

PROPOSED COMMERCIAL BUILDING TO BE BUILT AT MWEMBE YANGA
PLOT No. 155 BLOCK "A"
TEMEKE MUNICIPALITY
ARCHITECTURAL DRAWINGS

Client

MEANING EAST AFRICA
CONNECTION COMPANY LIMITED
P. O. BOX _____
DAR ES SALAAM

October 2022



MEANING EAST AFRICAN CONNECTION COMPANY LIMITED

P.O.BOX 75509

DAR ES SALAAM – TANZANIA

A FEASIBILITY STUDY

DEVELOPMENT OF COMMERCIAL COMPLEX AT PLOT 155 BLOCK A, TEMEKE

SHOPPING CENTRE AREA

TEMEKE- DAR ES SALAAM.

Prepared For:
M/s MEANING EAST AFRICAN CONNECTION COMPANY LIMITED
P.O.BOX 75509
DAR ES SALAAM
TANZANIA

CONTENTS

EXECUTIVE SUMMARY

- 1.1. Introduction
- 1.2. Sponsors
- 1.3. The Market
- 1.4. The Project
- 1.5. Estimated Capital Costs
- 1.6. Financing Plan
- 1.7. Management and Staff
- 1.8. Profitability and Liquidity
- 1.9. Development Values
- 1.10. Conclusion and Recommendation

2.0. THE MARKET AND DEMAND

3.0. INVESTMENT COSTS

- 3.1. Basis of Calculations
- 3.2. Capital Investment
- 3.3. Project Financing

4.0 THE PROJECT

- 4.1. Project Description
- 4.2. Plots owners/Investors and Architects / Engineers
- 4.3. Design Requirements

5.0. PROJECT IMPLEMENTATION AND STAFF

6.0 ESTATE MANAGEMENT

7.0 FINANCIAL ANALYSIS

- 7.1. Income
- 7.2. Project Operating costs
 - 7.2.1. Estate expenses
 - 7.2.2. Administrative expenses
 - 7.2.3. Management Fees
 - 7.2.4. Depreciation

7.3. Working capital

7.4. Projected Profit and Loss Statements

7.5. Projected Cash Flow Statement

7.7. Projected Balance Sheets

7.8. Discounted Cash Flows

7.9. The Payback Period

7.10. Risk Factors

8.0. DEVELOPMENT VALUES

9.0. RECOMMENDATIONS APPENDICES

APPENDICES

Appendix 1: Capital Investment Costs and Financing

Appendix 2: Depreciation and Amortization

Schedule Appendix 3 Operating Assumptions

Appendix 4: Financial Statements

1.0 EXECUTIVE SUMMARY

1.1. Introduction

This feasibility study gives details on a proposal to construct a Modern Commercial Complex consisting of Multi-businesses such as Shopping Arcades, Offices, Conference centres, single units' apartments etc, at Plot 155 Temeke Shopping Centre Area, Temeke– Dar es Salaam – Tanzania.

Which can also accommodate shopping mall/Banking Hall as part of phase one at the area and later on during the process of expanding the project a modern size Hotel/residential apartment will be built.

The proposed Commercial complex entails construction of multi-shops arcades together with internal roads, storm water drainage, waste water system, fire hydrant installations security walls, standby power house, water tank, land reclamation and landscaping.

1.2. Sponsors.

The project is being sponsored by **M/s MEANING EAST AFRICAN CONNECTION COMPANY LIMITED**, a private limited liability company incorporated and registered in Tanzania with a registration number 136215884 of 28th March 2018.

The Company is owned by the following shareholders:

NAME	NATIONALITY	PERCENTAGE OF SHARES
SHOO KANAZAWA	JAPANESE	80%
BANU TOURAY	GAMBIAN	20%

1.3. The Market.

In general Tanzania urban centers have an acute shortage of high quality and modern Commercial Complexes.

Dar es Salaam is the leading industrial and commercial center, housing most of the government ministries, foreign embassies, large local companies, multinational companies and banks as well as international organizations. It is also the main first point of call to tourists visiting the country before they proceed to visit tourist attractions upcountry.

According to an assessment made by the National Housing Corporation, and sponsors interviews with various foreign embassies and international organizations, it has been established that acute shortage of high quality modern and secure Commercial Complex exist in Dar es Salaam, and other regional centers. This being the case the investors are assured of ready market for the project/property.

1.4. The Project

The project involves construction of shopping arcades, which comprises two floors can accommodate multi-modern business malls on a site at Plot 155 Block A Temeke Shopping Centre Area, Temeke - Dar es Salaam.

On completion of this project, the Complex will be available for letting, complete with all facilities such as, storm water drainage, waste water system, and fire hydrant installations and landscaping. The complex will be fully furnished and well equipped.

1.5 Estimated Capital Costs:

The total investment cost of the project is estimated at about USD 637,000 broken down as follows:

Capital Investment Cost:

S/NO	ITEM	USD
1.	Land and Building	460,000
2.	Vehicles	50,000
3.	Furniture and Fittings	85,000
4.	Pre expenses	15,000
5.	Working Capital	27,000
	TOTAL PROJECT COST	637,000

1.7 Management and Staff

The said commercial complex will be managed by a competent real estate management company to be appointed by the holding company on completion of construction works at a rate of 8% of the gross income excluding service charges, the estate management company will be answerable to the holding company's Management for operational and policy decisions.

1.8 Profitability

(USD)

YEAR	2023	2024	2025	2026	2027	2028	2029	2030
Sales Income	29,600	Del hous e	186,000	186,00 0	186,00 0	186,00 0	186,00 0	186,000
Pre- Tax Profit	19,053	47,158	155,641	155,64 1	155,64 0	156,14 0	156,14 0	156,141
Dividend Rate: Amount	0%	0%	0%	30%	30%	30%	30%	30%
Accumulate dCash Balance	11,40 0	72,023	270,182	390,07 2	509,97 5	6729,5 8 7	749,20 0	8968,813

1.9. Development Values

The project has a number of development values to the country:

- ◆ The project will provide the most needed quality Office for both foreign and local organizations as well as foreign individuals.
- ◆ The project will generate direct and indirect employment to several Tanzanian both during construction and after completion.
- ◆ The project will generate the much-needed foreign exchange.

2.0 MARKET AND DEMAND

Due to nationalization of private commercial buildings and residential houses in 1967, the country witnessed a sudden halt in the construction industry. The present residential 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 obligations

When in 1973 Tanzania Government decided to shift its capital from Dar es Salaam to Dodoma, it was envisaged that the move would take about ten years and that in line with the growing government activities, commercial activities would proliferate. It is now thirty years but none of the above has taken place. Except for the Prime Minister's Office, The Ministry of Regional Administration and local Government and the ruling Party Head Office that have theoretically moved their seats to Dodoma, not a single government ministry, embassy, International Organization, a national parastatal has moved to Dodoma. The trend shows that the government has renovated and refurbished its offices in Dar es Salaam and the embassies are building their own offices in Dar Es Salaam instead of Dodoma.

Good example is the American, Swedish, Norwegian, Nigerian Embassies, Germany, Netherlands, UK and European Economic Union who have recently constructed their embassies. For the private companies it was clear from the start they would remain in Dar es Salaam as the City would have continued to be the main industrial and commercial center of Tanzania. Most of the multinational companies investing in mining, tourism and agriculture have their headquarters in Dar es Salaam.

Taking into consideration the above observations the current economic and the government's financial position it is obvious that the decision has been overtaken by events and therefore the status quo will remain allowing for Dar Es Salaam to function as government seat, industrial and commercial center indefinitely. Against this background, industrial and commercial activities in Dar Es Salaam have continued to grow accompanied by growing demand for quality residential houses, shopping arcades and office accommodation, not being matched by the corresponding supply.

This project will be one of the best in Dar es Salaam and it is expected to alleviate, albeit modestly, present situation of the shortage of modern quality commercial

complexes, well secured and constructed in up market areas.

Construction of commercial houses started again about seven 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 are replacement of the old commercial houses, which means in real terms there has been no increase in number of houses required.

Nevertheless, while this process is taking place, demand will increase because of demolition of occupied old houses until when new houses are completed.

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 commercial complexes.

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. According to the recent report by the Tanzania Investment Centre (TIC), the Centre has approved projects of which about 75% are based in Dar es Salaam. These projects covering various sectors of the economy will definitely create additional demand for quality residential houses adding to already existing shortage. According to Consultants discussion with the National Housing Corporation who is the major landlord in Tanzania, it was discovered that since the inception of the Corporation, which is now merged with the Registrar of Buildings, no quality residential houses for upper income group have been built as it was thought to be luxury and not a necessity.

It can be observed that most of the Multinational Organizations doing business in Tanzania are having their offices in the neighboring country of Kenya, neither because they want to operate from there, nor is it cheaper or secure to them but due to lack of suitable and quality accommodation to house their executives and technical personnel families among others.

3.0. INVESTMENT COSTS

3.1. Basis of Calculations:

In arriving at the total estimated cost of the project of USD 637,000.00 the quantity surveyor's estimates based on architects' preliminary designs, the cost of acquisition of Plots, and quotations for equipment have been taken into consideration.

3.2. Capital Investment:

On the basis of construction costs provided by the quantity surveyors and the project designers (architects) total capital outlay for the completion of the estimate complex including the cost of the Plots is estimated at USD 637,000.00 broken down as follows:

The total investment cost of the project is estimated at about USD 637,000.00 broken down as follows:

Capital Investment Cost:

S/NO	ITEM	USD
1.	Land and Building	460,000
2.	Vehicles	50,000
3.	Furniture and Fittings	85,000
4.	Pre expenses	15,000
5.	Working Capital	27,000
	TOTAL PROJECT COST	637,000

3.3. Project Financing:

It is planned to finance the above capital costs from own fund **USD 402,000** and Local Commercial Bank **USD 235,000**

Based on construction cash flow projections provided by the project consultants, about 60% of the funds for acquisition of Plots and civil works would be utilized during the first year, 40% in the second year of the project implementation. 45% of the budgeted funds for the project will be in foreign exchange. The following items have been listed for importation:

1. Sanitary, plumbing and fittings, Electrical fittings
- 2.0. Aluminium doors and windows
- 3.0. Roofing tiles
- 4.0. Kitchen cabinets and equipment
- 5.0. Stand-by Power Generator
- 6.0. Security equipment and lighting
- 7.0. Air conditions.

4.0. THE PROJECT

4.1 Project Description

The promoters plan to develop this project modern commercial one fully furnished and equipped rentable facilities. A complex will consist of all facilities necessary to let all will be equipped with DSTV, Startimes, Cstv cables with more than 368 channels.

4.2 Design Requirements

There is growing competition in apartments, shopping arcades and high quality and excellent commercial complex sector in DAR ES SALAAM will be applied especially after the liberalization of the economy. The commercial project to be realized should therefore take into consideration all amenities befitting the sector in order to attract the right customers. Therefore, the architects and engineers have been careful in the following during design and preparations of the project:

- (a) Since the Plots, although prime is of moderate size, the architects have the maximum usage of the area, i.e. each centimeter of the available land has been accounted for, of course without compromising the government design regulations or limits
- (b) All vital and important amenities for the provision of comfort for occupants have been included.
- (c) The project will have enough car parking space for each unit and will provide social facilities including internal roads, storm water drainage, waste water system, fire hydrants installations, security lights, reserve water tank and a standby generator.

5. PROJECT IMPLEMENTATION SCHEDULE

Considering that building materials are now readily available in the country and those to be imported are financed by foreign exchange component which is available from the resources of shareholders and which will be firmed up before construction starts, it is expected that the project will be completed within 3 years.

ACTIVITY	Year I	Year II	Year III
Construction of the commercial complexes			
1. Funds Mobilization	◆		
2. TIC approval for certificate of incentives	◆		
1.0. Legal Documentation	◆		
2.0. Civil Works & Installations	◆	◆	◆
3.0. Cleaning and furnishing ready of letting			◆
Shopping Mall			◆

6. ESTATE MANAGEMENT AND STAFF

Although **M/s MEANING EAST AFRICAN CONNECTION COMPANY LIMITED** will own the project complex for letting, it is intended to hire a competent real estate manager company to run and manage the property on the day-to-day basis.

The real estate managers will be responsible for the preparation of annual budgets, letting maintenance, cleanliness, preparation of annual accounts, debt collection, submission of statutory payments and returns, marketing, liaising with government authorities and performing other day –to day management functions.

The Management of **M/s MEANING EAST AFRICAN CONNECTION COMPANY LIMITED** will oversee Policy issues which will be the responsibility of EAL Board of Directors headed by a chairman.

7. FINANCIAL ANALYSIS

Financial evaluation of the project has been based on the following assumptions:

- (a) Units available :60-130 shopping arcades,
- (b) Rent per month per unit US\$ 150-400
- (c) Rent per annum per unit US\$ 2800.00-5,600.00
- (d) Rent per annum for 60 units US\$ 116,000.00

(e) Services charges 10% of total rental income

(f) Cap Municipal utilization is assumed at 75% in the first year, 80% in the second and 90% in the third and subsequent years. Income has therefore been calculated as follows:

7.1. Projected Revenue

YEAR	Year 1	Year 2	Year 3	Year 4 to 10
Units available per month	0	24	24	24
Units available per annum	12	20	20	20
Cap Municipal utilization	75%	80%	90%	90%
Units rented	9	38	65	65
Rent per month (US\$)	3000	3000	3000	3000
TOTAL RENT	27,000	114,000	195,000	195,000
Add: 10% service charge	2,700	11,400	19,500	19,500
TOTAL INCOME	29,700	125,400	214,500	214,500

7.2. Project Operating Costs

7.2.1. Estate Expenses:

Estate expenses have been based on the current open market prices and costs, and summarized as follows:

(US\$)

COST	PER ANNUM			
	Year1	Year2	Year 3	Year 4 to 10
Repair and maintenance 1% of civil works cost	675	2700	4725	4725
Insurance 0.15% of project cost	338	1350	2362	2362
Spare parts for equipment 2.5% of cost	400	675	1181	1181
Land Rent/Site Rate	500	500	500	500
Property tax 0.15% of building cost	101	405	708	708
Licenses and Legal Fees	500	500	500	500

Fumigation and cleaning	300	600	900	900
Transport and motor running expenses	1250	1250	1250	1250
General Expenses	2600	3800	6200	6200
TOTAL ESTATE EXPENSES	6431	11780	18326	18326

7.2.2. Administrative Expenses:

Administrative costs have been estimated at 5% of the total annual rental income to cover the cost of postage, telephone, water electric and other administrative expenses and worked out as follows:

(US\$)

YEAR	1	2	3	4
Total rental income	0	114 000	195 000	195 000
Administrative costs-Rate 5%	1 350	5 700	9 750	9 750

7.2.3 Management Fees:

Management fees has been estimated at 8% of the gross rental income and worked out as follows:

(USD)

YEAR	1	2	3	4
Total rental income	27 000	114 000	195 000	195 000
Management fees-Rate 8%	2 160	9 120	15 600	15 600
TOTAL AMOUNT				

PROJECTED INCOME AND EXPENDITURE STATEMENT

	US \$ 1	US\$ 2	US\$ 3	US\$ 4	US\$ 5
Sales Revenue	630,700	640,780	649,800	655,820	700,860
Cost of Sales	410,000	412,000	418,000	420,000	425,000
Gross Profit	220,700	228,780	231,800	235,820	275,860
Operating Expenses:					
Administrative Expenses	4,200	4,205	5,000	5,200	5,800
Motor vehicle running expenses	10,000	10,000	10,000	10,000	10,000
Salaries and Wages	220,000	220,000	220,000	220,000	220,000
Donation	1,000	1,000	1,000	1,000	1,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Marketing Costs	2,800	2,800	2,810	2,812	2,815
Maintenance	10,000	10,000	10,000	10,000	10,000
Utility costs	30,000	30,000	30,000	30,000	30,000
Insurance	5,000	5,000	5,000	5,000	5,000
Communication	5,400	5,406	5,410	5,415	5,418
Pension Contribution	22,000	22,000	22,000	22,000	22,000
Loan Interest (3%)	6,000	6,000	6,000	6,000	6,000
Total Expenses	393,400	393,411	394,220	394,427	395,033
Profit before tax	827,300	835,369	837,580	841,393	880,827
Tax (30%)	248,190	250,610	251,274	252,417	264,248
Profit After Tax	579,110	584,758	586,306	588,975	616,578

PROJECTED CASH FLOW

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Cashflow from Operations	1,400,000	1,378,125	1,447,031	1,519,383	1,595,352
Cash Sales					
VAT Receipt	350,000	367,500	385,875	405,169	425,427
Subtotal Cash Received	1,750,000	1,745,625	1,832,906	1,924,552	2,020.78
Expenditures from Operations					
Purchases	630,000	661,500	694,575	729,304	765,769
Interest and Loan	18,200	18,200	18,200	18,200	18,200
Additional Cash Spent	610,700	640,325	671,431	701,295	733,652
VAT Payments	105,000	147,000	154,350	162,068	170,171
Subtotal Cash Payment	1,363,900	1,467,025	1,538,556	1,610,866	1,687,792
Cash from Operations	386,100	278,600	294,350	313,685	332,987
Cash flow from Investments					
Purchases of Assets	2,450,000				
Pre Expenses	30,000				
Working Capital Requirement	100,000				
Cash flow from financing					
Loan	1,820,000				
Owners Contribution	780,000				
Cash Flow from Financing	2,600,000				
Net Cashflow for period	406,100	278,600	294,350	313,685	332,987
Cashflow at start of year		406,100	684,700	979,050	1,292,735
Cashflow at the end of year	406,100	684,700	979,050	1,292,735	1,625,722

PROJECTED BALANCE SHEET "US\$"

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		138,000	81,000	58,000	-3,000	-64,000
Long term Assets						
Depreciation		57,000	57,000	57,000	57,000	57,000
Total long term assets		81,000	24,000	1,000	-60,000	-121,000
Current Assets						
Cash		406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable		105,000	110,250	216,535	421,763	527,628
Inventory		214,710	376,383	438,469	402,292	467,493
Total Current Assets		725,810	1,171,333	1,634,053	2,116,790	2,620,844
Total Assets		806,810	1,195,333	1,635,053	2,056,790	2,499,844
Current Liabilities						
Accounts Payable		84,000	88,200	92,610	97,241	102,103
Other Current Liability		70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabilities		154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities						
Long term Liabilities		1,820,000	1,820,000	1,820,000	1,820,000	1,820,000
Total Liabilities		1,974,000	1,981,700	1,989,785	1,998,274	2,007,188
Net Assets		820,810	877,633	951,268	1,044,516	1,157,656
Capital and Reserves						
Owners Contribution		780,000	780,000	780,000	780,000	780,000
Retained Earning		40,810	97,633	171,268	264,516	377,656
Total Capital		820,810	877,633	951,268	1,044,516	1,157,656

7.4 Projected fixed schedule

The projected fixed schedule is shown in the schedule under same heading. Net worth of the fixed assets decreases from US\$ **713,000** in the first year of operation to US **\$405,000** in the 5th year.

FIXED ASSETS

NAME OF ASSETS			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings			40,000	38,000	36,000	34,000	32,000
Motor Vehicle			20,000	-20,000	-60,000	100,000	-140,000
Furniture & Fixtures			8,000	7,000	40,000	35,000	30,000
Total			138,000	81,000	58,000	-3,000	-64,000
Depreciation			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings			2,000	2,000	2,000	2,000	2,000
Motor Vehicles			40,000	40,000	40,000	40,000	40,000
Furniture & Fixtures			1,000	1,000	1,000	1,000	1,000
ANNUAL DEPRECIATION			57,000	57,000	57,000	57,000	57,000
CLOSING FIXED ASSETS			81,000	24,000	1,000	-60,000	-121,000

7.5 Projected Risks

This is a commercial complex 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 will provide high quality workshop and storage facilities with state of the art and company office to meet international standards required by the company and targeted clients
- The project is an ideal option for utilization of the recently acquired prime site
- The project will involve transfer of technology in storage facilities industry and manufacturing
- The project will create employment for 32 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local pharmacies, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will earn substantial amounts of foreign exchange.

9.0 Conclusion and Recommendations.

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed up market quality commercial complex and real ideal for all groups of investors, being local and foreign ones, business executives, diplomats, international experts working for international organizations and multinational companies investing in Tanzanian in various sectors of the economy.

A fast implementation of this venture is therefore highly recommended especially at this juncture when the government is implementing its economic and social adjustment programmes have International Investment as good and secure housing is of paramount importance.