



AFRICANA VILLAS

By Africana Village Company Limited

**A FEASIBILITY STUDY FOR THE PROPOSED REDEVELOPMENT
OF AFRICANA VILLAS, AT AFRICANA, DAR ES SALAAM**

AUGUST 2024



Table of Contents

Chapter 01.....	1
1.0. Introduction	1
1.1. Why Choose to Develop the Proposed Development	1
CHAPTER 2.....	2
2.0. Project Narrative.....	2
2.1. Site Location, Context and Connectivity	2
2.2. Current Site images.....	3
2.3. Project Objectives.....	3
2.4. Project Vision	3
2.5. Project Beneficiaries	3
2.6. Project Scope and Designs.....	3
CHAPTER 3.....	10
3.0 Real Estate Market in Tanzania	10
3.0.1 Demand and Supply of Residential Real Estate Market in Tanzania	10
3.1. Rental Market in Tanzania.....	10
3.2. Real Estate Market in Dar Es Salaam.....	11
3.2.1. Demand and Supply of Residential Real Estate Market in Dar es Salaam.....	12
3.2.2. Demand and Supply of Modern High End Residential apartments	13
3.3. Rental Market in Dar es Salaam	13
3.4. Airbnb Market.....	14
3.4.1 Growth and Demand	14
3.4.2 Types of accommodations	14
3.4.3 Prevailing market rates for short term rentals	15
3.4.4 Average occupancy for Airbnb in Dar es Salaam.....	15
3.4.5 Market Insights	16

3.5. Competition Analysis.....	16
3.5.1. Competitive edge for the Proposed project vis a vis competition	16
3.5.2. Leasing Market:	16
3.5.3. Airbnb Market:	17
3.6. Pricing and Revenue Potential	17
3.7. Demand Analysis.....	18
3.8. SWOT Analysis	19
3.9. Targeted Market.....	19
chapter 4.....	21
4. Marketing Strategy:.....	21
4.1. Marketing Channels:	21
4.2. Pricing Strategy:.....	22
CHAPTER 5.....	23
5. Financial Analysis.....	23
5.1. Financial Assumptions	23
5.2. Air BnB option	23
5.2.1 Renovation Costs.....	23
5.2.2 Operating Costs for Air	24
5.2.3 Revenue Projections.....	24
5.2.4 Performance measures- Airbnb option	24
5.3. Residential option	25
5.4. Assumptions	25
5.5. Project Costs.....	25
5.6. Revenue Projections –First Five Years	26
5.7. Operational Costs.....	26
5.8. Performance indicators -Residential Option.....	26

CHAPTER 6.....27

6. Risk Analysis.....27

6.1. Market Risks.....27

6.2. Operational Risks27

6.3. Legal Risks.....28

6.4. Additional Considerations.....28

CHAPTER 7.....29

7. COMPARATIVE ANALYSIS OF THE TWO OPTIONS.....29

7.1 CONCLUSION30

Africana Village Company Ltd

CHAPTER 01

1.0. Introduction

Real estate in Tanzania has been favored by an extensive population with a mushrooming middle class, a healthy growth rate, and real opportunity for real estate, political stability and suitable regulatory framework. The discovery of Oil and gas, substantial mineral resources, tourism and agriculture have all played a part in making Tanzania one of Africa's fastest-growing economies, with current annual average GDP growth in the region of 3.2% over the past decade which is estimated to double in the next 22 years.

Moreover, the real estate development projects have increased significantly due to the rapid increase of urbanization in the Country. Dar es Salaam being the business city and a hub for trade and commerce, led to the movement of people from various regions and nearby countries to DSM for commercial purposes. Thus, rise of population growth and a pressure in real estate sector for the supply of sustainable Housing to cater for the mass population.

1.1. Why Choose to Develop the Proposed Development

The purpose of this feasibility study is to evaluate the viability of renovating a set of villas in Africana, Dar es Salaam, and determine the most profitable strategy between leasing them as long-term rentals or operating them as short-term Airbnb accommodations. The study will analyze the current market conditions, financial projections, and potential risks associated with each option.

Africana, Dar es Salaam, is a prime location known for its proximity to the Indian Ocean, luxury developments, and growing demand for both residential and tourist accommodations. The area is increasingly popular among expatriates, tourists, and locals seeking premium living conditions, making it a strategic location for villa development.

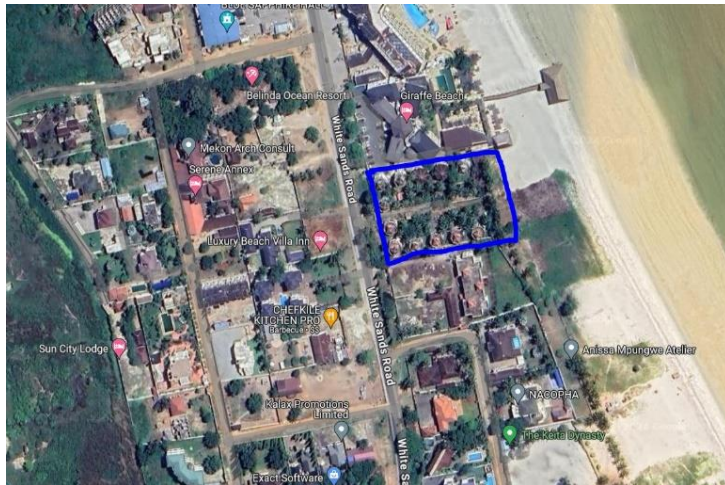
CHAPTER 2

2.0. Project Narrative

2.1. Site Location, Context and Connectivity

The proposed project site is located on Plots No.168 Jangwani Beach, White Sands Road, Mbezi Beach in Dar es Salaam measuring 7,212.00 square meters. It currently hosts old 11, G+1 residential units and administration unit.

The site is adjacent to Giraffe hotel, along the proximity of other hotels, Villas, restaurants and along Coastal shore of Indian ocean. The site is 2.1km further from the Main road, i.e Bagamoyo Rd, 21 km from the Dar es Salaam CDB and 27 km for the Julius Nyerere International Airport.



Source: Google Maps

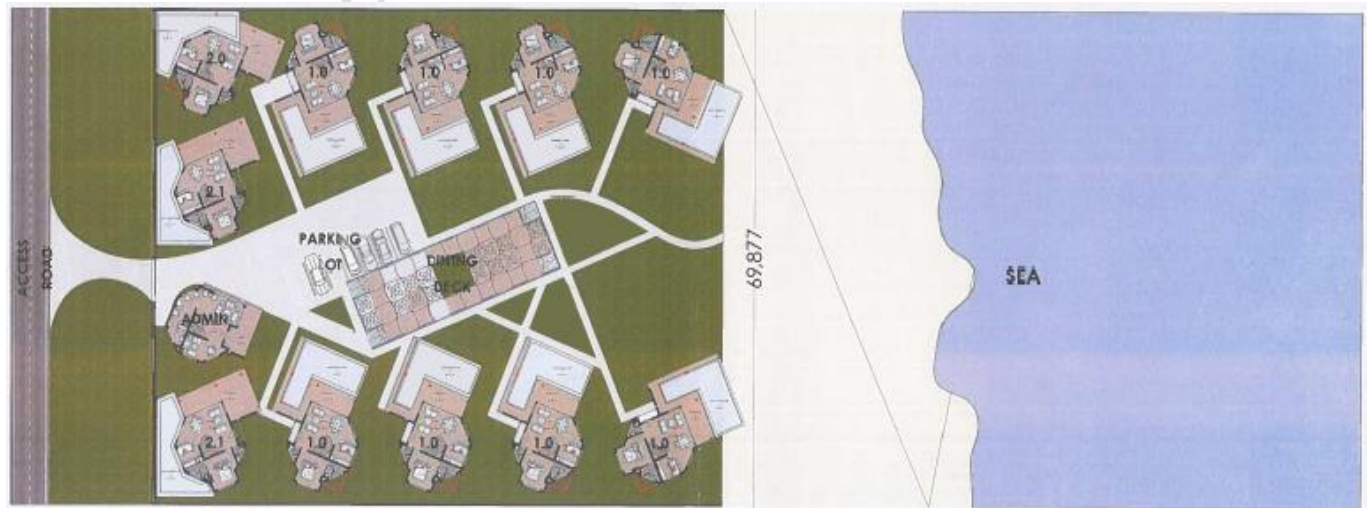


Image showing the Proposed Site Layout

2.2. Current Site images



2.3. Project Objectives

The proposed project has the following objectives:-

- i. To cultivate life to the current developments in the proposed plot;
- ii. To optimally utilize the land to its best potential;
- iii. To cater for sustainable residential needs within the location;
- iv. To yield company revenue through efficient allocation of resources;
- v. To grow into the real estate industry in Tanzania.

2.4. Project Vision

The Project vision includes renovating the current developments with its associated services while incorporating modern design principles and sustainable practices. The facility will be operated to the highest standard to provide a positive customer experience and utilize attractive, high-quality, functional design.

2.5. Project Beneficiaries

The primary beneficiary of the project is Africana Village Company Ltd who's the project owner thus being able to raise its own revenue through leasing. Secondary beneficiaries will include employed individuals, service providers as well as service recipients during the implementation phase.

2.6. Project Scope and Designs

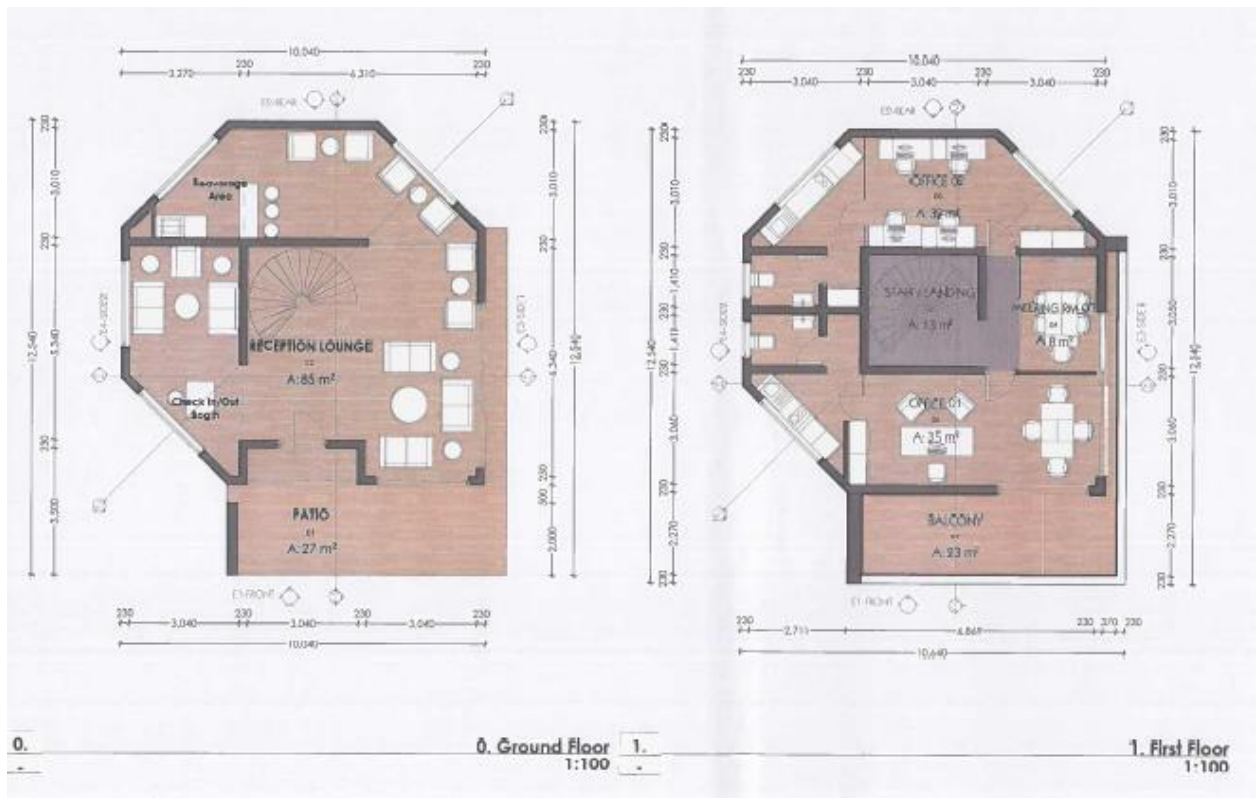
The proposed project is recommended to be a typical urban style rooted at the shores of the Indian Ocean in Africana, Dar es Salaam's that includes 11, G+1 residential units and an Administration Block. Considering the prime location, the proposed project site is

recommended for the development of executive modern high-end residential villas with their supporting facilities. The proposed design has captured the following;

- a. Eleven G+1 residential units of 3 typologies and an administration block
- b. Parking lot and a Dining Deck
- c. Private Swimming Pool per Villa
- d. Space Matrix and floor plans images is as apprehended below;
 - i. **Administration Block**

AREA SCHEDULE		
STORY	ZONE	AREA
Ground Floor		
	PATIO	26.54
	RECEPTION LOUNGE	84.79
		111.33 m ²
First Floor		
	BALCONY	22.93
	MEETING RM 01	7.53
	OFFICE 01	35.23
	OFFICE 02	31.53
	STAIR / LANDING	19.87
		110.09 m ²
Second Floor Terrace		
	ROOF TERRACE	75.29
		75.29 m ²
		296.71 m ²

Space Matrix



Floor Plan

ii. Type 1.0 (8 Villas)

AREA SCHEDULE		
STORY	ZONE	AREA
Ground Floor		
	Bath 03	6.03
	Bedroom 03	21.34
	Cloak	3.31
	Kitchen	18.00
	Living	37.83
	Pool Deck	37.59
	Swimming Pool	64.85
		188.95 m ²
First Floor		
	Bathroom 02	8.28
	Bedroom 02	17.95
	Family Room	31.89
	Family Room Terrace	33.60
	Stair/Landing	9.58
	Superior Bathroom 02	15.83
	Superior Bedroom	21.14
		137.57 m ²
Second Floor Terrace		
	Rooftop Terrace	97.56
		97.56 m ²
		424.08 m ²

Space Matrix



Floor Plan

iii. Type 2.0 (1Villa)

AREA SCHEDULE		
STORY	ZONE	AREA
Ground Floor		
	Bath 03	6.03
	Bedroom 03	21.34
	Cloak	3.31
	Kitchen	18.00
	Living	37.83
	Pool Deck	37.16
	Swimming Pool	62.77
		186.44 m ²
First Floor		
	Bathroom 02	8.28
	Bedroom 02	17.25
	Family Room	31.89
	Family Room Terrace	33.60
	Stair/Landing	9.58
	Superior Bathroom 02	15.83
	Superior Bedroom	21.14
		137.57 m ²
Second Floor Terrace		
	Rooftop Terrace	97.56
		97.56 m ²
		421.57 m ²

Space Matrix



Floor Plan

iv. Type 2.1 (2 Villas)

AREA SCHEDULE		
STORY	ZONE	AREA
Ground Floor		
	Bath 03	6.03
	Bedroom 03	21.34
	Cloak	3.31
	Kitchen	18.00
	Living	37.83
	Pool Deck	49.60
	Swimming Pool	62.73
		198.84 m ²
First Floor		
	Bathroom 02	8.28
	Bedroom 02	17.25
	Family Room	31.89
	Family Room Terrace	33.60
	Stair/Landing	9.58
	Superior Bathroom 02	15.83
	Superior Bedroom	21.14
		137.57 m ²
Second Floor Terrace		
	Rooftop Terrace	97.56
		97.56 m ²
		433.97 m ²

Space Matrix



Floor Plan

Africana Villas Ltd

e. 3D Images of the Proposed Site



Note: These are preliminary concept designs and they are subject for changes.

Africana

CHAPTER 3

3.0 Real Estate Market in Tanzania

Tanzania's real estate market is influenced by demographic shifts, urbanization, aging population, household formation, investment, and foreign investment. Urbanization drives demand for housing in cities, particularly apartments and smaller residential units. The aging population also influences housing demand, leading to a higher demand for accessible and easy-to-maintain housing. Household formation trends include nuclear families preferring affordable homes, while extended families prefer larger, multigenerational homes. Investment in real estate is growing, particularly in urban areas and tourist hotspots, driven by the perceived long-term value of real estate and rental income. Foreign investment also drives demand for luxury apartments, beachfront properties, and commercial real estate. However, restrictions and incentives can either boost or slow down demand. Niche markets, such as the luxury property market in Dar es Salaam and tourist destinations like Zanzibar, are experiencing unique trends.

3.0.1 Demand and Supply of Residential Real Estate Market in Tanzania

The demand for residential real estate in Tanzania is driven by economic growth, urbanization, and demographic changes. The market is influenced by the growing middle class and urban migration, particularly in urban areas like Dar es Salaam. However, the supply of affordable housing is struggling to meet this demand. Buyers seek high-end, modern apartments, while the middle class seeks affordable family homes. Interest rates for mortgages also play a role in determining consumer buying power. Government policies, such as tax incentives, zoning changes, and mortgage accessibility initiatives, can help address these challenges and increase the incentive to buy.

3.1. Rental Market in Tanzania

An average of 70% of Tanzanians are renters spending more than 25% of their monthly income to cover housing expenses especially in major cities of Dar es Salaam, Arusha, Mwanza, and Dodoma. This is caused by market imbalances between the supply and demand for affordable homes. In Dar es Salaam, 59% of renter households occupy a freestanding house and 39% live in an attached house. Approximately 2% of renter households live in flats or low-rise apartments. Tenants pay monthly rents ranging from

TSh10 000 (US\$4.29) to TSh40 000 (US\$17.15). A median rent of TSh30 000 (US\$12.87) a month is paid in central settlement areas of the city, while TSh25 000 (US\$10.72) is paid in the less formal central areas of the city and TSh20 000 (US\$8.58) in the periphery. The minimum wage ranges between TSh40 000 (US\$17.15) and TSh400 000 (US\$171.55) a month. Accordingly, people earning less than TSh30 000 (US\$12.87) cannot live in formal residences in the center, affording to live in irregular settlements or urban fringe areas.

3.2. Real Estate Market in Dar Es Salaam

Dar es Salaam, Tanzania's busiest city, is witnessing a real estate market boom as a result of factors such as rising demand for affordable housing, mixed-use complexes, and the luxury market. The city's fast expansion and urbanization have resulted in greater demand for residential and commercial space, driving up real estate prices. Government measures have sought to improve housing conditions and make dwellings more affordable to the typical Tanzanian. However, obstacles such as regulatory impediments and land ownership rights have occasionally impeded market expansion. The most desirable sites for real estate investment are near the city center or along the seaside, with gated communities and high-rise apartments gaining popularity among middle and upper-class purchasers. Foreign investors face challenges in navigating the legal framework and understanding local market dynamics.

Located at the entrance to East and Central Africa, Dar es Salaam is a competitive market for investment due to its role as a cultural and commercial powerhouse in Tanzania. Political unpredictability, shifts in the world economy, environmental problems, and problems with land tenure are among the possible hazards, though. Road extensions, the building of standard gauge railroads, and port upgrades are examples of infrastructure projects that might boost connectivity and draw in investment. The real estate market is strongly impacted by the city's fast urban expansion; more people mean a greater demand for housing, particularly higher-quality homes. Infrastructure development, economic expansion, and stability are anticipated future trends; yet, real estate values in rural regions could not rise significantly.

3.2.1. Demand and Supply of Residential Real Estate Market in Dar es Salaam

The demand for residential real estate in Dar es Salaam is strong due to rapid urbanization and economic growth. The growing middle class and influx of people are driving more buyers into the market. However, the supply of new housing often outstrips demand, especially in desirable areas. Factors like land availability, construction costs, and bureaucratic hurdles can slow down the pace of new developments. Buyers are looking for modern, well-located homes, gated communities, and eco-friendly properties. Interest rates for mortgages also impact buying power and demand. Recent changes in government policies and regulations, such as tax changes, subsidies, and zoning laws, can also influence the local real estate market. Demographic shifts, such as urbanization and changing household formation, are influencing the real estate market. Cultural trends, such as eco-friendly living, are also influencing the housing market.

Studies show that prime residential rents in Dar es Salaam declined for over 32% over the past five years, from **USD 5,000** per month in **2015** to about **USD 2,900** per month in **2019** for a three-bedroom apartments. Housing prices in Dar es Salaam range between **USD 300,000** to **USD 500,000** for a 3-bedroom property in prime locations and start from **USD 50,000** for other areas. The decline is due to an increased supply of residential units accompanied by a slower demand and following the government's decision to relocate all ministries and institutions from Dar es Salaam to Dodoma that is considered as an emerging market for residential properties. However, as for the past two years, i.e. 2020/2021 the real estate market has experience a major turnaround and construction activities have picked up tremendously countrywide.

To address growing demand, many housing developments are under construction to cater all kinds - high, medium and low income earners. After a market analysis, in Dar es Salaam potential rent in prime locations per Residential apartment were as follows;

- TZS 1,500,000 to TZS 5,500,000 for a 3-bedroom property (i.e. between TZS 18b],000 to TZS 25,000 per sqm for a 3-bedroom house depending on the location, size and quality of the property.
- TZS 1,000,000 to TZS 2,000,000 for a 2-bedroom property (between TZS 8,000 to TZS 15,000 per sqm for a 2-bedroom house)

3.2.2. Demand and Supply of Modern High End Residential apartments

According to the CAFH report (2023), at least 36.6% of the country's 24 million people live in urban areas, with an urbanization rate of 4.9% per annum. Tanzania is estimated to have a housing deficit of 3,000,000 units according to the report. Moreover, 80% of the residential stock in Dar es Salaam is considered informal housing. This is due to the population growth, urbanization rate, and the inability of the residential market to keep up with the demand.

One of the most significant trends in the Dar es Salaam real estate market is the increasing demand for affordable housing. With a growing population and limited supply of affordable housing, many residents are struggling to find suitable homes. This has led to a rise in the construction of affordable housing units, particularly in the outskirts of the city. However, demand is not restricted in affordable housing, middle and high income housing in Dar es Salaam are performing at rates higher than that of other East African commercial hubs such as Nairobi and Kampala due to limited supply and unmet demand for quality housing in Dar es Salaam.

The study shows that there's a growing luxury real estate market in Dar es Salaam. High-end properties are being developed in prime locations, such as the city center and waterfront areas. These properties are attracting wealthy investors and expatriates who are looking for luxury living in a vibrant city. With the current efforts made by both public and private institutions, the large existing need of over 1,000,000 from the current informal settlers coupled with the increasing yearly need from urbanization and population growth suggests that there remains a large deficit.

The private property developer market is limited with the existing developments geared towards luxury developments catering to expatriates, wealthy individuals or the Tanzanian diaspora residing overseas. The government being the sole and primary instrument for land delivery exacerbates this situation. While in principle, rights of occupancy can be bought, sold, leased and mortgaged in Tanzania; in practice, the land market seems to be inhibited by many layers of government control.

3.3. Rental Market in Dar es Salaam

The rental market in Dar es Salaam is thriving due to its growing population and urbanization. Factors such as location, tenant demographics, and economic conditions

influence demand. Urban areas attract young professionals, small families, and expatriates who prefer living near workplaces, amenities, and social hubs. Suburban areas offer single-family homes, while rural areas are influenced by traditional houses or bungalows. Tenant preferences vary across urban, suburban, and rural areas, with urban areas attracting young professionals and suburban areas attracting families and middle-aged tenants. Income levels and economic conditions also influence the type of properties available. Technological advancements, such as online platforms and apps, are making it easier for tenants to find and compare properties. The long-term outlook for the rental market in Dar es Salaam is generally positive, with strong demand for various types of properties, particularly luxury properties and eco-friendly homes, catering to high-income tenants and expatriates.

3.4. Airbnb Market

The Airbnb market in Dar es Salaam has evolved significantly over recent years, driven by changing consumer preferences and increased demand for alternative accommodations. The performance of the Air BnB market in Dar es Salaam, Tanzania, reflects a growing trend in vacation rentals, characterized by competitive pricing and a variety of accommodation options.

3.4.1 Growth and Demand

Increasing Popularity: The demand for vacation rentals has surged as travelers seek unique and authentic experiences. This shift is particularly evident in urban areas like Dar es Salaam, where visitors prefer the flexibility and local flavor that Airbnb offers compared to traditional hotels.

Market Size: The vacation rentals market in Tanzania, including Dar es Salaam, is projected to grow by approximately 4.49% annually from 2024 to 2029, indicating a robust future for short-term rentals.

3.4.2 Types of accommodations

Diverse Listings: The market features a wide range of properties, from luxury apartments in prime areas like Masaki and Oysterbay to budget-friendly options in neighborhoods such as Upanga and Mikocheni. This variety caters to different traveler demographics, including tourists, business travelers, and locals seeking short-term stays.

Quality and Ratings: Many Airbnb listings in Dar es Salaam boast high ratings, often exceeding 4.8 out of 5, reflecting strong guest satisfaction. Properties frequently highlight amenities such as Wi-Fi, air conditioning, and proximity to local attractions, enhancing their appeal.

3.4.3 Prevailing market rates for short term rentals

The average nightly rates for Airbnb rentals in prime areas of Dar es Salaam vary depending on the specific neighborhood and property type.

a) Masaki

- ✓ Average Rate: \$150 per night
- ✓ Example: A luxury serviced studio apartment in downtown Masaki averages \$150 per night, with an exceptional 4.88 out of 5 rating from 116 reviews.

b) Oysterbay

- ✓ Average Rate: \$145 per night
- ✓ Example: An ocean view apartment close to amenities in Oysterbay averages \$145 per night, with an AirDNA score of 63.

c) Upanga

- ✓ Average Rate: \$83 per night
- ✓ Example: A 3-bedroom, 4-bath apartment in Upanga averages \$83 per night, with an AirDNA score of 14.

d) Mbezi Beach

- ✓ Average Rate: Approximately \$150 per night
- ✓ Description: This three-bedroom house is just a five-minute walk from the beach and features modern amenities, making it ideal for families or groups.
- ✓ Average Rate: Around \$120 per night
- ✓ Description: A spacious two-bedroom apartment with a pool and gym, located about 10 minutes from the beach, offering free transport on check-in day.

3.4.4 Average occupancy for Airbnb in Dar es Salaam

The average occupancy rate for Airbnb rentals in Dar es Salaam is estimated to be around 40%. This figure indicates a moderate level of demand in the short-term rental market, which can fluctuate based on seasonal tourism trends and local events.

3.4.5 Market Insights

Active Listings: There are approximately 2,405 active Airbnb listings in Dar es Salaam, showcasing a diverse range of accommodation options for travelers.

Potential Earnings: Hosts can expect to generate an average income of about \$500 per month from their rentals, depending on occupancy and pricing strategies.

3.5. Competition Analysis

3.5.1. Competitive edge for the Proposed project vis a vis competition

- The proposed project is located along the shores of the Indian Ocean whose scenery is therapeutic and demand for mid to high end residency is high. The area has countersigned development of several high end villas such as the Luxury Beach Villa Inn, Giraffe hotel and Landmark Hotel just to mention a few. The Blue Sapphire Hall across the proposed projects is among the anticipated pull factor for a pacifying home environment after a long night or holiday home during festive season.
- The project provides the kind of facilities that create an exquisite atmosphere for residential and also stress-free living and entertaining environment with well-planned facilities such as swimming pool and ample parking area, good neighborhood and security.
- The design and finishing of the proposed project is intended to provide convenience, coziness and an opulent atmosphere at reasonable prices. Therefore, the business is optimistic that the project will draw a strong demand and be leased on schedule, despite the quantity and size of current and upcoming projects surrounding the planned location.

3.5.2. Leasing Market:

Existing Properties: Africana is home to several upscale residential developments, including gated communities and standalone villas. Some notable competitors in the leasing market include:

- ✓ **The Palms Residences:** Offering 3-4 bedroom villas at monthly rental rates between TZS 2,000,000 and TZS 3,500,000. The property is known for its modern design, security, and close proximity to the beach.

- ✓ **Jangwani Beach Apartments:** Offering a mix of apartments and villas with monthly rental rates ranging from TZS 1,500,000 to TZS 2,500,000. These properties cater to middle to upper-income tenants.
- ✓ **Occupancy Rates:** High-end villas in Africana typically experience occupancy rates of 85-95%, reflecting strong demand in the market. However, competition is increasing as more developments are completed.

3.5.3. Airbnb Market:

Existing Listings: There are several high-quality Airbnb listings in Africana, with properties ranging from beachfront villas to luxury apartments. Examples include:

- ✓ **Luxury Beachfront Villa:** Listed at TZS 450,000 per night, this property offers direct beach access, a private pool, and modern amenities, targeting tourists and affluent travelers.
- ✓ **Modern Apartment with Ocean Views:** Priced at TZS 250,000 per night, this listing caters to both business travelers and tourists looking for comfortable, stylish accommodations.
- ✓ **Occupancy Rates:** On average, Airbnb properties in Africana have occupancy rates of 60-80%, with higher rates during peak tourist seasons (June-August and December-January). Properties with unique features or exceptional locations tend to have higher occupancy and can charge premium rates.

3.6. Pricing and Revenue Potential

3.6.1. Leasing Option:

- ✓ **Rental Rates:** Based on current market data, monthly rental rates for villas in Africana range from TZS 1,500,000 to TZS 3,500,000, depending on the size, amenities, and proximity to the beach. A well-located, well-appointed villa could command TZS 2,500,000 to TZS 3,000,000 per month.
- ✓ **Revenue Projection:** Assuming a mid-range villa at TZS 2,500,000 per month and an occupancy rate of 90%, the annual revenue would be approximately TZS 27,000,000. For a more luxurious villa at TZS 3,500,000 per month, the annual revenue could reach TZS 37,800,000.

3.6.2. Airbnb Option:

- ✓ **Nightly Rates:** The average nightly rate for a premium Airbnb villa in Africana is between TZS 300,000 and TZS 500,000. Properties with ocean views or unique features can charge up to TZS 600,000 per night.
- ✓ **Revenue Projection:** Assuming a nightly rate of TZS 400,000 and an occupancy rate of 70%, the annual revenue could be approximately TZS 102,200,000. During peak seasons, with occupancy rates reaching 80-90%, the revenue could be even higher.

3.7. Demand Analysis

3.7.1. Leasing Demand:

- ✓ **Factors Driving Demand:** The demand for long-term rentals in Africana is driven by the expatriate community, multinational corporations, and the increasing number of affluent Tanzanians seeking high-end residences. The growth of Dar es Salaam as a regional business hub continues to attract professionals requiring secure and comfortable living arrangements.
- ✓ **Vacancy Rates:** Despite high demand, the entry of new developments could lead to a slight increase in vacancy rates. However, well-maintained properties with desirable locations are likely to maintain high occupancy.

3.7.2. Airbnb Demand:

- ✓ **Tourism Trends:** Dar es Salaam is a key entry point for tourists heading to Zanzibar, the Serengeti, and other Tanzanian attractions. The city also hosts numerous conferences and events, driving demand for short-term accommodations.
- ✓ **Seasonal Variations:** The peak tourist seasons (June-August and December-January) see the highest demand, with occupancy rates often exceeding 80%. During off-peak periods, occupancy rates may drop, but properties with competitive pricing and strong reviews can still attract guests.

3.8. SWOT Analysis

Leasing Option	Airbnb Option
<ul style="list-style-type: none"> • Strengths: <ul style="list-style-type: none"> ○ Stable and predictable income stream. ○ Lower management and maintenance costs compared to Airbnb. ○ Long-term tenant relationships reduce turnover. • Weaknesses: <ul style="list-style-type: none"> ○ Lower income potential compared to short-term rentals. ○ Risk of prolonged vacancies during economic downturns. • Opportunities: <ul style="list-style-type: none"> ○ Growing demand for long-term housing from the expatriate and corporate sector. ○ Potential for rent escalation clauses in lease agreements. • Threats: <ul style="list-style-type: none"> ○ Economic fluctuations affecting tenants' ability to pay rent. ○ Increased competition from new developments. 	<ul style="list-style-type: none"> • Strengths: <ul style="list-style-type: none"> ○ Higher income potential, especially during peak seasons. ○ Flexibility to adjust pricing based on market conditions. ○ Ability to cater to a diverse range of guests, including tourists and business travelers. • Weaknesses: <ul style="list-style-type: none"> ○ Higher management costs, including frequent cleaning, guest turnover, and maintenance. ○ Regulatory risks, as local governments may impose restrictions on short-term rentals. • Opportunities: <ul style="list-style-type: none"> ○ Growth in the tourism sector, driven by Dar es Salaam's status as a gateway to Zanzibar and other attractions. ○ Opportunity to market the villas as luxury destinations with premium pricing. • Threats: <ul style="list-style-type: none"> ○ Seasonal fluctuations in demand leading to inconsistent income. ○ Potential legal challenges or changes in local regulations that could impact short-term rental operations.

3.9. Targeted Market

3.9.1. Leasing Option:

- **Demographics:** The target market for leasing includes expatriates working for multinational companies, diplomats, and affluent Tanzanians seeking a premium living environment. The typical tenant is likely to be in the middle to upper-income bracket, preferring secure, luxurious housing with modern amenities.
- **Preferences:** Long-term tenants in this area typically seek spacious villas with amenities such as swimming pools, gyms, and secure parking. Proximity to

international schools, shopping centers, and healthcare facilities is a significant factor in their choice of residence.

3.9.2. Airbnb Option:

- **Tourism Demographics:** The Airbnb target market includes international tourists visiting Dar es Salaam as a gateway to Zanzibar and other tourist destinations. Business travelers attending conferences and events in the city also represent a significant portion of the target audience.
- **Preferences:** Airbnb guests often look for unique, high-quality accommodations that offer more space and privacy than hotels. Amenities such as ocean views, proximity to the beach, and modern interior design are highly valued. Additionally, the availability of services like housekeeping, airport transfers, and local tours can enhance the attractiveness of Airbnb properties.

Africana Village Company Ltd

CHAPTER 4

4. Marketing Strategy:

Objective: The primary objective of our marketing strategy is to generate awareness, interest, and demand for the real estate project, ultimately leading to successful sales and occupancy.

- **Brand Positioning:** Establish the project as a premium, desirable property through consistent branding and messaging.
- **Unique Selling Proposition (USP):** Highlight the key features that differentiate our project from competitors, such as location advantages, amenities, innovative design, and sustainable building practices.
- **Target Audience:** Identify and profile the target market segments (e.g., first-time homebuyers, investors, families, businesses, etc.).

4.1. Marketing Channels:

Digital Marketing:

- **Website:** Develop a professional, user-friendly website showcasing the project, including virtual tours, floor plans, and contact information.
- **Social Media:** Utilize platforms like Facebook, Instagram, LinkedIn, and Twitter to engage with potential buyers and investors through regular updates, promotions, and interactive content.
- **Email Marketing:** Implement an email marketing campaign to nurture leads and keep potential buyers informed about project milestones, events, and offers.
- **Search Engine Optimization (SEO):** Optimize the website and content for search engines to increase visibility and organic traffic.

Traditional Marketing:

- **Print Advertising:** Place ads in real estate magazines, local newspapers, and industry publications.
- **Billboards and Signage:** Install billboards and signage at strategic locations to attract attention from passersby.

- **Direct Mail:** Send brochures and flyers to targeted mailing lists, including potential buyers and real estate agents.

Events and Promotions:

- **Launch Events:** Organize launch events and open houses to showcase the property and create buzz.
- **Exhibitions and Trade Shows:** Participate in real estate exhibitions and trade shows to network with potential buyers and investors.
- **Referral Programs:** Implement a referral program to incentivize existing buyers and partners to refer new clients.

4.2. Pricing Strategy:

Market Analysis:

- Conduct a thorough analysis of the current market conditions, including demand, supply, and competitor pricing.
- Use this data to set competitive yet profitable pricing for the units/spaces.

Pricing Models:

- **Pre-Construction Pricing:** Offer early-bird pricing for units purchased before construction begins to incentivize early investment.
- **Standard Pricing:** Set standard prices based on unit size, location within the development, and other factors.
- **Discounts and Incentives:** Offer limited-time discounts, financing options, and other incentives to boost sales.

Review and Adjustment:

- Regularly review sales performance and market conditions to adjust pricing strategies as needed to maximize sales and profitability.

CHAPTER 5

5. Financial Analysis

The financial analysis has considered two options which are operating the project as residential houses for lease and short term rentals (Air BnB).

5.1. Financial Assumptions

5.2. Air BnB option

- a) Plot Size-7,212.00 square meters
- b) Gross Floor Area(GFA) sqm 3,435.76
- c) Villas Type A -236.51 square meters
- d) Villas Type B- 269.37 square meters
- e) Administration Block -238.41 square meters
- f) Dining Deck-300.00 square meters
- g) Renovation cost per sqm –USD 574.50
- h) Renovation cost per Villa-USD 179,439.07
- i) Total renovation Costs USD 1,973,821.28
- j) Financing Plan- Debt
- k) Interest rate- 7.5%
- l) Occupancy rate-
 - ✓ Weekdays -35%-45%
 - ✓ Weekends -55%-75%
- m) Rental rates
 - ✓ Weekdays –USD 130
 - ✓ Weekends –USD 180

5.2.1 Renovation Costs

Type	No. of Units	Size	Renovation Cost
Villa Type A (2 No.)	2	236.51	202,856.43
Villa Type B (9 No.)	9	269.37	1,092,588.93
Administration Block	1	238.41	87,369.97
Dining Deck	1	300	51,878.88
External Works			96,399.39
Electrical Installations			55,484.94
Mechanical Installations			69,038.97
Furniture, Fittings and Equipment			224,212.27
Sub Total- Renovation Costs			1,879,829.79
Add:		Preliminaries @ 3.0 %	56,000.00
		Contingency Amount @ 2.0%	38,000.00
Sub Total			94,000.00
Total Costs			1,973,829.79
Add Financing Cost			399,258.48
Total Project Cost			2,373,088.27

5.2.2 Operating Costs for Air

			Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
Direct Costs												
Maintenance & repair		Assumptions										
Building facilities	5.0%	Annual Rev	14,672	17,838	21,284	22,348	23,465	24,639	25,871	27,164	28,522	29,948
Furniture	3.0%	Annual Rev	8,803	10,703	12,770	13,409	14,079	14,783	15,522	16,298	17,113	17,969
Administrative support services	1.0%	Annual Rev	2,934	3,568	4,257	4,470	4,693	4,928	5,174	5,433	5,704	5,990
Other services	0.1%	Annual Rev	293	357	426	447	469	493	517	543	570	599
Direct Operating Costs		TZS/Year	26,703	32,465	38,736	40,673	42,707	44,842	47,084	49,439	51,911	54,506
% of revenues			9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Indirect Costs												
Electricity & water	4.0%	Annual Rev	11,737	14,270	17,027	17,878	18,772	19,711	20,696	21,731	22,818	23,959
Insurance	2.0%	Annual Rev	5,869	7,135	8,514	8,939	9,386	9,855	10,348	10,866	11,409	11,979
Property tax	0.05%	Invest. Costs	101	101	101	101	101	101	101	101	101	101
Municipal tax	1%	Annual Rev	2,934	3,568	4,257	4,470	4,693	4,928	5,174	5,433	5,704	5,990
Marketing cost	2%	Annual Rev	5,869	7,135	8,514	8,939	9,386	9,855	10,348	10,866	11,409	11,979
Indirect Operating Costs			26,511	32,210	38,412	40,328	42,339	44,451	46,668	48,997	51,442	54,009
% of revenues			9%	9%	9%	9%	9%	9%	9%	9%	9%	9%
Operating costs			53,213	64,674	77,149	81,001	85,046	89,293	93,753	98,435	103,352	108,515
% of revenues			18%	18%	18%	18%	18%	18%	18%	18%	18%	18%

5.2.3 Revenue Projections

			Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
Revenues Assumptions- Short Term Rentals												
No. of lettable Days												
Week-days			12-months									
Total No. of Days	Days/Year		360	360	360	360	360	360	360	360	360	360
Occupancy rates												
Villas	Percentage		35%	40%	45%	45%	45%	45%	45%	45%	45%	45%
No. of Days for letting												
Villas	Days/Year		126	144	162	162	162	162	162	162	162	162
Week-ends												
Total No. of Days	Days/Year		104	104	104	104	104	104	104	104	104	104
Occupancy rates												
Villas	Percentage		55%	65%	75%	75%	75%	75%	75%	75%	75%	75%
No. of Days for letting												
Villas	Days/Year		57	68	78	78	78	78	78	78	78	78
No. of events	Occupancy / Year		183	212	240	240	240	240	240	240	240	240
BnB rates												
Change in Fees	5% P.A											
Week-days												
Villas	No. of Units	USD/Day	130	137	143	150	158	166	174	183	192	202
Week-ends												
Villas	USD/Day		180	189	198	208	219	230	241	253	266	279
Multipurpose/Conference Hall Revenue												
Week-days												
Villas	USD/Year		180,180	216,216	255,405	268,175	281,584	295,663	310,447	325,969	342,267	359,381
Week-ends												
Villas	USD /Year		113,256	140,540	170,270	178,784	187,723	197,109	206,964	217,313	228,178	239,587
Villas Revenue	TZS/Year		293,436	356,756	425,675	446,959	469,307	492,772	517,411	543,281	570,446	598,968

5.2.4 Performance measures- Airbnb option

The financial analysis conducted indicates that operating the project as short term rentals (Air BnB) is a viable proposition to the project promoter. The financial analysis indicates that the project will have a positive NPV of USD 146,245, IRR of 9%, ROI of 16% and a payback period of 9 years.

Net Present Value	USD 146,245
IRR	9%
ROI	16%
Payback period	9 years

5.3. Residential option

5.4. Assumptions

- a) Plot Size-7,212.00 square meters
- b) Gross Floor Area(GFA) sqm 3,435.76
- c) Villas Type A -236.51 square meters
- d) Villas Type B- 269.37 square meters
- e) Administration Block -238.41 square meters
- f) Dining Deck-300.00 square meters
- g) Renovation cost per sqm –USD 574.50
- h) Renovation cost per Villa-USD 179,439.07
- i) Financing Plan –Debt
- j) Financing Cost –USD 399,258.48
- k) Interest Rate -7.5%
- l) Total renovation Costs USD 2,373,079.76
- m) Occupancy rate- First Year-80%, Second year- 90% & Third year -100%
- n) Rental rates –USD 1500 per month

5.5. Project Costs

RENOVATION COST		
Villa Type A (2 No.)		202,856.43
Villa Type B (9 No.)		1,092,588.93
Administration Block		87,369.97
Dining Deck		51,878.88
External Works		96,399.39
Electrical Installations		55,484.94
Mechanical Installations		69,038.97
Furniture, Fittings and Equipment		224,212.27
Total renovation cost (VAT Incl)		1,879,829.79
Add:	Preliminaries @ 3.0 %	56,394.89
	Contingency @ 2.0%	37,596.60
	Total	93,991.49
Total renovation cost (VAT Incl)		1,973,821.28
Add: Financing Cost		399,258.48
Total Cost		2,373,079.76

5.6. Revenue Projections –First Five Years

l					Year 1	Year 2	Year 3	Year 4	Year 5
	Rental rate per floor	No of Units	Size(sq.m)	USD/Unit					
	Villas Type A	2	236.51	1,800.00	43,200	43,200	43,200	43,200	43,200
	Villas Type B	9	269.37	1,800.00	194,400	194,400	194,400	194,400	194,400
	Occupancy rate			Percentage	80.0%	90%	100%	100%	100%
	Rental escalation 15% every 4 yrs			%				15%	
	Rental Incomes								
	Villas Type A	2	236.51	1,800.00	34,560	38,880	43,200	49,680	49,680
	Villas Type B	9	269.37	1,800.00	155,520	174,960	194,400	223,560	223,560
	Total Rental Revenue			USD/Year	190,080	213,840	237,600	273,240	273,240

5.7. Operational Costs

Year			Year-1	Year-2	Year-3	Year-4	Year-5
	Operating cost assumptions						
	Maintenance & repairs	of Annual Rental				3.00%	3.00%
	Property tax	of Buildings	22.22	22.22	22.22	22.22	22.22
	Land rent	USD/Sqm/Year	0.17	0.17	0.17	0.17	0.17
	Withholding tax	of Annual Incomes	10.00%	10.00%	10.00%	10.00%	10.00%
	Marketing and Administrative	of Annual Rental	2.0%	2.0%	2.0%	2.0%	2.0%
	Operating Costs						
	Months of Operations		12	12	12	12	12
	Maintenance & repairs		-	-	-	5,702	6,415
	Marketing and Administrative Costs		3,802	4,277	4,752	5,465	5,465
	Statutory Expenses						
		Property tax	133	133	133	133	133
		Land rent	1,202	1,202	1,202	1,202	1,202
		Withholding tax	19,008	21,384	23,760	27,324	27,324
	Statutory Expenses		20,343	22,719	25,095	28,659	28,659
	Total Operating costs		24,144.93	26,996.13	29,847.33	39,826.53	40,539.33
	Operating cost % of Revenues		12.70%	12.62%	12.56%	14.58%	14.84%

5.8. Performance indicators -Residential Option

The financial analysis conducted indicates that operating the project as long term rentals is a viable proposition to the project promoter. The financial analysis indicates that the project will have a positive NPV of USD 1,183,796, IRR of 11.2%, ROI of 17% and a payback period of 9 years.

Net Present Value	USD 1,183,796
IRR	11.2%
ROI	17%
Payback period	9.7 years

CHAPTER 6

6. Risk Analysis

6.1. Market Risks

6.1.1. Leasing

- **Risk:** Economic downturns leading to decreased demand and lower rental prices.
 - **Mitigation:** Diversify tenant base to include both local and international businesses to stabilize rental demand. Include multi-year leases with rent escalation clauses to ensure income stability.

6.1.2. Airbnb

- **Risk:** Seasonal fluctuations in tourism affecting occupancy rates and income.
 - **Mitigation:** Implement dynamic pricing strategies to adjust prices based on demand. Promote the property for local events and off-season specials to maintain occupancy. Utilize online marketing to reach a broader audience year-round.

6.2. Operational Risks

6.2.1. Leasing

- **Risk:** Tenant default or property damage.
 - **Mitigation:** Screen tenants rigorously using credit and background checks. Require security deposits to cover potential damages. Maintain a reserve fund for repairs and unexpected expenses.

6.2.2. Airbnb

- **Risk:** High guest turnover leading to increased wear and tear and maintenance costs.
 - **Mitigation:** Set competitive yet strict house rules to minimize damage. Schedule regular maintenance checks. Use a portion of earnings to fund ongoing repairs and upgrades to maintain property appeal.

6.3. Legal Risks

6.3.1. Leasing

- **Risk:** Legal disputes with tenants over lease terms or eviction processes.
 - **Mitigation:** Ensure lease agreements are clear and comprehensive, drafted with legal assistance. Stay informed about local tenancy laws and adhere to legal procedures for dispute resolution and evictions.

6.3.2. Airbnb

- **Risk:** Changes in local regulations that restrict short-term rentals.
 - **Mitigation:** Engage in local advocacy groups for short-term rental operators to stay ahead of regulatory changes. Diversify the rental strategy to include options for medium-term stays to reduce dependency on short-term rental income.

6.4. Additional Considerations

- **Insurance:** Both leasing and Airbnb operations should be covered by comprehensive insurance policies that include property damage, liability, and loss of income coverage to mitigate financial losses from unforeseen events.
- **Financial Resilience:** Maintain a strong financial buffer to manage periods of low income due to external factors like economic downturns or regulatory changes. This includes having access to credit lines or savings that can cover operational costs when revenue is low.
- **Community Relations:** Maintain good relationships with the local community and authorities. This can help in navigating local regulations and gaining support for the business, which is especially important for Airbnb operators facing regulatory challenges.
- **Technology Utilization:** Leverage technology for both leasing and Airbnb operations to streamline management, enhance guest or tenant experience, and optimize pricing and marketing strategies.

CHAPTER 7

7. COMPARATIVE ANALYSIS OF THE TWO OPTIONS

When deciding between offering short-term rentals or long-term rentals for a property, it's important to weigh the pros and cons of each approach. A comparison of the options has considered the following key items:-

a) Rental Income

- ✓ Short-Term Rentals: Offer higher potential rental income due to the ability to charge premium nightly rates, especially in popular tourist destinations. However, income can be inconsistent due to seasonality and potential for longer vacancies between stays.
- ✓ Long-Term Rentals: Provide stable and predictable rental income, with the potential for gradual increases over time. Long-term tenants provide reliable income streams.

b) Property Management

- ✓ Short-Term Rentals: Require more intensive management, including constant communication with guests, cleaning, and regular turnovers between stays. This can be time-consuming and demanding.
- ✓ Long-Term Rentals: Often require less effort than short-term rentals, as there is less demand for property turnovers and maintenance.

c) Property Upkeep

- ✓ Short-Term Rentals: May require more intensive upkeep as short-term guests may be less invested in the property's condition. Regular inspections between stays can help catch maintenance issues early.
- ✓ Long-Term Rentals: Typically require less upkeep than short-term rentals, as tenants are more likely to treat the property as their own over a longer period.

d) Tenant Turnover

- ✓ Short-Term Rentals: Experience more frequent turnover, with higher vacancy rates and increased marketing and advertising costs to attract new guests.
- ✓ Long-Term Rentals: Have less frequent turnover, with lower vacancy rates and lower marketing and advertising costs.

e) Flexibility

- ✓ Short-Term Rentals: Offer flexibility in terms of rental duration, allowing property owners to adapt to market demand and price accordingly. This can also allow for personal use of the property.
- ✓ Long-Term Rentals: Provide less flexibility, as leases are typically longer and rental agreements are more rigid.

7.1 CONCLUSION

The financial analysis in Chapter Five above indicates that the short time rental option is financially more viable than the long term rental option. However, the comparison carried out above suggests that it is more advantageous to pursue the long term rental option based on the advantages indicated. Further the cash flow statements indicate negative cash flow in some years indicating that the project promoter may be required to pay the loan from other sources. Under such circumstances, it is recommended to use both equity and debt so as to reduce the burden of loan repayment.