

TT INVESTMENT LIMITED

**BUSINESS PLAN FOR NEW REAL ESTATE
PROJECT IN DAR ES SALAAM**

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1. PROJECT BRIEF

1.1 Project Concept

This project document presents a proposal by **TT INVESTMENT LIMITED**, a locally registered company with Certificate of Incorporation **No. 65809** Dated **29th May 2008** intending to establish new Real Estate projects in Dar es Salaam, Tanzania. The company has already successfully established a number of real estate projects in Tanzania such as the Tanzanite Park Building in Victoria area Dar es salaam and the Tanzania Tower in Mwenge area, also in Dar salaam.

The shareholders and management of the company are confident of mobilizing financial resources through equity financing and long-term loan from financial institutions operating in Tanzania to implement the new real estate project.

This document will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

1.2 Location

The project involves construction of two residential buildings in prime locations within Dar es Salaam city as follows:

No.	Name of the Building	Location
1.	Phoenix City	Plot No. 1075, Msasani
2.	Peninsula Garden	Plot No. 1915, Oysterbay

1.3 The Project Sponsor

TT INVESTMENT LIMITED will be sponsoring this project. The company is jointly owned by the following shareholders:

No.	Shareholder	Nationality	% of ownership
1.	LIU YONGJUN	Chinese	90
2.	ZHANG QIN	Chinese	10

1.4 Project Management and Operations

Daily operations of **TT INVESTMENT LIMITED** are led by the Managing Director assisted by a team of head of departments that oversee the following functions: Finance and Administration, Estate Development, Property Management and Sales and Marketing. The company has a total of 30 contracted staff and intends to employ additional 10 staff when the project is completed. During the construction phase the project will create a total of 200 jobs

1.5 Project Description

In alignment with the concerted efforts to liberalize the Tanzanian economy and foster private sector-driven economic growth, the Government of Tanzania has proactively initiated measures to empower the private sector. Recognizing this pivotal paradigm shift, **TT Investment Limited** has strategically conceived a proposal to contribute to this economic evolution through the establishment of real estate ventures in Dar es Salaam, the vibrant economic hub of Tanzania.

The project which is ongoing, involves building two residential buildings with the intention to sale or lease the units. The buildings will be known as **Phoenix City** and **Peninsula Garden** whereby **TT Investment Limited** anticipate to invest a total of **\$ 8 Million** into this ambitious venture, reflecting the company's dedication to continue to make a substantive

impact to the Tanzanian real estate landscape. The proposed timeline for the establishment of these structures is Two years.

TT Investment Limited through TIC aims to capitalize on the provisions available and will apply for the 75% exemption on import duties for deemed capital goods.

The two buildings are further elaborated below:

(i) Phoenix City Building

This building is being constructed on Plot No. 1075 at Msasani area. The plot covers an area of 1,541 Square Meters as indicated in the map below.

Architectural image of Phoenix City Building when completed



The project shall provide a total of **96 units** having one, two, and three-bedroom apartment configurations. Other particulars include basement parking facilities, a fully equipped gym, a roof swimming area, and a serene garden yard.

The building structure has been completed and will start undergoing meticulous decoration work soon.

(ii) Peninsula Garden Building

Located in Oysterbay Plot. No. 1915, covering an area of 4,912 Square Meters this project is anticipated to comprise a total of **36 three-bedroom** apartments.

This visionary development is further complemented by a range of amenities, including a convenient basement parking area, an inviting roof swimming facility, and a lush garden yard.

The structural work for Peninsula Garden is 60% complete.

Image of Peninsula Garden Building when completed



2. PROJECT INVESTMENT COST

2.1 Project Investment Breakdown

The estimated total capital investment cost of the project is USD 8 Million out of which USD 7 Million will be fixed costs.

INVESTMENT BREAKDOWN

No	Activities	Phoenix City (\$)	Peninsula Garden (\$)	Sub-Total (\$)
i)	Pre-operational Expenses	72,000	48,000	120,000
ii)	Land Acquisition	1,120,000	480,000	1,600,000
iii)	Construction cost	3,832,400	1,887,600	5,720,000
iv)	Project Management Costs	280,000	120,000	400,000
v)	Marketing and Promotion	96,000	64,000	160,000
TOTAL		8,000,000		

For the project to be a reality a total investment amounting to USD **8,000,000** is needed as follows:

i) **Pre-Operational Expenses: USD, 120,000**

This covers project registration, expenses spent exploring the viability of the projects, especially the market/client identification exercise. This also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

ii) **Land Acquisition: USD 1,600,000**

These expenditures encompass the purchase of carefully selected plots to optimize accessibility, amenities, and overall project suitability together with land development.

iii) Construction cost: USD 5,720,000

These expenses cover payment to the building contractor, acquisition of high-quality finishing materials, skilled labor wages, and various construction-related processes.

iv) Project Management Costs: USD 400,000

This involves essential expenditures such as professional fees for planning and coordination, consulting fees for legal and financial expertise, site supervision expenses, technology investments, and travel-related costs.

v) Marketing and Promotion: USD 160,000

This involves strategically using crafted tools to enhance visibility and appeal to the target demographic.

2.2 Financing Structure

The project will be financed by equity (40%) amounting to USD 3,200,000 and loan (60%) amounting to USD 4,800,000.

3. PROJECT OPERATING COSTS

In order to realize its intended objective, the project will have to meet the following operating costs.

i) Management Fees & Salaries and Wages USD 160,000

- These management fees cover services such as planning, scheduling, coordination and on-site supervisors, ensuring that construction activities adhere to plans and timelines.
- The company has a total of 30 contracted staff and intends to employ additional 10 staff when the project is completed.
- During the construction phase the project will create a total of 200 jobs.

ii) Consulting Fees USD 80,000

- Legal Consultants: Expenses related to legal advice, contracts review, and compliance with local regulations.
- Financial Consultants: Costs associated with financial analysis, budgeting, and securing project financing.
- Design Consultants: Fees for architects and designers contributing to the aesthetic and functional aspects of the projects.

iii) Utilities \$ 40,000

Ongoing costs for water, electricity, gas, and other utilities during the construction phase and after completion.

iv) Travel and Accommodation USD 40,000

Costs to travel to the project site, expenses for travel, accommodation, and related allowances.

v) Insurance USD 40,000

- Construction Insurance: Coverage for risks during the construction phase, including damage, theft, or accidents.
- Liability Insurance: Protection against potential legal claims.

- Property Insurance: Coverage for completed structures against potential risks like fire or natural disasters.

vi) Motor vehicle running Expenses USD 20,000

Petrol/diesel and lubricant requirement for the project's motor vehicles.

vii) Taxes and other Regulatory fees USD 20,000

Property taxes levied annually together with regulatory fees from local authorities such as Municipal fees, Osha, Fire & Rescue.

4. ASPECTS OF PROJECT SUSTAINABILITY

4.1 Project sustainability in Tanzania

The goals of the development vision aim at improving the living conditions of Tanzanians; ensuring the existence of peace, security, and unity; ensuring good governance and the rule of law; ensuring the existence of well - educated and learning society; and building a strong and competitive economy, capable of producing sustainable growth and shared benefits.

After a thorough examination of market conditions and the existing infrastructure in Tanzania, the project stakeholders are confident in the uninterrupted operation of the real estate project. The escalating demand for housing, fueled by population growth and the expansion of the manufacturing and transportation sectors, assures a stable and consistent market. Furthermore, the peace and tranquility prevalent in Tanzania serve as an additional pillar of assured business sustainability for the project in the real estate sector.

4.2 Monitoring And Evaluation

The project will employ rigorous monitoring and evaluation tools to ensure effective management and performance assessment. The project stakeholders are resolute in their commitment to collaborate fully with the government and other stakeholders, fostering a seamless and cooperative business environment. This collaborative approach is integral to the project's success and aligns with a commitment to transparent and harmonious relationships with all relevant entities.

5. FINANCIAL ANALYSIS

5.1 Considerations and Assumptions:

The following assumptions have been used while preparing the financial projections:

- The project will be developed in two locations.
- The currency in use for the financial analysis is USD
- The currency conversion rate is USD 1 ≡ TZS 2,550
- The loan amount to be issued by the financier is 60% of the investment value.
- The interest rate for the loan is assumed to be 7% per annum on the loan in USD 4,800,00
- The duration of the loan repayment is 6 years.
- Repayment currency is also USD.
- Corporate tax is 30%
- The straight-line method will be used to depreciate the project's capital
- Revenues are based on current market prices for apartment buildings made and is compared to area's all over the world

5.2 Financial Statements:

i) Projected Real Estate Revenue

For projection purposes, it is assumed that the economic life of the project is Fifty (50) years, and that revenue from selling/leasing the units commence from the first year of operation.

ii) Projected Profit and Loss Statement

The Income and Expenditure Statement indicated in the table below shows the projected income for the 5-year period. The position depicted is that the project revenue is highest during the first five years after competition of construction due to sale of 80% of the units. Revenue from subsequent years will be received from the remaining 20% units on lease as well as income from service charges.

PROJECTED PROFIT AND LOSS STATEMENT FOR FIVE YEARS

	2024	2025	2026	2027	2028	TOTAL
	USD	USD	USD	USD	USD	USD
Sales of units	1,300,000	1,690,000	2,197,000	2,856,100	3,712,930	11,756,030
Rental of units	158,400	205,920	267,696	348,005	452,406	1,432,427
Total revenue	1,458,400	1,895,920	2,464,696	3,204,105	4,165,336	13,188,457
Depreciation	640,000	640,000	640,000	640,000	640,000	3,200,000
Cost of service and maintenance	500,000	675,000	911,250	1,230,188	1,660,753	4,977,191
Costs of goods sold	1,140,000	1,315,000	1,551,250	1,870,188	2,300,753	8,177,191
Gross margin	318,400	580,920	913,446	1,333,917	1,864,583	5,011,266
Gross margin/total sales	22%	31%	37%	42%	45%	38%
Personnel costs	282,150	564,300	592,515	770,270	808,783	3,018,017
Housing facilities	21,161	42,323	44,439	84,645	88,877	281,445
Sales costs	21,161	42,323	44,439	84,645	88,877	281,445
Vehicle costs	7,054	14,108	14,813	28,215	29,626	93,815
General costs	28,215	56,430	59,252	112,860	118,503	375,260
Total company costs	359,741	719,483	755,457	1,080,635	1,134,666	4,049,981
Company costs/ Total sales	25%	38%	31%	34%	27%	31%
Company result (ebit)	(41,341)	(138,563)	157,989	253,283	729,917	961,285
Company Results/total sales	-3%	-7%	6%	8%	18%	7%
Finance cost	75,000	67,969	49,219	67,969	61,719	321,875
Company net result	(116,341)	(206,531)	108,771	185,314	668,198	639,410

iii) Projected Balance Sheet

The projected Balance Sheet of the project is shown in the below table. It is projected that 80% of the units will be sold during the first 3 years as such the value of Property plant and equipments decreases over time. The project will create enough cashflows from returns from sales of units and some of the funds will be invested in long term financial instruments such as bonds and shares.

60% of financing will come from long term borrowing and borrowing from shareholders while remainder is financed through equity.

PROJECTED BALANCE SHEET FOR THE PROJECT

	2024	2025	2026	2027	2028
Current Assets					
Cash	400,000	295,000	354,000	50,000	60,000
Accounts Receivable	150,000	500,000	509,050	20,000	24,000
Prepaid Expenses	50,000	60,000	72,000	86,400	103,680
Short Term Investments	500,000	600,000	720,000	712,200	691,113
	1,100,000	1,455,000	1,655,050	868,600	878,793
Fixed (Long Term) Assets					
Property Plant & Equipment	7,720,000	3,860,000	2,300,000	2,185,000	2,075,750
Long Term Investments	40,000	1,500,000	2,000,000	2,000,000	2,000,000
	7,760,000	5,360,000	4,300,000	4,185,000	4,075,750
TOTAL ASSETS	8,860,000	6,815,000	5,955,050	5,053,600	4,954,543
Current Liabilities					
Accounts Payables	400,000	20,000	21,000	22,050	23,153
short term loan	60,000	45,000	709,050	694,050	679,050
	460,000	65,000	730,050	716,100	702,203
Long Term Liabilities					
Loan from Local bank	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000
Loan from shareholders	1,200,000	600,000	-	-	-
	6,200,000	4,600,000	3,000,000	2,000,000	1,000,000
Equity					
Share capital	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Retained Earnings	200,000	150,000	225,000	337,500	1,252,340
	2,200,000	2,150,000	2,225,000	2,337,500	3,252,340
TOTAL EQUITY + LIABILITIES	8,860,000	6,815,000	5,955,050	5,053,600	4,954,543

iv) 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.

6. ECONOMIC ASPECTS

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

- Employment Opportunities during the construction and operational phases, contributing to local employment.
- Improved accessibility to quality housing, addressing the growing demand in the region.
- Attraction of financial investments into the local economy, contributing to economic growth.
- Generation of tax revenue for the government through property taxes and other associated fees.
- Stimulus for local businesses due to increased demand for goods and services from residents.
- Contribution to the development of essential infrastructure, including roads and utilities, fostering economic development.
- Diversification of the local economy by introducing residential real estate as a key economic driver.
- Potential appreciation of property values in the vicinity, benefiting existing property owners.
- Community Development through positive impact on the surrounding community through infrastructure development and increased economic activity.
- Potential enhancement of social amenities such as schools, healthcare facilities, and recreational spaces.

7. CONCLUSION AND RECOMMENDATIONS

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

The financial model in this business plan has assumed that the project will enjoy Import Duty Exemptions on its deemed capital goods. It is our humble request by the Directors of TT Investment Limited be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided under the Tanzania Investment Act, 1997.