2050. The Tanzanian housing demand has also been boosted by easier access to mortgages, with the number of mortgage lenders in the market increasing from 3 in 2009 to 21 in 2015 and the average mortgage interest rate in Tanzania falling from 22% to 16%. The current demand for housing in Tanzania is estimated at 200,000 houses annually, and a total housing shortage of 3 million houses The current demand for housing in Tanzania is estimated at 200,000 houses annually, and a total

housing shortage of 3 million houses, as explained Nehemiah Kyando Mchechu, Director General of Tanzania's National Housing Corporation (NHC), the Government's company established to undertake an array of business in real estate. Dar es Salaam, Tanzania's commercial capital and Africa's fastest growing city, has a current population of about 4.3 million which is expected to quintuple to about 20 million by 2050. Housing price per square metre averages USD 1,200 in Dar Es Salaam versus USD 1,235 in Nairobi while the rent of one-bedroom apartment in the city center is around USD 775.3 a month in Dar es Salaam versus USD 444.5 a month in Nairobi. The concept of absolute ownership of land is not recognized in Tanzania, where people have however the right to use and occupy the land in accordance with the approved use. Foreign companies and individuals wishing to have rights to occupy and use land can only do so by acquiring derivative rights, applying to the Tanzania Investment Centre (TIC) or to landowners who have been granted right of occupancy.

### **Tanzania Housing Demand and Supply: Shortage Of 3 Million Houses**

According to the National Housing Corporation (NHC), the largest – state-owned – real estate developer established to support the growth in Tanzania's property market, Tanzania's housing demand is estimated at 200,000 houses annually, which represents 7.83% of the African daily housing demand. This results in a current housing shortage in Tanzania of 3 million houses.

### **Tanzania Housing Demand: A Fast Growing and Young Population Moving To Urban Centers**

The Tanzanian housing sector's fast-growing demand is mainly driven by the fast-growing Tanzanian population which is estimated to be 53.47 million and that is expected to more than double by 2050 while increasing its growing rate from the current 1.56 million per year to 2.98 million per year in 2025 according to the United Nations (UN). Tanzania has a predominantly rural population with only 31% of the population urbanized, but the country's rapid urbanization rate estimated at 5.39% in the period 2013/2014 and above the average of 3.9% for African cities in the last decade, constitutes the main factor driving development of the real estate sector in the country, mostly focused on the commercial capital Dar es Salaam, but also on other major urban centers such as Mwanza, Arusha and Mbeya, due to growth in agriculture, mining and tourism sectors. In addition, Tanzania counts with one of the youngest population in the world with an average age of 17.3 years which is expected to increase to 22.2 years by 2050 and that represents a high potential growth for Tanzania's real estate sector as this segment of the population is the largest borrowers in the country. This young and fast growing population represents most of the Tanzanian housing demand through either commercial loans to develop their own properties, or mortgage finance to acquire already built project

## 2.2 **Dar Es Salaam Housing: Demand & Supply**

Dar es Salaam, with a current population at about 4.3 million, which is expected to quintuple to about 20 million by 2050, is Africa's fastest growing city according to The United Nations Population Division. In Dar es Salaam, most of the housing demand and supply for residential real estate projects is concentrated in districts out of the Central Business District (CBD) which is compounded by Kisutu, Kivukoni, Upanga, and Kariakoo areas, where the retail

property market is booming. The Kariakoo area is famous for its clothes and electronic shops, Kisutu and Kivukoni are well known due for their tall buildings where private businesses and governmental authorities have set their offices, while in Upanga has seen a growing number of residential properties constituted by multi-familiar apartment projects due to the less density of the area. For residential demand, specifically for apartments, Masaki, Kawe, Mbezi Beach, Mikocheni A, Msasani Beach, and Jangwani Beach are among the most popular areas. Regarding residential demand for houses, Kigamboni, Mikocheni B, Masaki, Mbezi Beach, Jangwani Beach, and Kawe Beach constitute the most popular places. Dar Es Salaam Housing: Rental & Sales Prices In Dar es Salaam renting rates higher than those found in Kenya's capital, Nairobi for example where a one-bedroom apartment in the city centre can be rented at around USD 444.5 a month while in Dar es Salaam it is at an average of USD 775.3 a month. Housing price per square metre averages USD 12 in Dar Es Salaam versus USD 12.35 in Nairobi according to Numbeo, an online source of statistics on quality life topics by cities and countries. Out of the Dar es Salaam city centre, to rent a one-bedroom apartment can cost up to USD 514.34 a month and average cost per square metre is USD 20.00.

Dar es Salaam is still biggest commercial city in Tanzania and East Africa in general, for that case the project is planning to set up best commercial and residential apartments in Dar es Salaam so that to try to alleviate, albeit modestly, present situation of the shortage of the quality commercial and residential houses. Well situated near to city centre.

Due to nationalization of private commercial buildings and residential houses in 1971, the country witnessed a sudden halt in the construction industry. The present resident houses available in the CITY are by the large as old as over

thirty-five years now. Construction of private houses resumed in about fifteen years ago on a small scale brought about by the liberalization policy. This has been carried out by civil servants and parastatal organizations for their consumption, although some have been forced to rent out in order to service mortgages and other personal financial obligation.

Construction of commercial residential houses started again about nine years ago but in small scale due to unavailability of suitable plots within the City and the well planned areas. Most of the constructed quality houses replacement of the old residential houses, which means in real terms there has been no increase in number of houses required. To alleviate this situation of severe shortage of quality houses within the City premium areas such as Oyster bay and Masaki, the investors have to fully utilize the big Plots by building 4 storeys building as proposed in this project.

It is therefore paramount that this project is implemented quickly in order to cash on the current trend created and the normal demand of quality accommodation.

This project aims at catering for the requirement of the upper income group, a major portion or about 90% of which would come from the foreign population working in embassies, United Nations Organizations, Multinational Corporation representatives, employees in externally financed development projects, chief executives and technical advisors of the foreign companies investing in Tanzania, as well as tourists.

Most of the multinational organizations doing business in Tanzania are having their offices in Kenya due to lack of suitable and quality accommodation to house their executives and technical personnel

### 2.3 **Market Strategy**

According to expert, personal selling is the most effective method for marketing packaging accommodation services because the customers and institutions. The project will use marketing agents (Real estate agent) who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use internet and print media for advertising.

### 2.4 **Pricing**

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Achieving profitability and liquidity financial performance goals

### 2.5 **Monitoring and Evaluation**

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

### 3.0 **Project Investment Cost**

The estimated capital investment cost of the project is US \$8,000,000 as shown in the schedule below:

#### NEVADA GOLDEN COINS LIMITED PROJECTED INVESTMENT COST US\$

Land and Buildings	<b>4,800,000.00</b>
Machinery & Equipment	100,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,900,000.00
Pre exp	20,000.00
Others	15,000.00
Working Capital	15,000.00
<b>TOTAL</b>	<b>8,000,000.00</b>

### 4.0 **Financing Pattern**

The project will be financed by equity by US\$ 3,000,000 and the remaining US\$ 5, 000,000 to be sourced from financial institutions

### 4.1 **Projected Project Operating Costs**

In order to realize its intended objective, the project will have to meet the operating costs which is estimated to be 10% of the total annual revenue.

### 5.0 **Aspect of Project Sustainability**

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The

growing of tourism sector and economic activities in Dar es Salaam City gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

## **6.0 Monitoring and Evaluation**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

## **7.0 Financial Analysis**

### **7.1 Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied, it is assumed to be 10% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the real estate industry.

8 years financial projections have been worked out

### **7.2 Financial Statements:**

### **7.3 Projected Rental Revenue**

For projection purposes, it is assumed that the economic life of the project is two years, and that revenue from serviced furnished apartment business commence from the first year of operation. Refer appendix VII

#### **7.4 Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 10 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **1,020,000** in first year to **US \$ 11,745,969** in the 10 year, refer appendix III

#### **7.5 Projected Cash Flows**

This is shown in the Projected Cash Flows Statement in appendix II. They indicate that the project will meet its entire financial obligation, the Accumulated cash flow in the first year **US\$1,020,000** and grow up to **US\$ 17,388,120** in 10<sup>th</sup> year, refer appendix III

#### **7.5 Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under **appendix IV** total owners' equity of the project increases from US\$ in **3,000,000** at the end of first year of operation to US \$ **20,388,120** at the end of in 10<sup>th</sup> year. Therefore; balance sheets depict a healthy financial, refer appendix IV

#### **7.6 Projected payback period**

Total investment is US \$ **8,000,000**, cash accumulation in year 7 is US\$. **9,254,256**. which is **US\$ 1,254,256** more than the initial investment costs, the project payback Period is within 7 years, refer appendix V

## **7.7 Projected Risks**

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs the project is more likely to prosper very fast for a very long period.

## **8.0. Economic Aspects**

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of the recently acquired prime site
- The project will significantly contribute in increase of properties available for lease in Dar Es Salaam, Tanzania
- The project will create direct employment for 20 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.
- It will generate substantial revenue to the government in the form of corporate tax paid for 8 years, value added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as managing of real estate

## 9.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: -

### NEVADA GOLDEN COINS LIMITED PROJECT IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	September 2022
2	Construction	October 2022- February 2024
3	Procurement furniture and other facilities	April 2024
4	Recruitment	July 2024
5	Testing business and in house training	August – September 2024
6	Commercial operations	September 2024

## 10.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

**NEVADA GOLDEN COINS LIMITED COST STRUCTURE**

Land and Buildings	<b>4,800,000.00</b>
Machinery & Equipment	100,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,900,000.00
Pre exp	20,000.00
Others	15,000.00
Working Capital	15,000.00
<b>TOTAL</b>	<b>8,000,000.00</b>

NEVADA GOLDEN COINS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

II

	1	2	3	4	5	6	7.00	8	9	10
-										
Revenue	2,000,000.00	2,100,000.00	2,205,000.00	2,315,250.00	2,431,012.50	2,552,563.13	2,680,191.28	2,814,200.85	2,954,910.89	3,102,656.43
<b>Operating Expenses:</b>	200,000.00	210,000.00	220,500.00	231,525.00	243,101.25	255,256.31	268,019.13	281,420.08	295,491.09	310,265.64
<b>Gross Profit Before Interest and Depreciation</b>	1,800,000.00	1,890,000.00	1,984,500.00	2,083,725.00	2,187,911.25	2,297,306.81	2,412,172.15	2,532,780.76	2,659,419.80	2,792,390.79
<b>Interest</b>	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	-		
<b>Depreciation</b>	387,750.00	387,750.00	387,750.00	387,750.00	387,750.00	387,750.00	387,750.00	387,750.00	387,750	387,750
<b>Gross Profit</b>	1,112,250.00	1,202,250.00	1,296,750.00	1,395,975.00	1,500,161.25	1,609,556.81	1,724,422.15	2,145,030.76	2,271,669.80	2,404,640.79
Tax (30%)	333,675.00	360,675.00	389,025.00	418,792.50	450,048.38	482,867.04	517,326.65	643,509.23	681,500.94	721,392.24
<b>Profit After Tax</b>	778,575.00	841,575.00	907,725.00	977,182.50	1,050,112.88	1,126,689.77	1,207,095.51	1,501,521.53	1,590,168.86	1,683,248.55
Accumulated Profit	860,650.00	1,702,225.00	2,609,950.00	3,587,132.50	4,637,245.38	5,763,935.14	6,971,030.65	8,472,552.18	10,062,721.04	11,745,969.59

NEVADA GOLDEN COINS LIMITEDPROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6	7	8	9	10
<b>SOURCES:</b>											
Profit before interest and depreciation	-	1,800,000.00	1,890,000.00	1,984,500.00	2,083,725.00	2,187,911.25	2,297,306.81	2,412,172.15	2,532,780.76	2,532,780.76	2,532,780.76
Equity	1,500,000,000.00								0.00		
Loan	5,000,000,000.00								0.00		
<b>Total Sources</b>	<b>5,003,000,000.00</b>	<b>1,800,000.00</b>	<b>1,890,000.00</b>	<b>1,984,500.00</b>	<b>2,083,725.00</b>	<b>2,187,911.25</b>	<b>2,297,306.81</b>	<b>2,412,172.15</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>
<b>Applications:</b>											
Capital expenditure	7,650,000.00		-	-	-	-			0.00		
working Capital & others	350,000.00								0.00		
Cash	0	1,431,150.00	1,494,150.00	1,560,300.00	1,629,757.50	1,702,687.88	1,779,264.77	1,859,670.51	1,854,096.53	1,854,096.53	1,854,096.53
Tax	-	368,850.00	395,850.00	424,200.00	453,967.50	485,223.38	518,042.04	552,501.65	678,684.23	678,684.23	678,684.23
<b>Sub total</b>	<b>8,000,000.00</b>	<b>1,800,000.00</b>	<b>1,890,000.00</b>	<b>1,984,500.00</b>	<b>2,083,725.00</b>	<b>2,187,911.25</b>	<b>2,297,306.81</b>	<b>2,412,172.15</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>
<b>Total applications</b>	<b>8,000,000.00</b>	<b>1,800,000.00</b>	<b>1,890,000.00</b>	<b>1,984,500.00</b>	<b>2,083,725.00</b>	<b>2,187,911.25</b>	<b>2,297,306.81</b>	<b>2,412,172.15</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>	<b>2,532,780.76</b>
Accumulated cash		1,800,000.00	3,294,150.00	4,854,450.00	6,484,207.50	8,186,895.38	9,966,160.14	11,825,830.65	13,679,927.18	15,534,023.72	17,388,120.25

NEVADA GOLDEN COINS LIMITEDPROJECTED BALANCE SHEET US \$

<b>Fixed Assets</b>	-	1	2	4	4	5	6	7	8	9	10
Opening balance	-	<b>7,815,000</b>	<b>7,427,250</b>	<b>7,039,500</b>	<b>6,651,750</b>	<b>6,264,000</b>	<b>5,876,250</b>	5,488,500	5,100,750	5090750	5090750
<b>Total Long-term Assets</b>	-	<b>7,815,000</b>	<b>7,427,250</b>	<b>7,039,500</b>	<b>6,651,750</b>	<b>6,264,000</b>	<b>5,876,250</b>	<b>5,488,500</b>	<b>5,100,750</b>	<b>5,090,750</b>	<b>5,090,750</b>
Less depreciation	-	<b>387,750</b>	<b>387,750</b>	<b>387,750</b>	<b>387,750</b>	<b>387,750</b>	<b>387,750</b>	387,750	387,750	387,750	387,750
<b>Closing balance</b>	-	<b>7,427,250</b>	<b>7,039,500</b>	<b>6,651,750</b>	<b>6,264,000</b>	<b>5,876,250</b>	<b>5,488,500</b>	<b>5,100,750</b>	<b>4,713,000</b>	<b>4,703,000</b>	<b>4,703,000</b>
Working capital	350,000.00	350,000	350,000.00	350,000.00	350,000.00	350,000.00	350,000.00	350,000.00	350,000.00	350000	350000
Accumulated cash	-	1,800,000	3,294,150.00	4,854,450.00	6,484,207.50	8,186,895.38	9,966,160.14	11,825,830.65	13,679,927.18	17,531,387.30	18,137,306.30
<b>Total assets</b>	<b>350,000.00</b>	<b>9,577,250</b>	<b>10,683,650</b>	<b>11,856,200</b>	<b>13,098,207</b>	<b>14,413,145</b>	<b>15,804,660</b>	<b>17,276,580</b>	<b>18,742,927</b>	<b>22,584,387</b>	<b>23,190,306</b>
Financed by											
Equity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3000000	3000000
Accumulated profit	-	1,800,000	3,294,150.00	4,854,450	6,484,208	8,186,895	9,966,160	11,825,831	13,679,927	15534023.72	17388120.25
Total equity	3,000,000	4,800,000	6,294,150	7,854,450	9,484,207	11,186,895	12,966,160	14,825,830	16,679,927	18,534,023	20,388,120
Bank Loan	5,000,000	4,285,714	3,571,438	2,857,142	2,142,857	1,428,571	714,285	-	-	0	0
<b>Total debts</b>	<b>5,000,000</b>	<b>3,571,438</b>	<b>3,571,43</b>	<b>2,857,142</b>	<b>2,142,857</b>	<b>1,428,571</b>	<b>714,285.</b>	-	-	-	-
<b>Total equity and debts</b>	<b>5,003,000</b>	<b>8,371,438</b>	<b>9,865,588</b>	<b>10,711,592</b>	<b>11,627,064</b>	<b>12,615,466</b>	<b>13,680,445</b>	<b>14,825,830</b>	<b>16,679,927</b>	<b>18,534,023</b>	<b>20,388,120</b>

VI

NEVADA GOLDEN COINS LIMITEDPROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	714,285,714.29	300,000,000.00	1,014,285,714.29	5,000,000,000.00
2	714,285,714.29	300,000,000.00	1,014,285,714.29	4,285,714,285.71
3	714,285,714.29	300,000,000.00	1,014,285,714.29	3,571,428,571.43
4	714,285,714.29	300,000,000.00	1,014,285,714.29	2,857,142,857.14
5	714,285,714.29	300,000,000.00	1,014,285,714.29	2,142,857,142.86
6	714,285,714.29	300,000,000.00	1,014,285,714.29	1,428,571,428.57
7	714,285,714.29	300,000,000.00	1,014,285,714.29	714,285,714.29

NEVADA GOLDEN COINS LIMITEDPAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
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1	778575	<b>387,750.00</b>	<b>1,166,325.00</b>	734,000.00
2	841,575.00	<b>387,750.00</b>	<b>1,229,325.00</b>	1,963,325.00
3	907,725.00	<b>387,750.00</b>	<b>1,295,475.00</b>	3,258,800.00
4	977,182.50	<b>387,750.00</b>	<b>1,364,932.50</b>	4,623,732.50
5	1050112.875	<b>387,750.00</b>	<b>1,437,862.88</b>	6,061,595.38
6	1126689.769	387,750.00	<b>1,514,439.77</b>	7,576,035.14
7	1501521.533	387,750.00	<b>1,889,271.53</b>	9,465,306.68