

PERMA SHARP TANZANIA LIMITED

FEASIBILITY STUDY

FOR

FURNISHED SERVICED APARTMENTS

PERMA SHARP TANZANIA LIMITED

P.O. Box 786

DAR ES SALAAM

JANUARY 2024

1.0 EXECUTIVE SUMMARY

1.1 The Project

This study covers the establishment **Perma Sharp Tanzania Limited** to construct /operate furnished residential serviced apartments. Basically, the activities will be geared towards the building several apartments of which will be equipped with up to- date equipment's. Essentially the purpose of the proposed venture is to apprehend the setting up of high quality furnished residential serviced apartments of International Standards to be based in Dar es Salaam. The project promoters, **Perma Sharp Tanzania Limited** have vast experience in the setting up/operating multi projects especially in the sector of commercial building.

1.2 The promoters

The project is being sponsored by Perma Sharp Tanzania Limited, a private limited liability company incorporated and registered in Tanzania under Certificate of Incorporation No. 74090 dated 5/06/1969. **Perma Sharp Tanzania Limited** is owned by two Tanzanians. Both are well trained and have had long experiences in running and managing of commercial building. The names of the shareholders are as follows:

Shareholder	Shares	Nationality
Amin Mohamed Valji	99	Tanzanian
Duraiya Amin Valji	1	Tanzanian

1.3 The Market

Tanzania's real estate sector continued to recover from the pandemic-induced challenges at the past 2 years with commercial property occupancy rate increasing, reflecting the recovery of businesses from the pandemic such as the COVID-19 pandemic and relocation of Government offices to Dodoma," resulting in a trend of tenants affected. Furthermore, The Central Bank of Tanzania report shows residential rental and sale prices picked up in prime and subprime locations with the annual rental prices continued to recover, reflecting the recovery of businesses, a pick-up in investment, as well as an increase in tenants' incomes. Tanzania real estate is currently a tenant-oriented market. Several studies have confirmed that vacancy in buildings in Dar es salaam CBD is indeed caused by three main factors which are market, building, and location (Remoy 2010). The recent dynamics have made hospitality sector of commercial which include motels, hotels, resorts and other tourist or business accommodation attractive to investors.

1.4 Location

The project will be located at – **plots no 1051,1049/1 & 1049/2, Msasani peninsula Kinondoni, Dar es Salaam.** The furnished residential serviced apartments complex will be established in phases and will easily be accessible most of the areas especially city center.

1.5 Project Cost and Financing Plan

The total cost of the project is estimated at **US\$11,590,000** The following is the summary of the capital investment cost estimated:

ITEM	US\$
Fixed Asset	
Land & Civil Works	8,490,000
Machinery and Equipment	550,000
Vehicles	250,000
Furniture and Fittings	1,400,000
Others	775,000
Pre-Operational Expenses	25,000
Sub total	11,490,000
Initial working capital	100,000
GRAND TOTAL	11,590,000

1.6 Financing Plan

The promoters propose to finance the above investment costs in the following manner:

SOURCE	US \$
EQUITY	11,590,000
Sub total	11,590,000

1.7 Profitability

The business as indicated in the projected cash flow is commercially and financially viable. It will earn the company an average revenue of **US\$ 3.0 m** annual from year 4 before tax profits and depreciation.

1.8 Economic Development Considerations

1.8.1 Employment Creation

The project will create approximately **15** jobs with capacity to establish the employment levels in the later years upon.

1.8.2 Government revenue

The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

1.8.3 Social and Economic Impact

The proposed project will increase the provision of high-quality accommodation in the country. It will also increase the availability of quality furnished with up-to-date facilities and will result in increased healthy competition among real estate companies.

1.7.5 Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable and also will be able to support other sectors such as in manufacturing and transport as it will need a lot of building materials and transportation facilities. It will increase profitability dramatically hence guaranteeing higher returns in the long run.

1.9 Conclusion and Recommendations

The executive summary highlights indicate that the proposed project will be financially and economically viable. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

Perma Sharp Tanzania Limited intends to construct furnished apartments to be equipped with up to- date equipment's. Essentially the purpose of the proposed venture is to apprehend the setting up of high quality **45** furnished residential serviced apartments of International Standards to be based in Dar es Salaam. The proposed project development strategy is to construct the furnished apartments in phases in order to have the project's earnings capacity through constructing several apartments. The project will be a one-of-a-kind development in the heart of Masaki and will provide a level of quality & luxury living standards never before experienced in Dar es Salaam. The apartments to be developed will be pre-sold off plan in order to assist in funding the ongoing construction of the project.

.2.1 The Promoters

Perma Sharp Tanzania Limited. is a private liability company engaged in the real estate business. The company, incorporated and registered in Tanzania under Certificate of Incorporation No. 74090 dated 5/06/1969 Perma Sharp Tanzania Limited is owned by two Tanzanians. It has the following shareholders.

Shareholder	Shares	Nationality
Amin Mohamed Valji	99	Tanzanian
Duraiya Amin Valji	1	Tanzanian

The Perma Sharp (T) Ltd is a Real Estate Company and has over 25 years' experience in the market with interests in Commercial and Residential properties and developments. The company's good

performance since its incorporation is the result of the shareholders sheer hard work and articulate management dynamism in real estate sector.

2.2 SITE AND LOCATION

The company headquarters is based in Dar-es-salaam

PERMA SHARP LIMITED.

P.O. Box **786**

Dar-es salaam

The projects will be situated *plots nos 1051,1049/1 & 1049/2, Msasani peninsula Kinondoni, Dar es Salaam.* Implementation Time Schedule. The proposed investment programme is expected to take a period of five years.

2.3 SITE EVALUATION

M/ PERMA SHARP LIMITED. contemplates construction of operate furnished residential serviced apartments situated at plots *nos 1051,1049/1 & 1049/2, Msasani peninsula Kinondoni, Dar es Salaam*

2.3.1 ACCESSIBILITY OF THE SITE

The envisaged project site will easily be accessible and will be located not far from city center.

2.3.2 AUXILIARY SERVICES REQUIREMENT

- **Power Supply System**

An independent transformer will be provided to cater for the whole complex

and for emergency power supply, a standby generator will be provided to supply the essential loads in an event of TANESCO power failure. Power

distribution through the state will be via underground cables installed with TANESCO requirements.

- **Fire Protection**

It is proposed to provide fire detection and firefighting system consist of automatic and manual detection devises, alarm and communication system whereas firefighting system will feature portable extinguishers, hose reels, wet and dry rises and automatic sprinkler system.

- **Air conditioning & Ventilation**

An individual/separate air conditioning system mainly split units and window type is proposed for the complex. Proper ventilation system will be providing throughout the year.

- **Security**

Security will be of prime importance surveillance cameras and access control will protect both tenants and customers alike.

2.3.3 Access Entrance

Wide inlet/entrance will be provided so as to facilitate smooth passenger of the tenants with their vehicles.

2.3.4 A Parking Space for the Complex

The complex will be provided with a parking space adequate to accommodate not less than 30 vehicles at any given time. This level space is anticipated to be adequate for purpose in question.

2.3.5 Water Supply

- **Source of Water**

Design of water supply will be based on the Ministry of water Manual. Material specification for pipes and fittings will be according to the

relevant British standards. Provision for both group and overhead storage tanks will be of priority so as to boost the water pressure and for availability whenever the pipes go dry. The tanks capacity will depend on the number of users which will be determined by the design concept and scheme.

2.4 Environmental Aspect

The design of furnished residential serviced apartments complex will be carried out with maximum consideration of environmental impact assessment. The apartments will be designed to receive maximum natural ventilation and light. Mechanical ventilation should be an alternative only in the absence of natural one. However, both cases should be considered according to the varying/changing climate. Another area where the environmental impact has to be considered is at the project surroundings whereby the already grown trees should be retained and included in the landscaping as part of the species of trees to be proposed by the architects.

3.0 MARKETING AND COMPLEX CAPACITY

3.1 MARKETING ASPECTS

Tanzania's real estate sector continued to recover from the pandemic-induced challenges of the three last years with commercial property occupancy rate increasing, reflecting the recovery of businesses from the pandemic. According to the Financial Stability Report released by the Bank of Tanzania (BoT), most of the selected commercial properties had an occupancy rate of more than 50 percent, indicating stability in the real estate market. Furthermore, The Central Bank of Tanzania report shows residential rental and sale prices picked up in prime and subprime locations with the annual rental prices continued to recover, reflecting the recovery of businesses, a pick-up in investment, as well as an increase in tenants' incomes. Tanzania real estate is currently a tenant-oriented market. Several studies have confirmed that vacancy in buildings in Dar es salaam CBD is indeed caused by three main factors which are market, building, and location (Remoy 2010). The recent dynamics have made hospitality sector of commercial which include motels, hotels, resorts and other tourist or business accommodation attractive to investors

Tanzania's real estate sector contributed 3.1 % to the country's real GDP with USD 1.5 billion in 2019, compared to USD 1.2 billion in 2015, an increase of 25%. The large residential housing market is dominated by individual homebuilders who account for over 70% of the total supply.

Housing demand is increasing by about 200,000 units annually, with the current housing deficit estimated at about 3 million units, according to Tanzania Ministry of Lands, Housing and Human Settlements Development.

Commercial real estate is also on the rise as the country emerges as a middle-income economy. Dar es Salaam is the main area of office and retail activity with a retail stock of 153,000 sqm. The main premium malls are Mlimani City Mall in Mwenge, Aura Mall in Upanga, and Mkuki Mall in Kisutu. The formal retail sector in Dar es Salaam remains undersupplied presenting investors with an opportunity for growth.

The Central Bank report shows that residential rental and sale prices picked up in prime and subprime locations with the annual rental prices continued to recover, reflecting the recovery of businesses, a pick-up in investment, as well as an increase in tenants' incomes. The main reasons for the increasing of market potential in Tanzania is the improvement in business conditions, investment, employment and household income. The projected rebound in economic activities is expected to continue to boost the recovery of the property market. The stability in the real estate market is likely to minimize risks to financial stability given the significant links between property and credit markets. (INTERNET).

3.2 COMPETITION

By international standards the services provided by most of the competitors are not adequate. The same also is for accommodation. Successful implementation of the proposed project will therefore increase the availability of quality accommodation and recreational outlets in Dar es Salaam. Experience from comparable establishments in the area indicate that the well managed furnished residential serviced apartments are permanently booked with about 80 % & of the patrons being 20% being visitors, foreign mission and international organizations residing in Dar es Salaam.

M/S PERMA SHARP LIMITED is seen as an additional and more affordable outlet within the vicinity of the city center easily accessible with ample parking space, which also provides for the family.

3.3 MARKETING

Considering the location of **M/S PERMA SHARP LIMITED** and the complimentary nature of the concept, it can be concluded that the overall proposal would not face any serious competition that would threaten its viability and that the facility would be highly sought after by up-market travellers, the business community and some Tanzanian residents. In Dar es salaam a well-organized facility found in prime locations are unable to cater to the growing population and efforts are now directed towards establishment of accommodation facilities to keep pace with the demographic expulsions. The target market for **PERMA SHARP TANZANIA LIMITED** furnished apartments is up market, travellers, investors with their expatriate's staff and public and private institution sending officials for a long stay in Dar-es- salaam, foreign missions and businessmen.

3.4 EXPECTED OCCUPANCY

The following factors combine to suggest that the occupancy Level **Perma Sharp Tanzania Limited** Suites will remain high: -

- 1) Demand for quality accommodation and recreation facilities in Dar es Salaam is increasing.
- ii) Sponsors are willing to engage the reputed agents for exclusive marketing of the suites and club,
- iii) The furnished residential serviced apartments will be at prime location and supply of quality, accommodation and modern club facilities in the heart of Dar es Salaam will be lower than demand,

iv) Since infrastructure for implementation of the proposed project is in place, the facilities will be competitively priced in comparison with existing individual apartments and recreation centers to be built in future in Dar es Salaam

V) Perma Sharp Tanzania Limited will offer ample parking space for residents and diners and its proximity to the central business district of Dar es Salaam provides an ideal atmosphere for a business traveler and up-market tourist.

3.4.1 Like any property development in the world, the proposed project faces the risk of low occupancy in the initial months; however, extensive marketing, sales promotion and direct contract will mitigate this with potential clients. Perma **Sharp Tanzania Limited** is targeted at medium to long-term stay local as well as expatriate tenancy with ability to pay rent pegged in foreign currency. While there is a continued shortfall of suitable accommodation, high quality restaurants, curios, departmental stores and specialty shops in Dar es Salaam, the number of visitors to Dar es Salaam is increasing appreciably as tourism and the economy improves.

3.4.2 Considering these strengths, it is reasonable to conclude that **Perma Sharp Tanzania Limited** Suites facilities will be fully occupied from first year of operation. However, the evaluation assumes a conservative occupancy level of 70% during the first year rising to 80% during the second year and a maximum of 90% by the third and 100% in the fourth year for planning and contingency purposes. Furthermore, considering also the appealing environment of the location, proximity to central business district and all-market residential area, competitive tariff and impressive design concept, it should be possible to market and sell **Perma Sharp Tanzania Limited** Suites well ahead of opening

4.0 MANAGEMENT AND ADMINISTRATION

4.1 MANAGEMENT

This success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with

requisite skills shall be available within the country. It is envisaged that the

proposed manpower structure would give an effective control of the activities. The estate will be managed by Estate complex Board of Directors. This board will operate through the project who would be the Chief Executive of the Estate operations.

In Order to streamline the serviced apartment operations, it is proposed to engage two key figures; Operational officer and the Project Accountant. These two along with

the Project Manager will form the central operational core that will ensure the success of the project. With proper cooperation effective

apprehension of quality level in terms of administrative, finance, accounts, sales, marketing and operative statuses. The project should also

employ a qualified electrical technician who is a holder of full Technician certificate in electrical engineering. He should be capable of operating

the electrical installations and maintenance of the same. He should also capable of identifying good workmanship for deployment should the need

arise. He will liaise with relevant firms contracted for lift installation and management. Based on the proposed organization structure the

project will initially employ a total of 15 persons.

4.2 Security System

It is recommended that the security of the complex be provided by an independent security company. This system is very popular for high-rise building owners in the country at present.

5.0 IMPLEMENTATION SCHEDULE

It is estimated that the project will be undertaken in phases and will take about 5 years to completion once the decision for implementation has been reached.

6.0 ENVIRONMENTAL CONSIDERATIONS

The design of furnished residential serviced apartments complex will be carried out with maximum consideration of environmental impact assessment. The apartments will be designed to receive maximum natural ventilation and light. Mechanical ventilation should be an alternative only in the absence of natural one. However, both cases should be considered according to the varying/changing climate. Another area where the environmental impact has to be considered is at the project surroundings whereby the already grown trees should be retained and included in the landscaping as part of the species of trees to be proposed by the architects.

7 .0 INVESTMENT AND FINANCING

7 .1 ASSUMPTIONS

- The project construction time is assumed to be five years.
- The economic life of the project is 10 years
- The currency exchange rate of Tshs. 2500/- to one US\$ has been adopted

6.2 INVESTMENT STRUCTURE

The total initial investment in fixed assets is estimated at US\$ **11,590,000** and whose breakdown of which is as follows

TABLE 2.1. INVESTMENT STRUCTURE

ITEM	US\$
Fixed Asset	
Land & Civil Works	8,490,000
Machinery and Equipment	550,000
Vehicles	250,000
Furniture and Fittings	1,400,000
Others	775,000
Pre-Operational Expenses	25,000
Sub total	11,490,000
Initial working capital	100,000
GRAND TOTAL	11,590,000

6.2.1 Civil Works

The ultimate building to house the project is estimated at a cost of US\$ **8,490,000**

6.2.2 Machinery and Equipment

Machinery /Equipment needs for the processing unit are estimated at cost of US\$ 550,000

6.2.3 Vehicles

These are estimated at US \$ 250,000

6.2.4 Furniture & Fittings

These are estimated at US\$ 1,400,000

6.2.5 Pre-operational

These are estimated at Us\$ 25,000

6.3 FINANCING PATTERN

The total initial investment of US\$ **11,590,000** shall be financed as follows

SOURCE	US\$
Fixed Asset	11,590,000
Equity	
Total	11,590,000

6.4 OWNER'S EQUITY

The owners shall finance 100% of the cost of initial working capital

7.0 OPERATION COSTS

7.1 ASSUMPTIONS

The prices of inputs are assumed to remain constant over the ten years period because under rising inflation the prices and services will rise including those of outputs hence leaving the profit margin unchanged

7.2 OPERATION COST STRUCTURE

The main items which will constitute the operating costs. The operation cost is estimated to be 65% of the annual total revenue. Some of the operating costs are as hereafter outlined, when unit will be in full operation.

7.2.1 Operating Expenses

The cost items to be owner of hotel by the landlord include general maintenance of the apartments, insurance of building against fire etc. salaries and wages, electricity and water, security, management fees and other general administrative responsibilities.

7.2,2 Repairs and Maintenance-General repairs and maintenance costs for Building and civil works vehicle and equipment.

7.2.3 Energy and Water-Electricity for general lighting/security

7.2.4 Salaries and Wages-A total of 15 people will be employed to cater for the overall administrative, financial, security and cleaning functions of the complex.

7.2.5 Depreciation

Depreciation rates have been calculated as follows:

Land, Building and Civil Works	4% Straight line
Vehicle	25% Straight line
Pre-operational Expenses	20% Straight line
Equipment	12.5 Diminishing value

8.0 FINANCIAL AND ECONOMIC ANALYSIS

8.1 ASSUMPTION

- The prices are assumed to remain constant over the life of the project i.e., 10 years
- However, in case of changes in the costs of inputs, to maintain the desired profit margin the prices of the outputs will be accordingly adjusted
- The assumed capacity utilization levels are at 70% 80%, 90% and 100% for years 1 and 2 ,3 – 10 respectively.

8.2 PROJECTED INCOME

The project's income at full capacity utilization is estimated to average at US\$3.0 million per annum.

8.4 PROJECTED CASH FLOWS

The project has a positive net cash flow from year of operation to the tenth year.

9.0 CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the **Perma Sharp Tanzania Limited** project aimed at establishing modern residential Apartments that the proposal is financially viable and commercially attractive. From a national point of view, the timely implementation of the project will lead to following economic benefits: -

- The project will contribute towards the expansion of high-class accommodation facilities in Dar es Salaam;
- **Perma Sharp Tanzania Limited** will provide indirect employment.
- The government will earn substantial revenue from the operation of the project in the form of value added tax. Furthermore, the project has high potential to generate revenue to the government in the form of corporation tax.

Strong sponsors promote the project with the ability to manage all the activities efficiently. The short implementation period combined with the envisaged financial returns makes the proposal highly attractive and ideal for supporting. This study recommends timely implementation of the proposal.

PERMA SHARP LIMITED

INVESTMENT COST

ITEM	US\$
Land & Civil Works	8,490,000
Machinery and Equipment	550,000
Vehicles	250,000
Furniture and Fittings	1,400,000
Others	775,000
Pre-Operational Expenses	25,000
Sub total	11,490,000
Initial working capital	100,000
GRAND TOTAL	11,590,000

PERMA SHARP LIMITED

DEPRECIATION SCHEDULE

US\$

	Value	Rate%	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	8,490,000	4.0	339,600	339,600	339,600	339,600	339,600	339,600	339,600	339,600	339,600	339,600
Machinery and Equipment	550,000	12.5	68,750	68,750	68,750	68,750	68,750	68,750	68,750	68,750	-	-
Furniture & Fittings	1,400,000	12.5	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	-	-
Motor Vehicles	250,000	25.0	62,500	62,500	62,500	62,500	62,500	-	-	-	-	-
Pre operational Expenses	25,000	20.0	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-
Total			650,850	650,850	650,850	650,850	650,850	583,350	583,350	583,350	339,600	339,600

PERMA SHARP LIMITED

PROJECTED INCOME AND EXPENDITURE STATEMENT

USD

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%)	70	80	90	100	100	100	100	100	100	100
Number of Apartments	30	36	40	45	45	45	45	45	45	45
Revenue per annum	2,000,000	2,400,000	2,666,666	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Less Operating Cost	1,300,000	1,560,000	1,733,333	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
Profit before interest and depreciation	700,000	900,000	933,333	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Less Depreciation	650,850	650,850	650,850	650,850	650,850	583,350	583,350	583,350	339,600	339,600
Sub-total	49,150	249,150	282,483	400,000	400,000	466,650	466,650	466,650	710,400	710,400
Profit before tax	49,150	249,150	282,483	400,000	400,000	466,650	466,650	466,650	710,400	710,400
Tax (30%)	14,745	74,745	84,745	120,000	120,000	139,995	139,995	139,995	213,120	213,120
Profit after tax	34,405	174,405	197,738	280,000	280,000	326,655	326,655	326,655	497,280	497,280
Accumulated Profit	34,405	208,810	406,546	686,548	966,548	1,293,203	1,619,858	1,946,513	2,443,793	2,941,073

PERMA SHARP LIMITED

CASHFLOWS PROJECTION

US\$

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		49,150	249,150	282,483	400,000	400,000	466,650	466,650	466,650	710,400	710,400
Equity	11,590,000	-	-	-	-	-	-	-	-	-	-
Total sources	11,590,000	49,150	249,150	282,483	400,000	400,000	466,650	466,650	466,650	710,400	710,400
Applications											
Capital expenditure	11,590,000	-	-	-	-	-	-	-	-	-	-
Tax		14,745	74,745	84,745	120,000	120,000	139,995	139,995	139,995	213,120	213,120
Sub-Total	11,590,000	14,745	74,745	84,745	120,000	120,000	139,995	139,995	139,995	213,120	213,120
Total Applications	11,590,000	14,745	74,745	84,745	120,000	120,000	139,995	139,995	139,995	213,120	213,120
Net cashflows		35,000	174,405	197,738	280,000	280,000	326,655	326,655	326,655	497,280	497,280