Dodoma Mixed Use Development

FINAL REPORT

NSSF

March 2025

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Overall Viability

Conclusion

- Based on demand and supply fundamentals, coupled with financial projections and the balance of development costs the **proposed mixed use development is seen as financially viable with an overall Project IRR of 12.75% achieved.** An overview of key components that have led to the financial viable outcome are shown below.

General Market Conditions

- Economic outlook for the Tanzania is positive with long term GDP growth of 6% projected
- Airport arrivals to Dodoma have increased by a CAGR of 37% since 2017
- Dodoma hotel market occupancies are at a healthy 66%, showing near full post Covid recovery
- The lack of quality hotel supply in Dodoma provides a market gap for the hotel to capitalize as currently the corporate market is underserved
- The relocation of several government departments will stimulate demand for commercial office stock in Dodoma. The majority of stock under development is owner/occupier space therefore demand for rental stock is anticipated to be strong in the medium term

Hotel

- 120 key upscale hotel, positioning will compete more effectively with supply in Dar es Salaam and offer a rate structure that aligns with demand generator feedback
- As the market matures, there could be the possibility of repositioning the hotel at a higher level (i.e. upper upscale / 5 star)
- Rack rates start at USD 165 – USD 1,100 for a presidential suite
- Current term ADR = USD 126
- First Year ADR = USD 140
- Stabilized occupancy = 63%
- GOP margins = 33% - 37%
- EBITDA margins = 26% - 27%
- **Hotel Development Costs: USD 30,3 million (USD 252,059 per key)**
- **Hotel Project IRR: 10.60%% is representative of a financially viable hotel project**
- **Yields: 4.4% - 9.4%** (brought down by higher development costs associated with an international brand)

Combined Returns

- **Total Development Cost: USD 43 million / TZS 129 billion**
- **Project IRR: 12.75% is representative of a financially viable and healthy project**
- **Project Payback occurs within the 11th year of operations**
- **Yields: 6.6% - 11.1%**

Office and Retail

- 2,000 sqm of tenanted office stock and 2,000 sqm of convenience style retail to compliment the mixed use nature of the development
- Office rental rate: USD 15 per sqm per month
- Average retail rental rate: USD 17 per sqm per month
- Operating expenses: 15% - 20%
- Stabilized occupancy: 90% - 95%
- **Development costs: USD 12,8 million (USD 820 per sqm)**
- **Office and Retail IRR: 16.99% which represents strong returns can be achieved within this component**
- **Yields: 11.6% - 15.0% are above average yields achieved in Tanzania for commercial and retail stock**

Total Investment Cost

Project Cost

- Based on cost estimates, total development costs amount to **USD 43,118,033** which equates to a cost per sqm of USD 1,352 based on an estimated total GBA of 26,016 sqm as shown below. The cost of each components includes the land costs associated with that component.

Projected Development Costs (USD)

Component	GLA (sqm)	GBA (sqm)	Component Cost (USD)	Cost per GBA SQM (USD)
Hotel	8 152	10 884	30 247 089	2 779
Office (NSSF + Tenanted Stock)	10 000	13 000	10 738 943	820
Convenience Retail	2 000	2 600	2 132 000	820
TOTAL	**20 152**	**26 484**	**43 118 033**	**1 352**

- The table below provides total development costs in local currency as per the prevailing exchange of USD 1 = TZS 3,000 (average over assessed period). Based on this rate of exchange, total development costs amount to **TZS 129,354,097,550.**

Projected Development Costs (TZS)

Component	GLA (sqm)	GBA (sqm)	Component Cost (TZS)	Cost per GBA SQM (TZS)
Hotel	8 152	10 884	90 741 267 312	8 337 431
Office (NSSF + Tenanted Stock)	10 000	13 000	32 216 830 238	2 460 000
Convenience Retail	2 000	2 600	6 396 000 000	2 460 000
TOTAL	**20 152**	**26 484**	**129 354 097 550**	**4 057 073**

Source: HTI Consulting

Salient Points

Profit and Loss Statement (USD)

NSSF Dodoma Upscale Hotel (USD)																				
YEAR	Dec-27		Dec-28		Dec-29		Dec-30		Dec-31		Dec-32		Dec-33		Dec-34		Dec-35		Dec-36	
Operating Days	365		365		365		365		365		365		365		365		365		365	
Rooms	120		120		120		120		120		120		120		120		120		120	
Rooms Available	43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800	
Rooms Sold	17 922		20 988		24 930		27 996		27 996		27 996		27 996		27 996		27 996		27 996	
Occupancy	**40,9%**		**47,9%**		**56,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**	
Occupancy Growth			17,1%		18,8%		12,3%		0,0%		0,0%		0,0%		0,0%		0,0%		0,0%	
ADR	**139,6**		**144,16**		**147,7**		**152,7**		**155,8**		**158,9**		**162,1**		**165,3**		**168,6**		**172,0**	
ADR Growth			3,3%		2,5%		3,4%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
RevPAR	**57,1**		**69,1**		**84,1**		**97,6**		**99,6**		**101,6**		**103,6**		**105,7**		**107,8**		**109,9**	
RevPAR Growth			21,0%		21,7%		16,1%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
REVENUES																				
Rooms Revenue	2 501 318	48,9%	3 025 535	46,7%	3 682 086	45,5%	4 275 419	45,2%	4 360 928	45,2%	4 448 146	45,2%	4 537 109	45,2%	4 627 851	45,2%	4 720 408	45,2%	4 814 816	45,2%
F & B Revenue	2 168 563	42,4%	2 854 615	44,0%	3 633 103	44,9%	4 246 210	44,9%	4 331 135	44,9%	4 417 757	44,9%	4 506 112	44,9%	4 596 235	44,9%	4 688 159	44,9%	4 781 923	44,9%
Conference and Banqueting Revenue	339 783	6,6%	474 395	7,3%	614 255	7,6%	759 520	8,0%	774 711	8,0%	790 205	8,0%	806 009	8,0%	822 129	8,0%	838 572	8,0%	855 343	8,0%
Spa Revenue	48 899	1,0%	65 898	1,0%	85 451	1,1%	91 135	1,0%	92 957	1,0%	94 816	1,0%	96 713	1,0%	98 647	1,0%	100 620	1,0%	102 632	1,0%
Other Revenue	52 458	1,0%	62 652	1,0%	75 525	0,9%	86 929	0,9%	88 668	0,9%	90 441	0,9%	92 250	0,9%	94 095	0,9%	95 977	0,9%	97 897	0,9%
TOTAL REVENUE	**5 111 020**	**100%**	**6 483 094**	**100%**	**8 090 420**	**100%**	**9 459 214**	**100%**	**9 648 398**	**100%**	**9 841 366**	**100%**	**10 038 193**	**100%**	**10 238 957**	**100%**	**10 443 736**	**100%**	**10 652 611**	**100%**
Revenue Growth			26,8%		24,8%		16,9%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
DEPARTMENTAL COSTS																				
Rooms Department	500 264	20,0%	574 852	19,0%	662 776	18,0%	769 575	18,0%	784 967	18,0%	800 666	18,0%	816 680	18,0%	833 013	18,0%	849 673	18,0%	866 667	18,0%
F&B Department	1 301 138	60,0%	1 655 676	58,0%	2 034 537	56,0%	2 377 878	56,0%	2 425 435	56,0%	2 473 944	56,0%	2 523 423	56,0%	2 573 891	56,0%	2 625 369	56,0%	2 677 877	56,0%
Conference and Banqueting Department	129 117	38,0%	175 526	37,0%	221 132	36,0%	273 427	36,0%	278 896	36,0%	284 474	36,0%	290 163	36,0%	295 966	36,0%	301 886	36,0%	307 924	36,0%
Spa Department	24 449	50,0%	32 949	50,0%	42 725	50,0%	45 567	50,0%	46 479	50,0%	47 408	50,0%	48 356	50,0%	49 324	50,0%	50 310	50,0%	51 316	50,0%
Other Departments	20 983	40,0%	25 061	40,0%	30 210	40,0%	34 772	40,0%	35 467	40,0%	36 177	40,0%	36 900	40,0%	37 638	40,0%	38 391	40,0%	39 159	40,0%
TOTAL DEPARTMENTAL COSTS	**1 975 951**	**38,7%**	**2 464 064**	**38,0%**	**2 991 380**	**37,0%**	**3 501 220**	**37,0%**	**3 571 244**	**37,0%**	**3 642 669**	**37,0%**	**3 715 522**	**37,0%**	**3 789 833**	**37,0%**	**3 865 629**	**37,0%**	**3 942 942**	**37,0%**
Departmental Costs Growth			24,7%		21,4%		17,0%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
DEPARTMENTAL PROFIT																				
Rooms Department	2 001 054	80,0%	2 450 683	81,0%	3 019 311	82,0%	3 505 844	82,0%	3 575 961	82,0%	3 647 480	82,0%	3 720 429	82,0%	3 794 838	82,0%	3 870 735	82,0%	3 948 149	82,0%
F&B Department	867 425	40,0%	1 198 938	42,0%	1 598 565	44,0%	1 868 333	44,0%	1 905 699	44,0%	1 943 813	44,0%	1 982 689	44,0%	2 022 343	44,0%	2 062 790	44,0%	2 104 046	44,0%
Conference and Banqueting Department	210 665	62,0%	298 869	63,0%	393 123	64,0%	486 093	64,0%	495 815	64,0%	505 731	64,0%	515 846	64,0%	526 163	64,0%	536 686	64,0%	547 420	64,0%
Spa Department	24 449	50,0%	32 949	50,0%	42 725	50,0%	45 567	50,0%	46 479	50,0%	47 408	50,0%	48 356	50,0%	49 324	50,0%	50 310	50,0%	51 316	50,0%
Other Departments	31 475	60,0%	37 591	60,0%	45 315	60,0%	52 158	60,0%	53 201	60,0%	54 265	60,0%	55 350	60,0%	56 457	60,0%	57 586	60,0%	58 738	60,0%
TOTAL DEPARTMENTAL PROFIT	**3 135 069**	**61,3%**	**4 019 030**	**62,0%**	**5 099 040**	**63,0%**	**5 957 994**	**63,0%**	**6 077 154**	**63,0%**	**6 198 697**	**63,0%**	**6 322 671**	**63,0%**	**6 449 125**	**63,0%**	**6 578 107**	**63,0%**	**6 709 669**	**63,0%**
Departmental Profit Growth			28,2%		26,9%		16,8%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
UNDISTRIBUTED OPERATING EXPENSES																				
Administration, Management and General	613 322	12,0%	745 556	11,5%	889 946	11,0%	1 040 514	11,0%	1 061 324	11,0%	1 082 550	11,0%	1 104 201	11,0%	1 126 285	11,0%	1 148 811	11,0%	1 171 787	11,0%
IT	102 220	2,0%	116 696	1,8%	121 356	1,5%	141 888	1,5%	144 726	1,5%	147 620	1,5%	150 573	1,5%	153 584	1,5%	156 656	1,5%	159 789	1,5%
Energy	332 216	6,5%	388 986	6,0%	444 973	5,5%	520 257	5,5%	530 662	5,5%	541 275	5,5%	552 101	5,5%	563 143	5,5%	574 406	5,5%	585 894	5,5%
Marketing	229 996	4,5%	272 290	4,2%	307 436	3,8%	359 450	3,8%	366 639	3,8%	373 972	3,8%	381 451	3,8%	389 080	3,8%	396 862	3,8%	404 799	3,8%
Repairs & Maintenance	153 331	3,0%	220 425	3,4%	307 436	3,8%	359 450	3,8%	366 639	3,8%	373 972	3,8%	381 451	3,8%	389 080	3,8%	396 862	3,8%	404 799	3,8%
TOTAL UNDISTRIBUTED EXPENSES	1 431 086	28,0%	1 743 953	26,9%	2 071 148	25,6%	2 421 559	25,6%	2 469 990	25,6%	2 519 390	25,6%	2 569 778	25,6%	2 621 173	25,6%	2 673 597	25,6%	2 727 069	25,6%
Undistributed Expenses Growth			21,9%		18,8%		16,9%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
GOP BEFORE FEES	1 703 983	33,3%	2 275 077	35,1%	3 027 891	37,4%	3 536 435	37,4%	3 607 164	37,4%	3 679 307	37,4%	3 752 894	37,4%	3 827 951	37,4%	3 904 510	37,4%	3 982 601	37,4%
GOP Growth			33,5%		33,1%		16,8%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
MANAGEMENT FEE																				
Base Fee	76 665	**1,50%**	129 662	**2,00%**	161 808	**2,00%**	189 184	**2,00%**	192 968	**2,00%**	196 827	**2,00%**	200 764	**2,00%**	204 779	**2,00%**	208 875	**2,00%**	213 052	**2,00%**
Marketing Fee	31 266	**1,25%**	75 638	**2,50%**	92 052	**2,50%**	106 885	**2,50%**	109 023	**2,50%**	111 204	**2,50%**	113 428	**2,50%**	115 696	**2,50%**	118 010	**2,50%**	120 370	**2,50%**
Total Fees	107 932	2,1%	205 300	3,2%	253 861	3,1%	296 070	3,1%	301 991	3,1%	308 031	3,1%	314 192	3,1%	320 475	3,1%	326 885	3,1%	333 423	3,1%
AGOP	**1 596 051**	**31,2%**	**2 069 777**	**31,9%**	**2 774 031**	**34,3%**	**3 240 365**	**34,3%**	**3 305 173**	**34,3%**	**3 371 276**	**34,3%**	**3 438 702**	**34,3%**	**3 507 476**	**34,3%**	**3 577 626**	**34,3%**	**3 649 178**	**34,3%**
Incentive Fee (on AGOP)	111 724	7,0%	144 884	7,0%	194 182	7,0%	226 826	7,0%	231 362	7,0%	235 989	7,0%	240 709	7,0%	245 523	7,0%	250 434	7,0%	255 442	7,0%
INCOME BEFORE FIXED CHARGES	1 484 328	29,0%	1 924 892	29,7%	2 579 849	31,9%	3 013 540	31,9%	3 073 811	31,9%	3 135 287	31,9%	3 197 993	31,9%	3 261 953	31,9%	3 327 192	31,9%	3 393 736	31,9%
FIXED CHARGES																				
FF&E Reserve	51 110	1,0%	129 662	2,0%	242 713	3,0%	378 369	4,0%	385 936	4,0%	393 655	4,0%	401 528	4,0%	409 558	4,0%	417 749	4,0%	426 104	4,0%
Property Taxes	45 397	0,9%	46 305	0,7%	47 231	0,6%	48 176	0,5%	49 140	0,5%	50 122	0,5%	51 125	0,5%	52 147	0,5%	53 190	0,5%	54 254	0,5%
Insurance	60 530	1,2%	61 740	1,0%	62 975	0,8%	64 235	0,7%	65 519	0,7%	66 830	0,7%	68 166	0,7%	69 530	0,7%	70 920	0,7%	72 339	0,7%
TOTAL FIXED CHARGES	157 037	3,1%	237 708	3,7%	352 919	4,4%	490 779	4,0%	500 595	4,0%	510 607	4,0%	520 819	4,0%	531 235	4,0%	541 860	4,0%	552 697	4,0%
EBITDA	1 327 290	26,0%	1 687 185	26,0%	2 226 929	27,5%	2 522 760	26,7%	2 573 216	26,7%	2 624 680	26,7%	2 677 174	26,7%	2 730 717	26,7%	2 785 332	26,7%	2 841 038	26,7%

Combined Cashflow Analysis

Combined Cashflow (USD)

- The table presented below shows the net cash flow from the overall project to the developer for the projected period (2024 to 2036). In order to assess the viability of the project on its own, we have not assumed any financial structure in the following table. All amounts mentioned are in US Dollars (USD) and on a pre-tax basis.
- Payback is towards the middle of the eleventh year (Q2) of operations whereby cumulative cashflows reach USD 3,401,284 (2037 Q2) as seen in Annexure A: 20 Year Cashflows (USD and TZS).

Combined Development Cashflow (2024 – 2036)

USD (000')	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBTIDA Before FF&E Reserve Hotel				1 378 463	1 816 911	2 469 708	2 901 196	2 959 219	3 018 404	3 078 772	3 140 347	3 203 154	3 267 217
EBTIDA before Capital Reserve NSSF + Tenanted Office/Retail				1 598 419	1 703 984	1 796 635	1 877 854	1 906 022	1 934 612	1 963 632	1 993 086	2 022 982	2 053 327
Total (inflow)	0	0	0	2 976 882	3 520 895	4 266 342	4 779 050	4 865 242	4 953 016	5 042 404	5 133 433	5 226 137	5 320 544
Outflow													
Development cost	8 734 433	17 046 000	17 337 600										
FF&E Reserve Hotel				51 110	129 662	242 713	378 369	385 936	393 655	401 528	409 558	417 749	426 104
Capital Reserve Office/Retail				100 044	106 651	112 450	117 533	119 296	121 085	122 901	124 745	126 616	128 515
Total (outflow)	8 734 433	17 046 000	17 337 600	151 154	236 313	355 162	495 901	505 231	514 740	524 429	534 303	544 365	554 620
Net Cashflow	-8 734 433	-17 046 000	-17 337 600	2 825 727	3 284 582	3 911 180	4 283 149	4 360 010	4 438 277	4 517 974	4 599 130	4 681 771	4 765 925
Net Cashflow (Cumulative)	-8 734 433	-25 780 433	-43 118 033	-40 292 305	-37 007 723	-33 096 543	-28 813 394	-24 453 384	-20 015 108	-15 497 133	-10 898 003	-6 216 232	-1 450 307

Source: HTI Consulting

Combined Cashflow Analysis

Combined Cashflow (TSZ)

- The table presented below shows the net cash flow from the overall project to the developer for the projected period (2024 to 2036). In order to assess the viability of the project on its own, we have not assumed any financial structure in the following table. **All amounts mentioned are on a pre-tax basis with an average exchange rate of TZS 3,000 to 1 USD incorporated.**
- Payback is towards the middle of the eleventh year of operations (2037 Q2) whereby cumulative cashflows reach TZS 10,203,852,852 as seen in Annexure A: 20 Year Cashflows (USD and TZS).

Combined Development Cashflow (2024 – 2036)

TZS (000')	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBTIDA Before FF&E Reserve Hotel				4 135 389	5 450 733	7 409 123	8 703 587	8 877 658	9 055 212	9 236 316	9 421 042	9 609 463	9 801 652
EBTIDA before Capital Reserve Tenanted Office/Retail				4 795 256	5 111 953	5 389 904	5 633 563	5 718 066	5 803 837	5 890 895	5 979 258	6 068 947	6 159 981
Total (inflow)				8 930 645	10 562 686	12 799 027	14 337 149	14 595 725	14 859 049	15 127 211	15 400 300	15 678 410	15 961 633
Outflow													
Development cost	26 203 298	51 138 000	52 012 800										
FF&E Reserve Hotel				153 331	388 986	728 138	1 135 106	1 157 808	1 180 964	1 204 583	1 228 675	1 253 248	1 278 313
Capital Reserve Office/Retail				300 132	319 953	337 349	352 598	357 887	363 255	368 704	374 234	379 848	385 546
Total (outflow)	26 203 298	51 138 000	52 012 800	453 463	708 939	1 065 487	1 487 703	1 515 694	1 544 219	1 573 287	1 602 909	1 633 096	1 663 859
Net Cashflow	-26 203 298	-51 138 000	-52 012 800	8 477 182	9 853 747	11 733 540	12 849 446	13 080 030	13 314 830	13 553 923	13 797 391	14 045 314	14 297 774
Net Cashflow (Cumulative)	-26 203 298	-77 341 298	-129 354 098	-120 876 916	-111 023 169	-99 289 629	-86 440 183	-73 360 153	-60 045 323	-46 491 400	-32 694 009	-18 648 695	-4 350 920

Source: HTI Consulting

Salient Points

20 Year Cashflows: Hotel, Retail and Office, and Combined (USD / TZS)

Hotel 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-6,1	-10,7	-13,5	1,3	1,7	2,2	2,5	2,6	2,6	2,7	2,7	2,8	2,8	2,9	3,0	3,0	3,1	3,1	3,2	3,3	3,3	3,4	3,5
Cumulative Cashflows (USD million)	-6,1	-16,7	-30,2	-28,9	-27,2	-25,0	-22,5	-19,9	-17,3	-14,6	-11,9	-9,1	-6,3	-3,4	-0,4	2,6	5,7	8,8	12,0	15,3	18,6	22,0	25,5

Payback during Yr 13 Q1 (USD 2,6 million cumulative cashflow)

Office and Retail 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-2,6	-6,4	-3,8	1,5	1,6	1,7	1,8	1,8	1,8	1,8	1,9	1,9	1,9	2,0	2,0	2,0	2,0	2,1	2,1	2,1	2,2	2,2	2,2
Cumulative Cashflows (USD million)	-2,6	-9,0	-12,9	-11,4	-9,8	-8,1	-6,3	-4,5	-2,7	-0,9	1,0	2,9	4,8	6,8	8,7	10,7	12,8	14,9	17,0	19,1	21,3	23,5	25,7

Payback during Yr 8 Q1 (USD 1 million cumulative cashflow)

Combined 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-8,7	-17,0	-17,3	2,8	3,3	3,9	4,3	4,4	4,4	4,5	4,6	4,7	4,8	4,9	4,9	5,0	5,1	5,2	5,3	5,4	5,5	5,6	5,7
Cumulative Cashflows (USD million)	-8,7	-25,8	-43,1	-40,3	-37,0	-33,1	-28,8	-24,5	-20,0	-15,5	-10,9	-6,2	-1,5	3,4	8,3	13,4	18,5	23,7	29,0	34,4	39,9	45,5	51,2

Payback during Yr 11 Q2 (USD 3,4 million cumulative cashflow)

Local Currency (1 USD = TZS 3000)

Hotel 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-18,3	-32,0	-40,5	4,0	5,1	6,7	7,6	7,7	7,9	8,0	8,2	8,4	8,5	8,7	8,9	9,0	9,2	9,4	9,6	9,8	10,0	10,2	10,4
Cumulative Cashflows (TZS billion)	-18,3	-50,2	-90,7	-86,8	-81,7	-75,0	-67,4	-59,7	-51,9	-43,8	-35,6	-27,3	-18,8	-10,1	-1,2	7,9	17,1	26,5	36,1	45,9	55,9	66,1	76,4

Payback during Yr 13 Q1 (TZS 7,9 billion cumulative cashflow)

Office and Retail 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-7,9	-19,2	-11,5	4,5	4,8	5,1	5,3	5,4	5,4	5,5	5,6	5,7	5,8	5,9	5,9	6,0	6,1	6,2	6,3	6,4	6,5	6,6	6,7
Cumulative Cashflows (TZS billion)	-7,9	-27,1	-38,6	-34,1	-29,3	-24,3	-19,0	-13,6	-8,2	-2,7	2,9	8,6	14,4	20,3	26,2	32,2	38,4	44,6	50,9	57,3	63,8	70,4	77,1

Payback during Yr 8 Q1 (TZS 2,9 billion cumulative cashflow)

Combined 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-26,2	-51,1	-52,0	8,5	9,9	11,7	12,8	13,1	13,3	13,6	13,8	14,0	14,3	14,6	14,8	15,1	15,4	15,6	15,9	16,2	16,5	16,8	17,1
Cumulative Cashflows (TZS billion)	-26,2	-77,3	-129,4	-120,9	-111,0	-99,3	-86,4	-73,4	-60,0	-46,5	-32,7	-18,6	-4,4	10,2	25,0	40,1	55,5	71,1	87,0	103,2	119,7	136,5	153,6

Payback during Yr 11 Q2 (TZS 10,2 billion cumulative cashflow)

Overall Return Analysis

Combined Returns

- The combined returns for the development are positioned at a healthy 12.75% over 10 years and 11.04% over 20 years of operations.
- Payback occurs during the eleventh year of operations (2037 Q2) and the total Project NPV is valued at USD 25,345,398.

Combined Development Returns

Returns based on Tanzania Average Cost of Capital Cap and Discount Rates			
	Hotel Returns	Office and Retail Returns	Total Project Returns
Project IRR 10 Yr	**10.60%**	**16.99%**	**12.75%**
Project IRR 20 Yr	**9.57%**	**14.15%**	**11.04%**
Payback Period	Yr 13 Q1	Yr 8 Q1	Yr 11 Q2
NPV (USD)	13 545 090	15 021 143	25 345 398

Source: HTI Consulting

- Overall returns are aligned to a financially feasible project however efforts should be placed to lower development cost, without compromising on the quality of the development. This is primarily the case for the hotel component as per sqm costs associated with the commercial tower are seen as reasonable and lower than benchmarks achieved in Dar es Salaam. With that being said, the hotel development costs will ultimately hinge of the operator chosen to manage the development as some operators are more strict than others in terms of design standards and approved suppliers.

Yield Analysis

- Overall the Project achieves a first year yield of 6.6% which grows steadily to 11.1% by the tenth year.

Cash Flows and Project Yields for the Overall Development (2027 – 2036)

Base Revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	43 118	2 828	3 287	3 914	4 286	4 363	4 441	4 521	4 602	4 685	4 769
Yields		*6,6%*	*7,6%*	*9,1%*	*9,9%*	*10,1%*	*10,3%*	*10,5%*	*10,7%*	*10,9%*	*11,1%*

Source: HTI Consulting

Total Project Sensitivity Analysis

Internal Rate of Return

- In order to test the volatility of the returns on the project, we ran a sensitivity analysis on 2 variables: **Development Cost and Total Gross Revenue.**
- The development cost figures used as a base are based on total construction cost for the project.

Revenue & Development Cost Sensitivity

10 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	12,95%	13,15%	13,65%	14,45%	15,35%
Revenue + 5%	12,25%	12,65%	13,55%	13,95%	14,85%
Base Revenue	11,45%	11,95%	12,75%	13,45%	14,15%
Revenue - 5%	10,65%	11,25%	11,95%	12,65%	13,35%
Revenue - 10%	9,85%	10,45%	11,05%	11,75%	12,45%

20 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	11,14%	11,74%	12,34%	12,94%	13,54%
Revenue + 5%	10,54%	11,14%	11,84%	12,44%	13,14%
Base Revenue	10,04%	10,44%	11,04%	11,64%	12,14%
Revenue - 5%	9,24%	9,74%	10,34%	10,94%	11,44%
Revenue - 10%	8,54%	9,04%	9,64%	10,14%	10,64%

Source: HTI Consulting

Salient Points

Project Risk Analysis and Mitigation Actions

	Risk Description	Risk Level	Mitigation Actions
Market Risk	Overestimation of demand and concept misalignment with market conditions	Low to medium	• Conduct Market Feasibility to outline demand levels for various asset class development in Dodoma and provide guidance on appropriate concept and positioning to follow
Market Risk	Reliance on government business to stimulate hotel demand in Dodoma	Medium	• Focus on demand diversification within mixed – use development (multi-purpose spaces, informal meeting spaces, modern retail, etc.). Grow domestic demand and weekend leisure demand for the hotel
Market Risk	Rate discounting amongst key demand generators	Medium	• Target international corporate demand which is less rate sensitive that local corporates and conference market
Market Risk	Dar es Salaam to remain an indirect competitor	Medium	• Contract with professional hotel operator to ensure quality of service and product aligns to corporate hotels in Dar es Salaam. This will encourage more business people to overnight in Dodoma rather than commute back to Dar es Salaam
Market Risk	Office developments are primarily owner occupier facilities therefore availability of corporate tenants is not guaranteed	Low	• Tenanted office stock to remain below 5,000 sqm to ensure uptake is strong. Target medium sized corporates and NSSF auxiliary service providers to create complementary office services within the development
Market Risk	Estimated development costs based on market benchmarks	Low to medium	• Undertake professional cost analysis based on proposed concept and positioning outlined in Feasibility analysis
Construction Risk	ESG compliance may be required given the nature of the Owner (pension fund)	Low	• Incorporate Green Building technologies
Construction Risk	Development cost overruns	Medium to High	• Ensure an experienced Project Manager is on boarding from the beginning to handle all construction contracts and on boarding of professional teams • On boarding of established Contractor with experience in delivery mixed-use developments in required timeline • Where possible utilize fixed-fee contractor and milestone based contracts with penalty for delays to work done
Construction Risk	Failure to meet Technical standards of Hotel Operator	Medium	• On boarding of Hotel Operator at early stages of concept development to ensure design drawings and construction components align with Brand Standards
Construction Risk	Construction delays	Medium to High	• Ensure an experienced Project Manager to monitor all construction and development activity, timelines and procurement processes • Undertake regular site visits and development update meetings

Project Risk Analysis and Mitigation Actions

	Risk Description	Risk Level	Mitigation Actions
Operational Risk	Inability to attract and retain skilled staff	Low	• Ensure Hotel Operator undertakes a comprehensive training program for staff
Operational Risk	Poor service quality damaging brand reputation	Low	• Contract professional management to operator Hotel component and outsource property management of Office and Retail to appropriate firm
Operational Risk	Operational inefficiencies	Low to Medium	• Contract with Property Management firm to operate other components of the development and ensure appropriate implementation of a Property Management System (PMS) for efficiency across the development
Operational Risk	Pandemic and other disasters	Low to Medium	• Ensure Force Majeure clause is present in Hotel Management Agreement and other Property Management Agreements to protect Owner against "act of god" events
Operational Risk	Drop in government conference demand or travel expenditure would weaken demand for the development	Medium	• Ensure Hotel Operators actively markets hotel to a diverse market mix to ensure reliance on one market segment is not apparent
Financial Risk	Pricing fluctuations with Hotel component as hotel revenues are not fixed and fluctuate based on market conditions	Medium	• Include performance clauses in Hotel Management Agreement • Contract office tenants on a triple net lease basis
Financial Risk	Exchange rate fluctuations which can affect revenue and cost management – primarily with Hotel component when Operator Fee's are paid in USD currency	Medium to High	• Provide rental discounts for leases paid in foreign currency • Establish a contingency fund and monitor working capital
Financial Risk	Weakened returns if development costs exceed viable levels	Medium	• Contract a professional Project Manager to monitor all construction activity and costing
Financial Risk	Weakened returns if Dodoma Master Plan vision is not realized	Medium	• Hold regular meetings and workshops with Dodoma City Council to evaluate greater development progress within Dodoma
Legal and Compliance Risk	Land title disputes	Low	• Perform legal due diligence on land ownership and development rights on the assigned site
Legal and Compliance Risk	Non-compliance with Hotel brand standards	Low	• Monitor compliance with brand guidelines
Legal and Compliance Risk	Litigations from contractors or tenants	Medium	• Include dispute resolution clauses in contracts

Macroeconomic Environment

SECTION 1

- Understanding the macro-environment into which a hospitality project ("the Project") will enter and operate creates the base layer to feasibility assessment.
- In this section we provide an overview of the Tanzanian macro-economic and political situation, tourism landscape and unpack other factors which can influence and impact on the overall outcome of the Project.

Economic Indicators

Overview of Tanzania Macro Environment

Population

Tanzania holds the fifth-largest population in Africa at 62 million (as per 2022 country census), with a rapid growth rate of 3.1% yearly. Dar es Salaam is the nation's largest city, an economic hub with over seven million inhabitants, making it the largest city in East Africa but also the sixth-largest on the entire continent. Mwanza follows as the second-largest urban area with 1,311,000 residents.

Political Stability

Tanzania shines as a model of calm and political stability in Africa. Since its 1961 independence, the nation has maintained remarkable peace, evading civil strife and internal conflicts. With a united national identity, citizens coexist harmoniously without ethnic divides.

Tanzania has seen five seamless leadership transitions through democratic elections since independence. Notably, in 2021, the nation achieved a historic milestone by electing its first female president.

Economic Growth

Tanzania emerges as a swiftly expanding economy within the region, boasting a GDP growth of approximately 7% since 2010. While the pandemic led to a decline, hampering the crucial tourism sector, the nation's growth has rebounded. An estimated growth of 5.3% in 2022 is followed by 5.2% in 2023.

Tourism Value

Tanzania's wildlife treasures are globally acclaimed, with over a quarter of its land dedicated to protected areas. The country proudly boasts 22 National Parks, 32 Game Reserves, and diverse marine sanctuaries. Iconic destinations like the Serengeti, Ngorongoro Crater, and Kilimanjaro attract travelers from around the globe. In real terms, tourism is a money-spinning industry for the economy, generating 1.3 million jobs, USD 2.6 billion in revenue annually and representing approx. 18% of GPD and 25% of export receipts

Foreign Direct Investment

FDI in Tanzania has exhibited substantial growth. In 2021, FDI surged by an impressive 33%, amounting to USD 922 million, compared to the USD 695 million recorded in 2020. This trend continued into 2022, with FDI climbing by 19% to reach USD 1.1 billion. Leading the roster of countries channelling FDI into Tanzania are China, the USA, Mauritius, Spain, and India. The inflow of FDIs has predominantly centred around sectors such as commercial real estate, manufacturing, and transportation.

Source: Fitch Solutions

Economic Indicators

Economic Overview

- Tanzania is East Africa's second-largest economy after Kenya. As per the 2022 Tanzania census the population sits at 62 million people. Tanzania is considered as an attractive (consumer) market for foreign exporters. In addition to its relative large population, Tanzania also reached an important milestone in 2020, when it formally graduated from low-income country (LIC) to lower-middle-income country (LMIC) status. This achievement reflects sustained macroeconomic stability that have supported growth as well as the country's rich natural endowments and strategic geographic position in the region.
- Tanzania has experienced strong economic growth in recent years, with an average growth of 6.3% in the last decade, thanks to a high level of exports in natural resources, developments in the tertiary sector (telecommunications, transportation, finance, tourism) and the establishment of a liberalisation programme. Although GDP growth decelerated since the outbreak of the COVID-19 pandemic, Tanzania was one of the rare economies not to fall into economic recession over this period and outperformed neighboring economies in terms of GDP growth achieved. In 2021, the real GDP of the country grew by 4.9% reaching USD 70.28 billion according to the Bank of Tanzania; while in 2022 growth of 4.5% was achieved supported by public and private investment (mostly in infrastructure projects). For 2023, the IMF forecasts a GDP growth of 5.2%, followed by 6.1% in 2024, closer to the country's pre-pandemic average. Downside risks include weak fiscal metrics, elevated debt stocks and the ongoing effects of the Russian-Ukraine war (the two countries accounted for 11% of tourist arrivals before the conflict).
- Ambitious infrastructure development plans, as part of the government's Five-Year National Development programme (fiscal year 2021/2022 to 2025/26), will see a period of buoyant growth for the construction sector in the coming years. In particular, port and rail development will be significant drivers of infrastructure growth in the short to medium term. Dar es Salaam port - the country's main port, responsible for 95.0% of Tanzania's export-import volumes - is undergoing expansion, with the aim of almost doubling its capacity. Construction on Tanga port began in 2020, with the goal of adding oil export facilities in order to transport neighboring Uganda's future crude production to international markets.
- Another major project expected to commence is an intra-regional rail network aimed at improving trade and transit links in the region, with the construction of new railway links set to connect Dar es Salaam with Kigali in Rwanda, Musongati in Burundi. In addition, a major area of growth for the economy will be the oil and gas sector with two significant projects planned which are anticipated to stimulate additional growth within the economy once kicked-off. The planned Likong'o-Mchinga LNG plant has the potential to spur the country's economic growth by an additional 2% once construction commences. In addition, Tanzania and Uganda have signed an agreement allowing for the construction of a 1,400 km crude oil pipeline between the two countries.

Economic Indicators (2017 – 2028f)

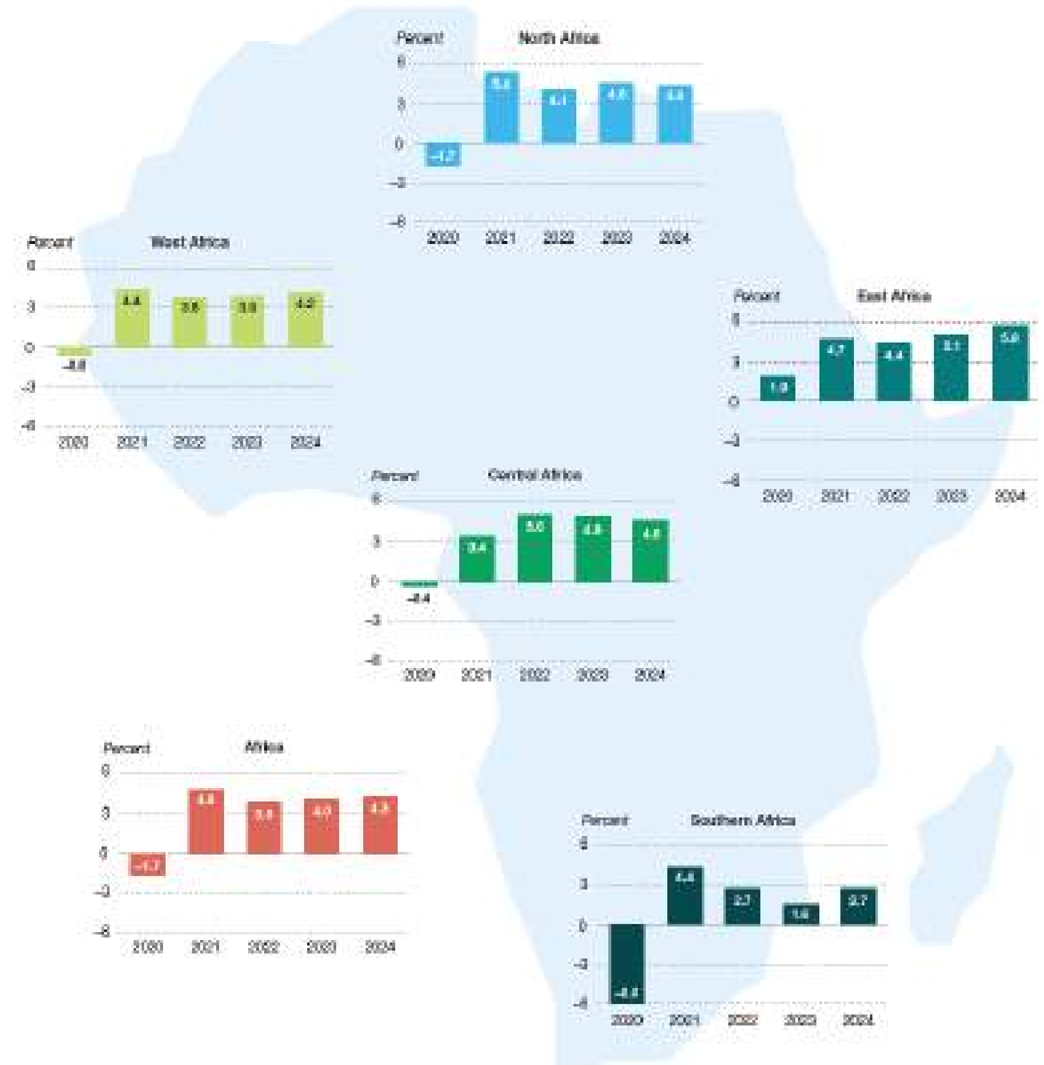
	2017	2018	2019	2020	2021	2022	2023	2024f	2025f	2026f	2027f	2028f
Nominal GDP (USDbn)	53,3	57,0	61,0	65,9	70,3	77,4	84,0	87,9	95,2	104,2	113,7	124,2
Real GDP Growth (%)	6,8%	7,0%	7,0%	4,8%	5,0%	4,7%	5,2%	6,1%	6,2%	6,8%	6,8%	6,8%
Exchange Rate LCU/USD	2228,9	2263,8	2288,2	2294,2	2297,8	2324,4	2420,0	2550,0	2625,0	2675,0	2725,0	2775,0
Lending Rate (%) eop	17,8%	17,4%	17,0%	16,7%	16,6%	16,2%	16,1%	16,1%	16,1%	16,1%	16,1%	15,9%
Central Bank Lending Rate (%)	9,0%	7,0%	7,0%	5,0%	5,0%	5,0%	5,0%	6,0%	6,8%	7,3%	7,5%	7,5%
Consumer Inflation (%)	5,3%	3,5%	3,5%	3,3%	3,7%	4,3%	3,8%	3,4%	3,9%	4,3%	4,5%	4,5%

Source: Fitch Solutions

Regional Growth Performance and Outlook

Tanzania Underpinning Growth within East Africa

- The neighboring graphic showcases the GDP performance and future outlook across Africa's regions. Notably, in East Africa, where Tanzania, Kenya, and Rwanda lead the way, there are projections of achieving short-term GDP growth that surpasses the continental average.
- Growth in East Africa is estimated to have risen to 5.1% in 2023 from 4.4% in 2022, benefiting from declined commodity prices.
- East Africa primarily consists of nations that are significant net exporters of agricultural goods such as tea and coffee, as well as players in the mining industry. Growth in the region is forecasted to ease to 5.1% in 2023, followed by a sustained expansion of 5.8% in 2024. This growth is attributed to the resurgence in global commodity demand and an enhancement in domestic circumstances. These improvements, which follow a period of weakness caused by the Covid-19 pandemic, are expected to boost investments and economic performance.
- The projected growth in 2023–24 will be underpinned by sustained growth in Tanzania which accounts for 19% of the regions GDP, making it one of the region’s top performer, with real GDP growth exceeding 6% since 2000. That growth has benefited from scaling up investments and exports in the agriculture sector.
- Rwanda will spearhead the region's growth, having maintained a steady 7% growth since 2000, with the exception of 2020. This momentum is expected to persist in both 2023 and 2024.
- Ethiopia, Kenya and Uganda are set to maintain their growth momentum, with average rates surpassing 5% in the medium term. Conversely, Sudan, despite recovering in 2021, is anticipated to face an extended recession stretching into 2024 due to potential risks, including political challenges. South Sudan might not achieve positive growth until 2024.



Source: African Development Bank

Tanzania Legislative Environment

Taxation Landscape

- Please note HTI are not tax related experts and information provided in this section was gathered from external sources (PWC Tanzania). It is therefore recommended that the Client engage with a local tax/accounting firm to further unpack specific tax related obligations and regulations.

- Historically the hospitality and tourism sector were VAT exempt, however in 2016 this was reversed and business in this sector must now adhere to the 18% VAT requirement.
- For imported goods, VAT is payable at the time of importation together with any customs and excise duties.
  - Import duties vary significantly. Generally, the following import duty rates are applicable:
    - 0% on raw materials and capital goods;
    - 10% on semi-finished goods;
    - 25% on finished consumer goods; and
    - 35% on specified goods;
- Apart from individual income taxes, payroll taxes include:
  - Skills and development levy of 4% of payroll cash costs. This applies to employers with 10 or more employees;
  - 20% social security contribution, which is normally split equally between employer and employee;
  - Workers compensation fund tariff charged at 0.5% of cash sums paid to employees. This is payable on a monthly basis.
- Property taxes are calculated on the value of a premises. The rate varies depending on the value and location of the property. The Tanzania Investment Centre provides the following cost:
  - Residential buildings: 0.15% of buildings value;
  - Commercial buildings: 0.2% of buildings value;
  - If a property is unvalued a flat fee of TZS 12,000 (normal building) or TZS 60,000 (per storey for a storey building) is levied.
- The local government authorities are entitled to charge a 0.3% Service Levy based on turnover generated by corporate bodies in the relevant district.

Key Tanzanian Taxation Figures (2024)

Structure	Charge
VAT	18%
Corporate Income Tax (CIT)	30%
Stamp duty	1% of the consideration
Tourism Business License (TALA)	Foreign entities: USD 5,000 per annum Local entities: USD 500 per annum
Tanzania Food and Drugs Authority (TFDA)	USD 100
Tourist Tax	USD 1.50 per person per night
Tourism License Fee	Estimated USD 2,500 (varies depending on location and product type)
Work Permits	Fixed fee depending on class Class A (Investor) USD 3,000 Class B (Employee) USD 2,000

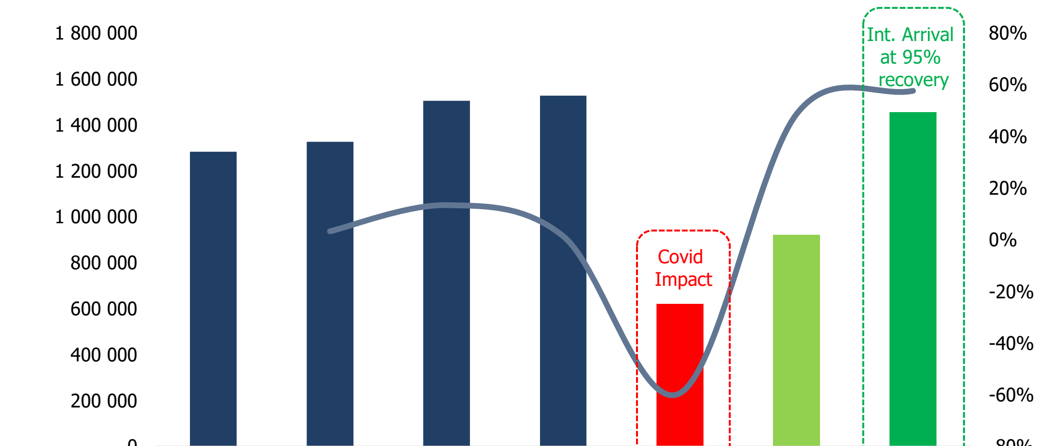
Source: PWC Tanzania / Tanzania Investment Centre

Tanzania International Arrivals

Signs of Growth Pre-Pandemic & Recovery

- Prior to the onset of the global pandemic, Tanzania had been experiencing steady growth in international tourist arrivals with a Compound Annual Growth Rate (CAGR) of 7.15% achieved in international arrivals between 2014 and 2019, with arrivals reaching 1,57 million by 2019.
- The tourism sector is of great importance to the Tanzanian economy, accounting for approximately 18% of total Gross Domestic Product (GDP) in 2019. In addition, the sector is a dominant source of foreign exchange, accounting for 25% of total export earnings.
- Given the peaks realized in 2019, the timing of the global pandemic was unfortunate as the tourism boom was expected to continue into 2020. The introduction of travel bans, closure of international airports and lockdown activity internally saw international arrivals figures decline by nearly 60% during 2020.
- However, the quicker pace of reopening borders in Tanzania allowed international arrivals to return to growth in 2021, with international arrivals increasing by 48% to reach 922,692 for the year. Going in 2022, this positive trend continued with arrivals reaching a 95% recovery rate when compared with pre-pandemic levels.
- Based on 2023 numbers thus far (January to August) arrival figures have reached 1,13 million. This is already 19% higher than that achieved during Q3 2019 and indicates that full year 2023 could see full recovery in tourist arrivals to the country.

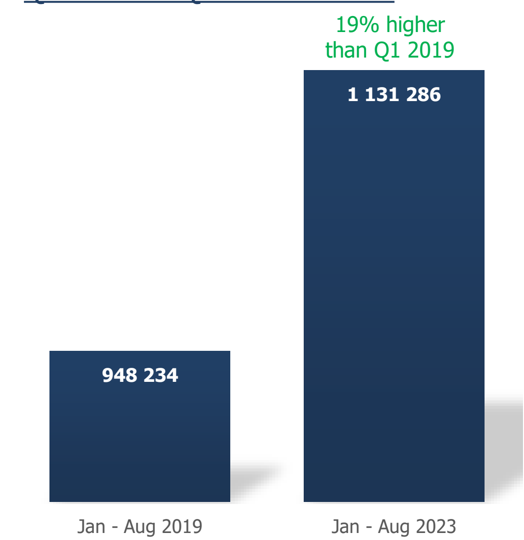
Total International Arrivals to Tanzania (2016 - 2022)



	2016	2017	2018	2019	2020	2021	2022
Int. Arrivals	1 284 279	1 327 143	1 505 702	1 527 230	620 867	922 692	1 454 920
Growth (%)		3,3%	13,5%	1,4%	-59,3%	48,6%	57,7%

Source: Ministry of Natural Resources and Tourism

Q1 2019 vs Q1 2023 Arrivals



Source: Ministry of Natural Resources and Tourism

International Air Arrivals

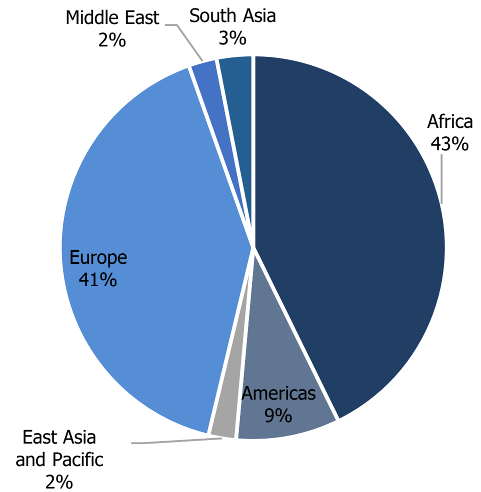
International Arrival Source Regions and Markets

- Africa remains the most dominant source region into Tanzania representing 43% of total arrivals in 2022. This is followed closely by Europe (41%). Following these two source regions, the America accounted for 9%, South Asia accounted for 3% and both the Middle East and Asia Pacific represented 2% respectively.
- African markets primarily travels for business purposes which is of more relevance to the project under review. Kenya is the country's largest source market with cross border trade and business between these two countries being common. This is then followed by South Africa which tends to undertake both business and leisure.
- With regards to the oversees markets, the USA, France, UK, Italy, Germany and Poland have been the most dominant oversees sources markets.

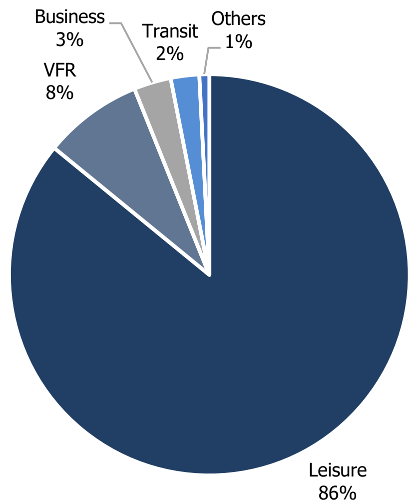
Purpose of Visit

- Tanzania is blessed with a wide tourism offering, extending from the plains of the Serengeti, the peaks of Mt Kilimanjaro to the beaches and history of Zanzibar.
- With this in mind, it is not surprising that the vast majority of international arrivals are for leisure related purposes. Although leisure is the most dominant, the percentage it represents of overall international arrivals is inflated with many business tourists ticking "holiday" as their purpose of visit given the high prices associated with business visas in Tanzania with business travellers representing only 3% of overall air arrivals to the country.

Arrival Source Regions (2022)



Purpose of Visit to Tanzania (2022)



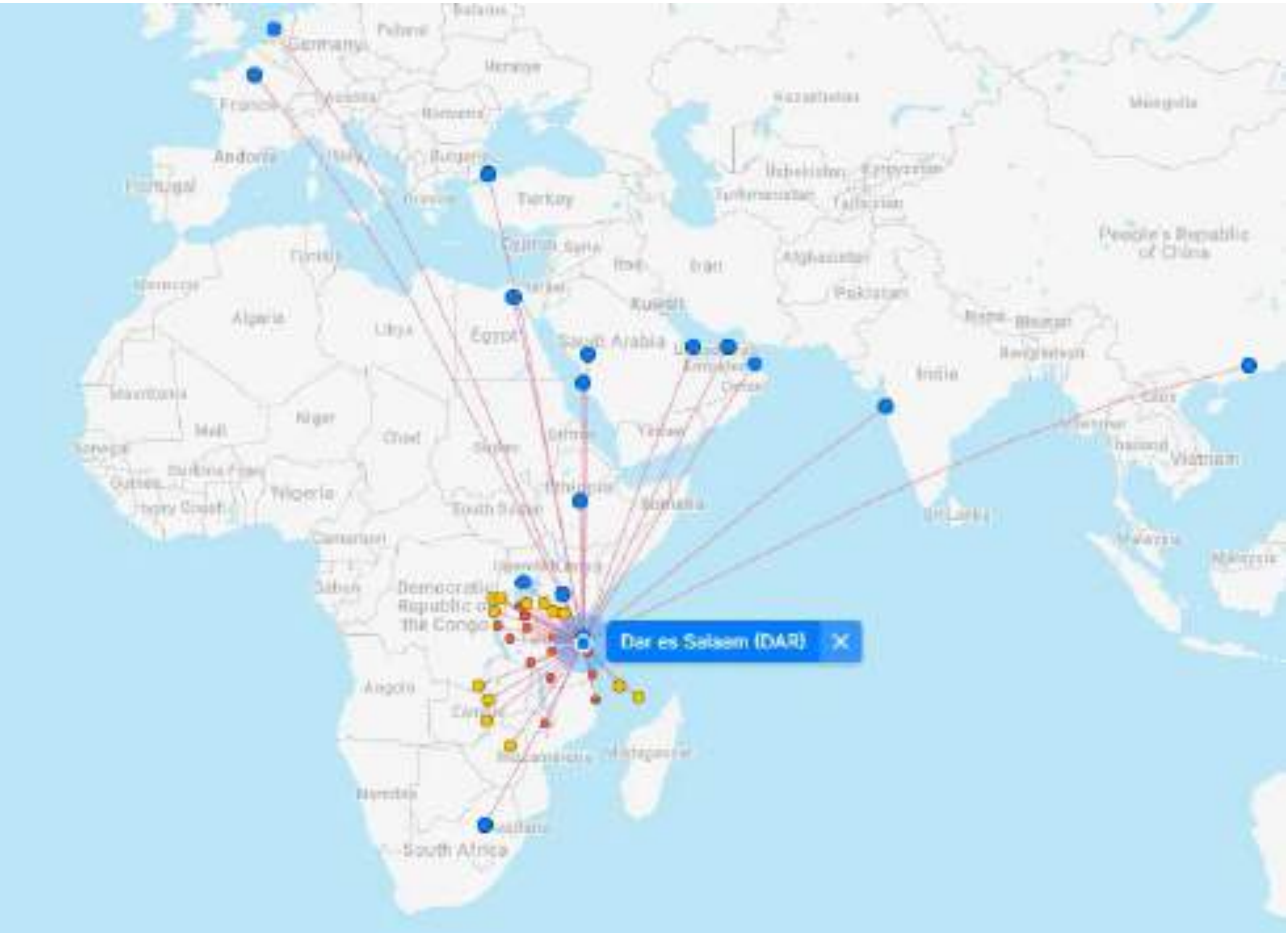
Source: Ministry of Natural Resources and Tourism

International Air Connectivity

Dar es Salaam as the Hub for International Air Connectivity

- Currently Dodoma does not offer an international airport with all foreign travellers having to transit via Dar es Salaam en-route to the city. However an international airport, Msalato International Airport, is planned for the city and is expected to handle 50,000 aircraft and 1 million visitors annually.
- Although government priority will be placed on growing Dodoma into a regional hub, the international airport will likely continue to compete with JNIA given this airports international reach and connectivity.
- Currently Dar es Salaam offers direct connections to 43 destinations in 23 countries as shown in the adjacent map. There are also 17 domestic connections from this airport. A total of 25 airlines have services to and from Dar es Salaam.
- In order to fully realise the vision for Dodoma, a similar level of connectivity will need to be provided and efforts from government will be needed when lobbying with international carriers to either relocate/re-route to Dodoma or provide additional services to Dodoma whilst retaining their Dar es Salaam connections.

Total International Arrivals to Tanzania (2016 - 2022)



Source: Flight Connection

Dodoma Air Connectivity

Arrivals Volumes

- As mentioned Dodoma is a domestic airport with daily connections to Dar es Salaam.
- Air Tanzania and Precision Air service the airport with the following weekly flight schedule:

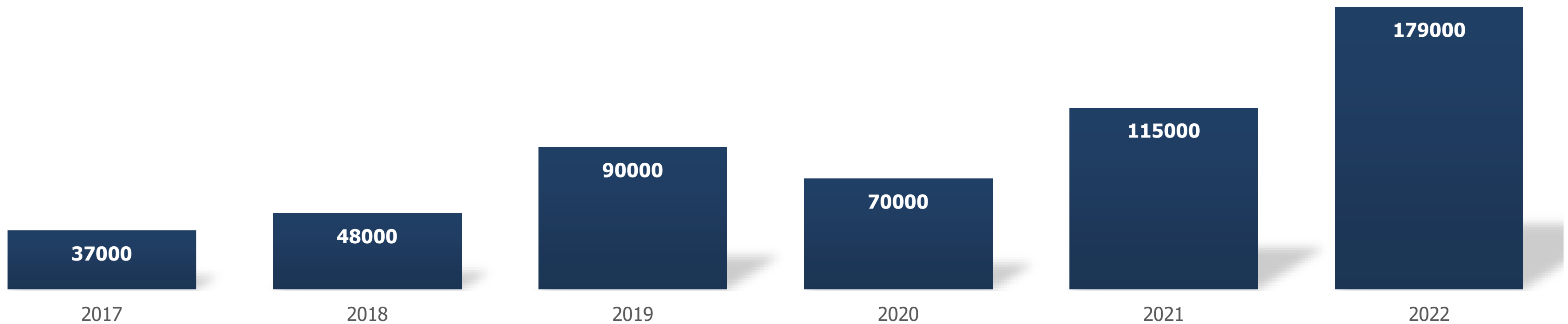
Air Connectivity at Dodoma Airport (2023)

Airline	Inbound Flights per Week								Flight Passenger Capacity	Total Weekly Passenger Capacity
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total		
Air Tanzania	3	3	3	3	4	3	4	23	67 to 76 depending on the aircraft series (Bombardier Q400) utilised	~ 1,633
Precision Air	1	2	2	1	1	1	1	9	66 passengers	594

Source: Air Tanzania, Precision Air

- As seen, Air Tanzania is the most prominent airline servicing Dodoma with 23 weekly inbound flights to the destination compared with 9 from Precision Air. Based on the above frequencies and passenger capacity, a total of 2,227 commercial passenger seats are available on a weekly basis which amounts to ~115,840 on an annual basis.
- Air arrivals to Dodoma have grown by a compound annual growth rate (CAGR) of 37% per year since 2017 to reach 179,000 by 2022. Since the announcement by the late President as to the relocation of government ministries to Dodoma, arrivals to the city started to grow significantly with 2019 nearly doubling the previous years arrival figures. Although statistics on 2023 arrivals are not readily available, information gathered indicates continued growth in arrivals figures has been achieved with an estimated 20% growth forecast for the year – with the African Development Bank forecasting arrivals surpassed the 200,000 mark during the course of the year.

Air Passenger Arrivals to Dodoma (2017 – 2022)



Source: Tanzania Airport Authority

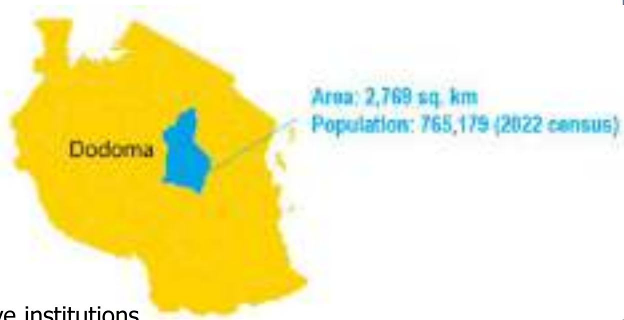
Overview of Dodoma City

SECTION 2

- Having understood the greater macro-economic environment in Tanzania, we will now focus on the economic drivers and vision for Dodoma City.
- In this section we provide an overview of Dodoma, development landscape and unpack other factors which can influence and impact on the overall outcome of the Project.

Dodoma Capital City

Introduction



- Dodoma National Capital City is located in the middle of the country, it covers an area of 2,769 Square kilometers and a population of 765,179 (National population and housing census 2022).
- Dodoma is surrounded by an agricultural area and has a rich landscape. The economy of the Dodoma Region is primarily dominated by agriculture, including subsistence and commercial farming.
- While traditionally overshadowed by the commercial activity of Dar es Salaam, Dodoma is experiencing gradual economic growth and diversification, driven by various sectors.
- **Government and Public Administration:**
  - As the political capital of Tanzania, Dodoma hosts the central government offices, ministries, and administrative institutions.
  - Government expenditure and public administration activities play a significant role in driving economic activity in Dodoma, contributing to employment, infrastructure development, and service provision in the city.
- **Education and Research:**
  - Dodoma is home to several universities, research institutes, and educational institutions, including the University of Dodoma (UDOM), which is one of Tanzania's largest universities.
  - The education sector contributes to economic growth in Dodoma through student enrollment, employment opportunities for faculty and staff, research activities, and knowledge transfer.
- **Agriculture and Agribusiness:**
  - Agriculture is a significant sector in Dodoma, with the region known for its production of crops such as maize, sorghum, millet, and sunflowers.
  - Agribusiness activities, including crop cultivation, livestock farming, and food processing, contribute to employment and income generation in Dodoma.
- **Trade and Services:**
  - Trade and services sectors, including retail, hospitality, transportation, and professional services, play a role in supporting economic activity and livelihoods in Dodoma.
  - The city serves as a commercial hub for surrounding regions, providing goods and services to residents, businesses, and government institutions.
- **Infrastructure and Construction:**
  - Infrastructure development, including roads, utilities, and real estate, is essential for supporting economic growth and urbanization in Dodoma.
  - Public and private sector investments in infrastructure projects, such as roads, bridges, and public buildings, contribute to job creation, investment attraction, and improved living standards, and given the long term vision of Dodoma will likely be the sector that contributes highest to future economic growth of the city.

Dodoma Master Plan

Introduction

- The history of Dodoma capital city is traced back to 1973 when it was declared the National Capital City under presidential decree. In 2017 (under President Magufuli) the government started to officially shift its function from Dar es Salaam to Dodoma. The rationale for the Government to shift its functions to Dodoma was propelled by:
  - Stimulating economic development of the central regions of Tanzania;
  - Decongesting continued growth of Dar es Salaam city;
  - Improving the well-being of the people; and
  - Redistributing economic benefits to the wider population of Tanzania.
- The decision also aimed at promoting city productivity and bringing government services geographically closer to the people.
- Since the decree in 1973 there have been three masterplan and land use plans developed for Dodoma, the most recent being the 2019 – 2039 Master Plan. According to this master plan, the population is expected to grow by a CAGR of 5% to reach 1,6 million by 2023 and further to 8,4 million by 2069. The population growth rate is based on the assumption that there are on-going investment projects in Dodoma such as the Standard Gauge Railway (SGR), the new Msalato Airport, dry port, bus stand, markets and road expansion – more detail to following on infrastructure developments.
- The vision of the 2019 master plan is centered around ***"developing Dodoma as a National Capital City that is economically competitive, socially inclusive, environmentally sustainable, vibrant, safe and convenient."*** In order to operationalize this vision, 9 themes have been developed as shown below

Dodoma as a regional economic hub → Dodoma as an academic city → Dodoma as a tourist destination → Dodoma as an inclusive city → Dodoma as a sport and recreational city → Dodoma as an eco-friendly and green city → Dodoma as a smart city → Dodoma as a multi-centrality city → Dodoma as a Transit Oriented Development city

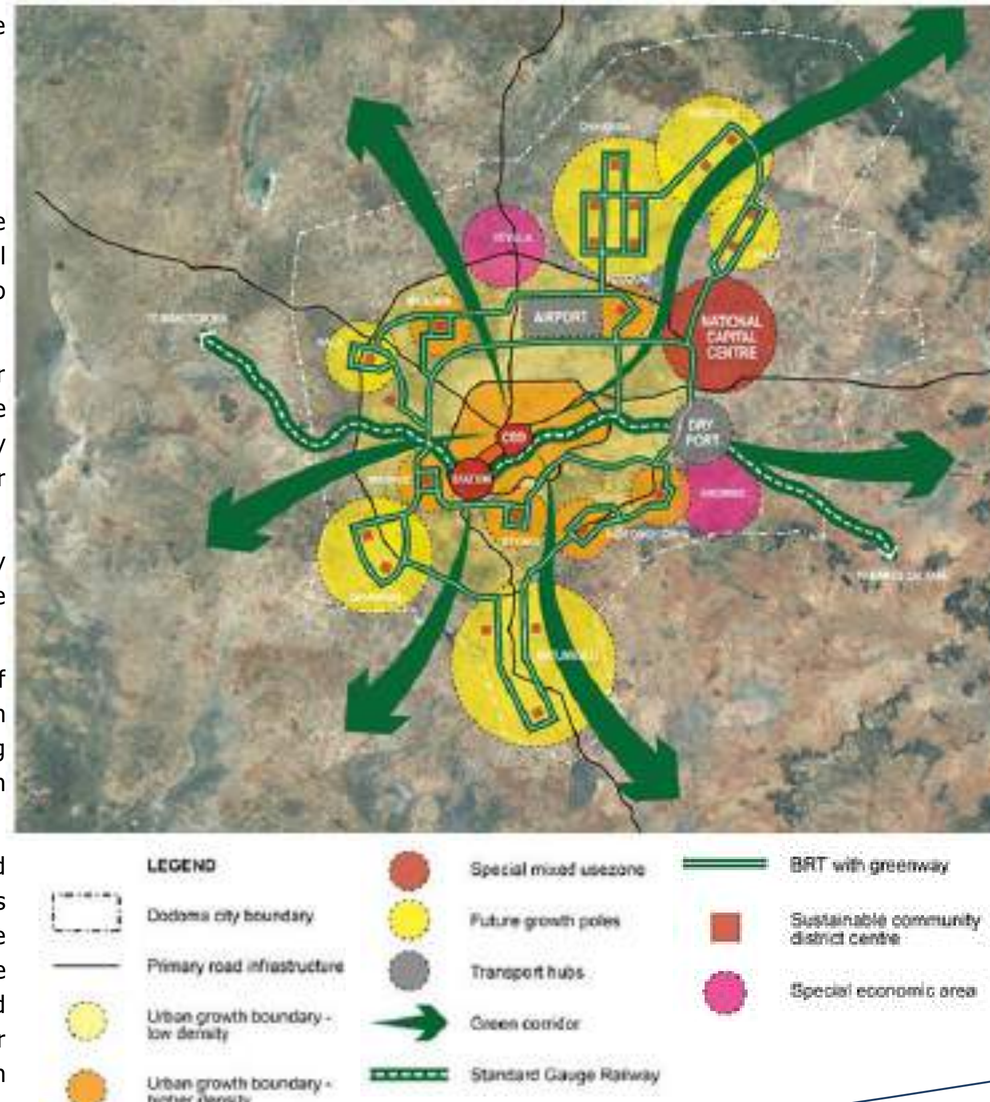
Source: Dodoma 2019 – 2039 Master Plan

Dodoma Master Plan 2019 - 2023

City Planning and Development

- Three planning concepts were reviewed to determine the most appropriate development concept to follow under the Dodoma master plan, namely:
    - Compact Concept
    - Multi-centered Concept
    - Concentric Concept
- The preferred concept was the concentric development concept. However, the adopted Master Plan development concept took the advantages observed in all the three concept and combined into one holistic concept development to follow.
- The compact city concept provides for a phased development where the outer ring marks the boundary for city expansion within 20 years in which the projected population is approximately 1.7 million. Thus, major city development projects by 2039 are anticipated to be limited within this outer ring.
- The multi-centred concept looks at the city expansion beyond 2039 whereby new centres are expected to grow along the major roads radiating from the city center and expanding further afield.
- The adopted Master Plan development concept combines the good qualities of the compact and cluster within a framework of concentric concept (as shown in the adjacent imagery). It contains residential communities in the existing (planned and unplanned) areas. The communities are to be interlinked with bus ways and clustered within or along the main roads.
- The existing and planned ring roads together with Iringa, Singida, Arusha and Dar es Salaam roads are essential elements in the designation of the various land uses/functions. As the current spatial development trends of the city are more inclined towards the eastern side (towards Dar es Salaam road) where the Government City is located, new developments are strategically distributed to balance the city functions. The conception is that, within the 20-year planning period, the larger proportion of development will take place within the outer ring road.

Dodoma City Development Plan



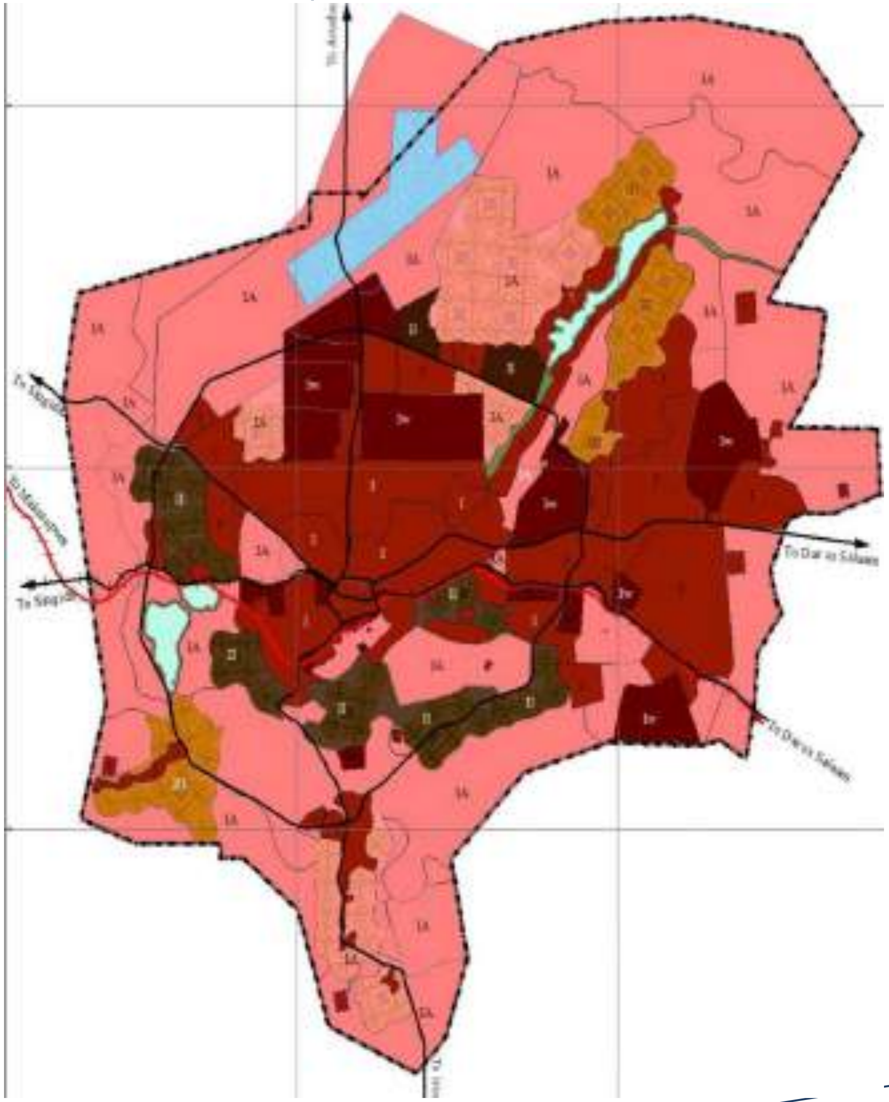
Source: Dodoma 2019 – 2039 Master Plan

Dodoma Master Plan 2019 - 2023

Phased Development and Implementation Plan

- The growth of the Capital City will be phased in a manner which meets the requirement of the growing population and is economical in terms of expenditure of public funds.
- The 2019 – 2039 Master Plan has been made taking a conventional time horizon of master plans of 20 years. Projects and improvements proposed in the Master Plan are intended to be phased in five year intervals to conform to growth management and long term financial strategy. The phasing strategy is divided into short (5 years), medium (10 years) and long-term (15 and 20 years) developments.
- The phased implementation of this Master Plan is shown in the adjacent image and follows the below timeline:
  - Phase I (2019-2024): Planning, surveying and servicing of 53,400 plots (12 communities) at Mtumba, Mahoma Makulu and Nala agglomeration. This phase will also include completion of on-going projects in the built up areas of Dodoma.
  - Phase IA (2024-2039): Acquisition, planning and surveying of all areas not earmarked for immediate service provision (52 communities)
  - Phase II (2024-2029): Planning, surveying and servicing of 13 communities
  - Phase III (2029-2034): Planning, Surveying and servicing of 16 communities
  - Phase IV (2034-2039): Planning, Surveying and servicing of 21 communities
- As per the above timeline, development of the city is currently in Phase 1.

Phased Dodoma Development Plan



Source: Dodoma 2019 – 2039 Master Plan

Dodoma Master Plan 2019 - 2023

Magufuli / Government City

- The development of Magufuli / Government city will completely transform the office market landscape in Dodoma and position the city as the Political Capital as intended. This development taking place in the Mtumba node which is 17 kilometers from the Dodoma city center. The site, which is located in Njedengwa, is approximately 15 kilometers from Government city.
- There are a total of 189 government institutions in Tanzania, of these around 27 will remain in Dar es Salaam (given the nature of their services / business) but are required to have a sub office in Dodoma. The remaining institutions will be establishing a headquarters in Dodoma and will most likely continue to operate a sub office in Dar es Salaam.
- Around 65 institutions have been granted building permits for the development of a headquarter building in Government city. Based on updated information, 22 are complete and relocation is underway and around 16 are at various stages of construction and 19 are in the preliminary stages of construction.
  - As per government directives, the relocation of ministries will be apportioned over the coming two years with around 38 required to relocate during the 2023/2024 financial year and around 19 required to relocate during the 2024/2025 financial year.
- Given the nature of these developments, owner / occupier spaces will be the most common with only a small portion of lettable stock likely to be present.
- The images below show the current development status of buildings in Government city.

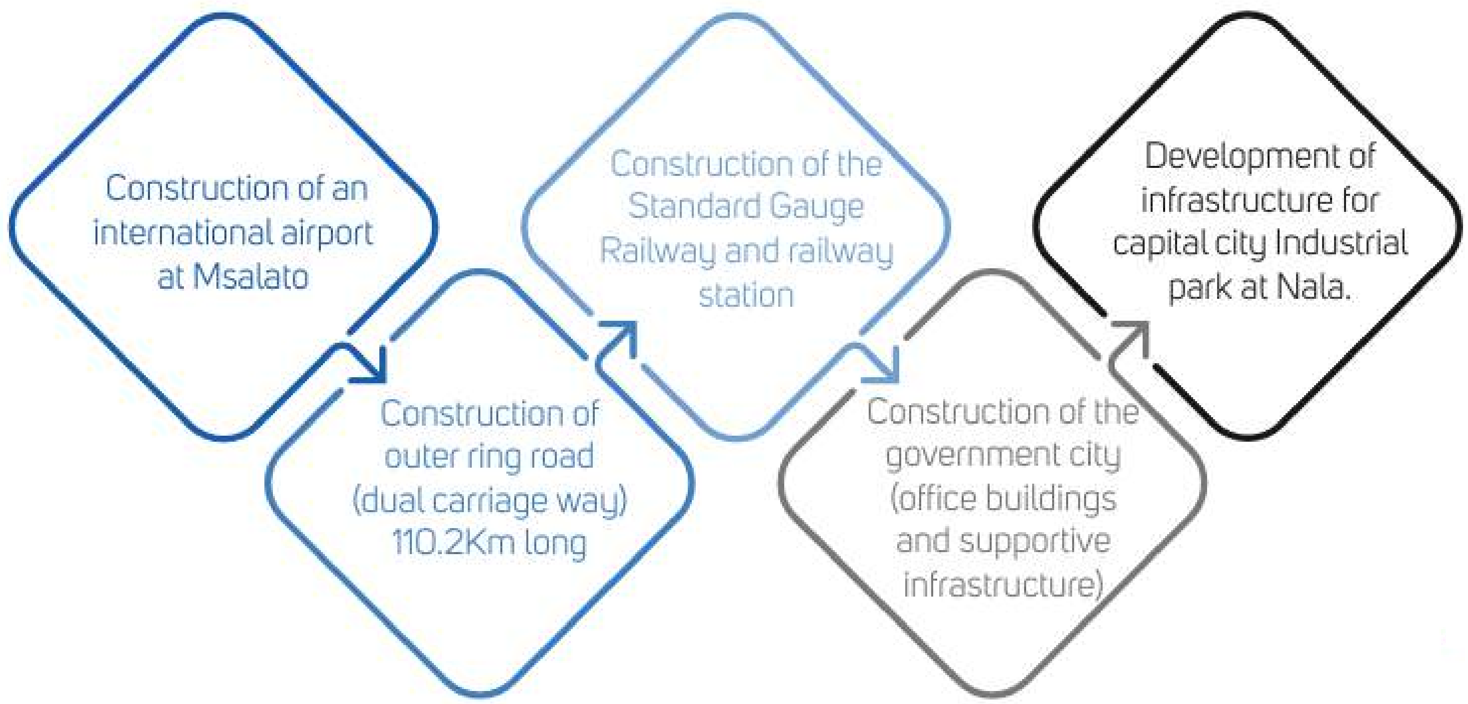
Source: Google Images

- In addition to government institutions, Government City will house 67 foreign embassies or consulates. To date no embassies have started development however plot allocation has been completed and around 30 embassies have been granted their permits with construction expected to start in the next quarter. It is noted that not all foreign embassies will relocate to Government City, opting to retain their Consulate or Commission offices in Dar es Salaam. For those that will not fully relocate, it is more likely that a smaller regional satellite office will be constructed in Dodoma. Based on market feedback, the US Embassy and British High Commission will not be fully relocating to Dodoma.

Dodoma Major Infrastructure Projects

Infrastructure Projects Stimulating Growth

- The government of Tanzania is currently executing infrastructure development projects in Dodoma that will foster the city's development and prosperity, contribute to higher productivity and growth, facilitate trade and connectivity, promote economic inclusion and ultimately contribute to the success of the development under question.
- Major infrastructure construction projects are shown below and will be detailed in the coming slides:



Source: Dodoma 2019 – 2039 Master Plan

Major Infrastructure Projects

Infrastructure Projects Stimulating Growth (continued)

- **Msalato International Airport:**
  - Given expansion challenges with the current Dodoma airport, a new greenfield international airport is planned for the city. The airport will be located in the Msalato, approximately 14 kilometers north of the current Dodoma city center.
  - The project is projected to cost USD 238 million and will be funded 67% by the African Development Bank, 15% by the Africa Growing Together Fund and 18% by the Tanzanian government. The project was approved by the AFDB in late 2019 and is planned for completion by the end of 2026. Based on stakeholder feedback, the project is at an implementation phase.
  - The new airport will include a 3600 meter runway, two taxiways and aprons which will be handle an Airbus A330. The terminal building is projected to have an annual capacity of 1,5 million passengers, a significant increase from the 50,000 capacity of the current Dodoma airport facility.
- **Dodoma Outer Ring Road Project:**
  - The 110 kilometer road project, largely funded by the African Development Bank, forms part of the Trans-African Highway Corridor that links Cape Town to Cairo via Dodoma, crossing the Central Corridor via Dar es Salaam to the interior of Tanzania.
  - The AFDB approved funding for the Dodoma City Outer Ring Road in 2019. The total project cost is USD 214.69 million, with the Bank providing nearly 65% of the funding or about USD 137.3 million. A further USD 41.8 million comes from the Africa Growing Together Fund, financed by the People's Bank of China. The Tanzanian government's contribution to the project is USD 34.5 million.
  - Once completed, the road is expected to improve accessibility to and around Dodoma City and the region, serving the regional markets in Tanzania, Burundi, Rwanda, Uganda and the Democratic Republic of Congo
  - It will also reduce transport costs and travel times, especially between Dar es Salaam and Dodoma which should increase business travel between these two hubs.
- **Standard Gauge Railway Project:**
  - Forming part of the East African Railway Master Plan, the 1,800 kilometer SGR project will link neighboring landlocked countries Rwanda, Uganda and Burundi to the port of Dar es Salaam.
  - The SGR is expected to accommodate passenger trains travelling at 160 kilometers per hour, therefore replacing older and less efficient passenger trains within the country.
  - **To date the SGR has been completed between Dar es Salaam and Dodoma as highlighted below**
  - The railway system will consist of major phases:
    - Phase 1: Dar es Salaam – Morogoro Station, covering a distance of 300 kilometers
    - Phase 2: Morogoro – Makutopora Station, covering a distance of 426 kilometers and **transiting through Dodoma** –complete and most relevant for the project under review as travel time between Dar es Salaam and Dodoma will be significantly reduced and aid in increased business travel to Dodoma.
    - Phase 3: Makutopora – Tabora Station, covering 368 kilometers
    - Phase 4: Tabora – Isaka Station, covering 130 kilometers
    - Phase 5: Isaka – Mwanza Station, covering 341 kilometers and linking Dar es Salaam to the southern shores of Lake Victoria
    - Phase 6: Tabora – Kigoma Station, covering 506 kilometers and linking to the eastern shores of Lake Tanganyika

Site Assessment

SECTION 3

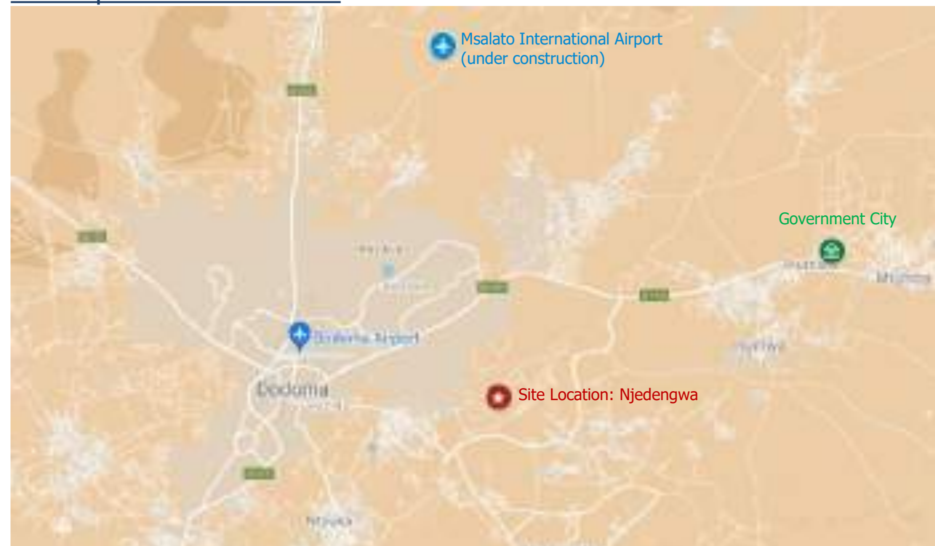
- A site visit was conducted in February 2024 to determine the suitability of the site to house the proposed development.
- This Section covers elements such as accessibility, site characteristics, size and overall appeal of the location to house the development under review.

Introduction to Site

Site Location and Size

- As mentioned the development site will be located in Dodoma, in the Njedengwa district which is approximately 25 kilometres from the current Dodoma city centre and approximately 15 kilometres from the designated Government City zone.
- Njedengwa is seen as the institutional zone within the greater Dodoma City Master Plan 2019 – 2039 with high profile parastatals, organisations, banks and private corporates likely to take up office stock and developments in this node. Nearby developments include the Institute of Finance Management (less than 1 kilometre from the site) and the University of Dodoma (3 kilometres from the site). In addition, the PSSF has secured a site adjacent to the proposed development location, again reiterating the nodes status.
- The site has good accessibility off the UCSAF Road (paved road of good quality) that links to Dodoma city centre. The development plot is a corner unit therefore visibility will be enhanced. The gradient of the site offers a gentle slope which again increases visibility for the development and offers sweeping views towards the city centre.
- The site covers 2.13 hectares which is approximately 21,000 square metres and is zoned under Use Group G Class A which covers the construction of local government or central government offices. Based on pre-feasibility investigation the zoning would need to change in order to accommodate the commercial and hospitality development envisaged on the site.
- In terms of utilities, it has been observed that power lines and cables are present in the surrounding area with the site having power supply from TANESCO. In addition water supply is available within the area and quality is good. Wastewater sewer connections will be required as they are not currently present on the site with the closest wastewater pipe located 5 kilometres from the site.
- Site imagery is provided on the following slide.

Development Site Location



Source: MyMaps

Development Site Boundary

Source: MyMaps

2.13 hectares (21,000sqm) greenfield development site

Zone as Use Group G Class A – will require rezoning to incorporate commercial and hospitality components

Acquisition cost:
TSH 402 million (TSH 19,100 per sqm) / USD 160,000 (USD 7.50 per sqm)

Site Characteristics

Site Characteristics

Development Site Imagery

Source: HTI Consulting

- ✓ **Elevated position** which will offer 180 degree views over the city centre
- ✓ **Lack of direct competition** as no hotel developments are planned in the immediate surrounds. Closed hotels are located in the City Centre which is 25 kilometres from the site
  - ✓ The lack of surrounding hotel supply is advantageous as will enable the hotel to attract strong levels of demand from surrounding corporate developments

Site Evaluation

Conclusion

Site Evaluation	--	-	-/+	+	++	Comment
Location						Prominent site location in Njedengwa
Accessibility						Corner location with well established and good quality road networks leading to the site
Site Characteristics						Large site, elevated which will enhance visibility for the development and create attractive views over the city
Demand Generator Appeal						Njedengwa node will house various high profile institutions which can drive healthy demand for the hotel
Competitive Supply						No competitive supply in the surrounding area
Rate Potential						Location bodes well with the development of a 4 star product however cognisance needs to me placed on the rates demand generators are willing to pay in this market

Source: HTI Consulting

Salient Points

- Overall the site is considered suitable for the development of a hotel, likely an upscale hotel. The hotel will be able to tap into the corporate/government nature of the surrounding node and capture decent roomnigth demand generated within its immediate area.

Dar es Salaam Hotel Market Assessment

SECTION 4

Given the infancy of the Dodoma hospitality market an overview of supply and performance in Dar es Salaam is provided as a benchmark for possible performance within Dodoma.

In this Section we will highlight:

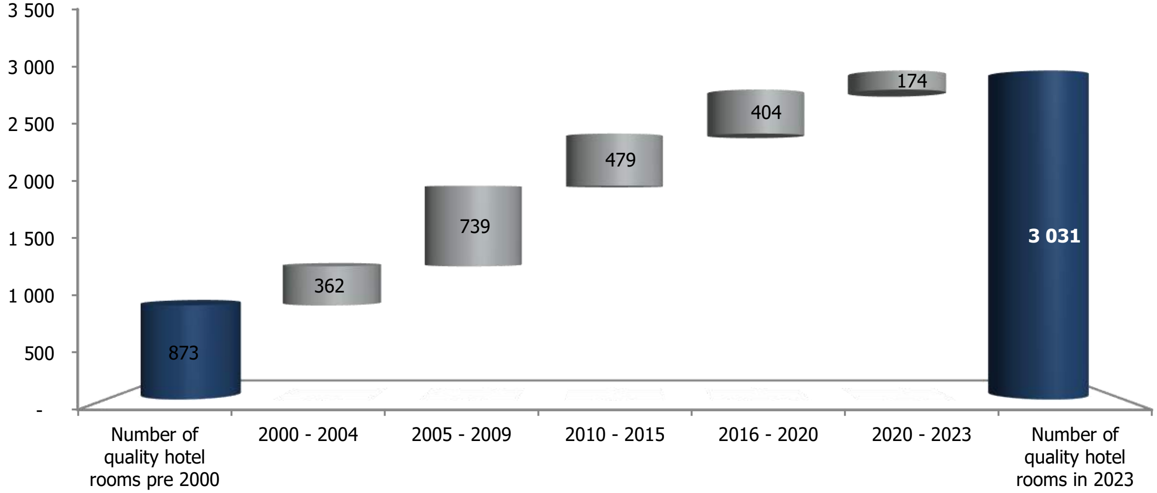
- An introduction to accommodation supply in Dar es Salaam;
- Hospitality demand drivers in Dar es Salaam;
- Hospitality performance in Dar es Salaam; and
- Demand generator feedback and rates paid in Dar es Salaam.

Hotel Supply

Growth in Supply

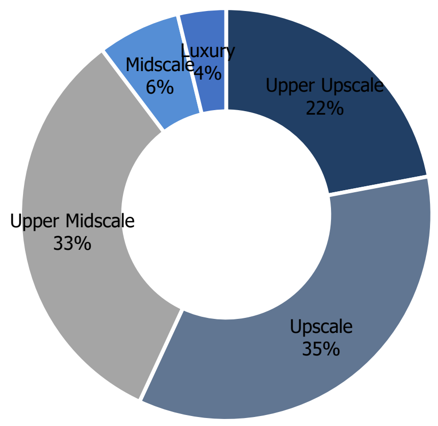
- Over the last two decades, investment into the hotel industry in Dar es Salaam has been strong. To date there are 30 quality hotels representing 3,031 rooms in Dar es Salaam, the majority of which are positioned at an Upscale (35%) or Upper Midscale (33%) level. Of the two dominant nodes, the CBD accounts for 62% of hotel supply compared with 38% being located in the Peninsula / Oyster Bay area.
- Unlike other African markets, franchise agreements are becoming more common in Dar es Salaam which has lead to decent brand penetration in the market. Of the quality rooms assessed, 64% is operated under either an international or regional operator with the most prominent operator being Marriott who has 6 properties (544 rooms) in the market. This is followed by IHG with 2 hotels accounting for 272 rooms.
- In terms of supply growth, more than 1,800 rooms entered the market between 2000 and 2019 with a supply cycle peak experienced between 2005 and 2009 as shown below. Most pandemic, Dar es Salaam has experienced an element of stagnation in supply growth with only 174 rooms entering the market in the last three years, namely the Element by Westin (109 rooms) and the Urban by CityBlue (65 rooms), both located in the Peninsular area. Although a slower period of supply growth is being experienced, international interest and investment into the hospitality sector in Dar es Salaam has been strong post Covid. Notably the City Lodge Hotel (148 keys) was acquired by the Actis investment fund and is now operating under a franchise with IHG as the Crowne Plaza Dar es Salaam. Marriott have signed a franchise to brand the ex-DoubleTree by Hilton in Oyster Bay (152 rooms) as a Delta Hotel by Marriott and a prominent international investment fund has undertake a Due Diligence to potentially acquire the Southern Sun Dar es Salaam (152 rooms). The aforementioned highlights stronger investor sentiment and confidence in the Dar es Salaam hospitality market.

Growth in Quality Room Supply in Dar es Salaam



Source: STR

Supply Segmentation in Dar es Salaam



Source: STR

Hotel Supply

Quality Room Supply

Hotel	Rooms	Opening	Operator	Grading	Node
Serena Dar Es Salaam Hotel	230	1995	Serena	Upper Upscale	CBD
Southern Sun Dar Es Salaam (permanently closed)	152	2001	Southern Sun	Upscale	CBD
Protea Hotel Dar Es Salaam Amani Beach	10	2013	Marriott	Upper Midscale	CBD
Protea Hotel Dar Es Salaam Oyster Bay	48	2001	Marriott	Upper Midscale	Peninsula
Golden Tulip Dar Es Salaam	91	2001	Groupe de Louvre	Upper Midscale	Peninsula
Peacock Millennium Towers Hotel	60	1999	Independent	Upscale	CBD
Hyatt Regency Dar es Salaam	182	2005	Hyatt	Upper Upscale	CBD
Hotel Sea Cliff	115	1998	Independent	Luxury	Peninsula
Protea Hotel Dar Es Salaam Courtyard	51	2001	Marriott	Upper Midscale	CBD
Four Points by Sheraton Dar es Salaam New Africa	174	1972	Marriott	Upscale	CBD
Peacock Hotel	81	1999	Independent	Midscale	CBD
Holiday Inn Dar Es Salaam City Centre	124	2009	IHG (franchise)	Upper Midscale	CBD
Sea Cliff Court Luxury Apartments	68	1998	Independent	Upscale	Peninsula
Hotel White Sands The Beach Resort & Conference Center	145	1993	Independent	Upper Midscale	Peninsula
Kunduchi Beach Hotel	138	2006	Independent	Upscale	Peninsula
Harbor View Suites	49	2010	Independent	Upper Midscale	CBD
Coral Beach Hotel	62	2009	Independent	Upper Midscale	Peninsula
Peninsula Hotel	45	2012	Independent	Upper Midscale	Peninsula
Hotel Slipway	39	2005	Independent	Upper Midscale	CBD
Kipepeo Beach Camp	20	2002	Independent	Upper Midscale	Peninsula
Colosseum Hotel & Fitness Club	42	2007	Independent	Upper Midscale	Peninsula
Tanzanite Executive Suites	65	2014	Independent	Upper Midscale	CBD
Onomo Hotel Dar Es Salaam	116	2015	ONOMO	Midscale	CBD
Ramada Resort by Wyndham	139	2015	Wyndham	Upscale	Other
Golden Tulip Dar City Center Hotel	55	2015	Groupe de Louvre	Upper Midscale	CBD
Johari Rotana Dar Es Salaam	256	2019	Rotana	Upper Upscale	CBD
Crowne Plaza Dar es Salaam (ex City Lodge Hotel)	148	2018	Westmont (since 2022)	Upper Midscale	CBD
Delta Hotel by Marriott Dar es Salaam (ex DoubleTree Oyster Bay)	152	2009	Marriott (since 2023)	Upscale	Peninsula
Element by Westin Dar es Salaam	109	2021	Marriott	Upscale	Peninsula
Urban by CityBlue Dar es Salaam	65	2021	CityBlue	Upscale	Peninsula
Total	**3,031**				

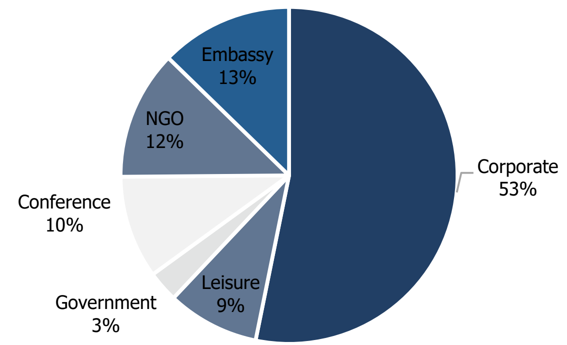
Source: STR

Demand Assessment

Market Drivers

- The **corporate** market is the main driver of hotel demand in Dar es Salaam, generating more than 50% of total market demand. Despite some movement to the Peninsula the CBD continues to be a base for major international financial institutes and various Embassy and High Commission facilities. Hotels in proximity to their office remain key for these demand generators and corporate demand remains strong for accommodation establishments in the CBD node with ease of access and quality highlighted as important.
- Although government relocations will position Dodoma as the political capital, the location of the port and international air access to Julius Nyere International Airport will continue to position Dar es Salaam as the commercial and economic capital. Market feedback did not allude to corporate relocation or downsizing in the short to medium term and indicated Dar es Salaam will remain the base from which corporates coordinate all activity in the country.
- The corporate market has however become increasingly rate sensitive as increases in supply combined with declines in demand have shifted the balance of power and corporates are able to negotiate better rates. Feedback indicates rates being paid by corporates in the CBD range from USD 100 to USD 170 (B&B, single occupancy). Comparatively the international NGO and Embassy segment have more buying power and rates being paid can reach USD 250. this is notably higher than rates paid in Dodoma which range from USD 90 to USD 150.
- The market share of **conferencing** and **Government** related demand has declined for hotels in the CBD in light of the focus on Government owned facilities and the Government shift to Dodoma. Whilst Government officials do still make use of hotels in the center for accommodation, the rate that Government is prepared to pay has declined creating additional rate pressure for hotels. As will be highlighted in the coming section, government per diems range from USD 50 to USD 300 depending on the staff level.
- In terms of **Embassy** demand, foreign delegates tend to stay primarily at the Hyatt Regency, the Southern Sun (when it was still open) and the Serena due to the superior positioning within the market. Averages rates paid by this segment range from USD 140 and USD 250 for med level delegates and USD 450 to USD 1,000 for senior delegates and Ambassadors which tend to make use of Suites. On of the key factors determining hotel utilization amongst this segment is the level of security provided by the property – this is key to node for the proposed development as strict security and safety measures will be need when catering to foreign delegations.
- Although Dar es Salaam will remain an important business node in the future, it is foreseen that a portion of overall demand will gravitate towards Dodoma following the relocation of foreign embassies and government departments to the city. For this reason more detail on demand trends and hotel criteria amongst key demand generators has been provided on the following slide as demand from these market segment will be important to the overall success of the proposed development.

Market Mix in Dar es Salaam



Source: HTI Consulting

Overnight Conference Characteristic

Characteristic	
Market Drivers	Historically government, now the NGO and corporate market
Average Size	NGO: 100 pax Corporate: 20 – 50 pax
Average Length	NGO: 2 – 3 days Corporates: 1 – 2 days
Portion Overnighting	60% - 75%
Preferred Hotel Facilities (in CBD)	Serena Dar es Salaam ONOMO Hotel Hyatt Regency

Source: HTI Consulting

Demand Assessment

Demand Generator Feedback

- The below table highlights the salient points associated with Embassy, corporate and NGO hotel utilization in Dar es Salaam. It is anticipated that similar trends and hotel criteria will be seen when demand shifts to Dodoma.

	Embassy Demand	Corporate Demand	NGO Demand
Main Demand Driver	• Visitors attending meetings with the ambassador • Delegations meeting with Tanzanian government departments and officials	• Corporate market with head-office presence in the capital (primarily those located in the Peninsula) and travelling to Dar es Salaam for project / business purposes	• Government and NGO workshops or meetings
Primary Criteria for Usage	• **Security / Approved** – properties must be approved by various organizational policies • **Location** – within a reasonable perimeter from the embassy (15 minutes drive maximum) • **Quality –** consistent quality throughout an establishment is important with design (contemporary) and international standards being highlighted as important	• **Location –** proximity to head office, retail and entertainment facilities are prioritised • **Quality -** three star to five star depending on budgets of corporates • **Rate -** affordability is an increasing requirement as corporates cut back on travel spend	• **Location** – close to their offices / point of interest (minimize travel) • **Rate** – NGO's remain a price sensitive market, affordable rates are prioritized (per diem budgets) • **Approved** – properties must be approved by various organizational policies (i.e. UN requires hotels to be on an approved list with security and safety of properties assessed by specialist UN departments)
Rates Paid (USD)	• Rates vary between USD 140 and USD 300 with breakfast included • High level officials make use of Suites and rates paid range from USD 450 to USD 1,000	• Rates corporates are currently paying range from USD 90 to USD 150 per night (for 3 and 4 stars properties) • All rates are inclusive of breakfast	• Rates paid vary depending on the organization • Rates ranges between USD 80 to USD 160 per night • Higher rates are paid for international travelers than for regional/local travelers

Trends	• Average length of stay is between 4 to 6 nights
	• Top international delegates on short shay visits would request luxury hotel (even if its not within proximity)
	• Request upper upscale properties
		• Average length of stay is between 2 to 4 nights
		• Proximity to corporate head office is preferred to reduce exposure to traffic and overall travel time
		    • Currently hotels in the Peninsula are prioritised given the corporate decentralisation into this node
		• Majority of demand comes from South Africa, Europe and rest of Africa (primarily regional countries)
		• Most corporates making a concerted effort to reduce travel costs with travel group sizes decreasing from 4+ pax to 2+ pax
			• Average length of stay of 4 to 6 nights – sometimes a week
			• NGOs often travel as a small group of approximately 5 people
			• NGO's with per diem budgets prefer self catering accommodations
			    • They would pay a premium for a nicer room with kitchenette in order to reduce expenses on F&B costs
			• Some NGO's select new hotel service providers at the beginning of each financial year and issue an RFP to which hotels respond
			• International NGO's such as the World Bank have their rates negotiated in Washington DC which are often locked in for a predetermined period

Preferred Establishments (focusing on CBD node)	• Hyatt Regency (international senior delegates) • Johari Rotana • Southern Sun (when it was open) • Serena • FourPoints	• FourPoints • Crowne Plaza • ONOMO • Holiday Inn • Hyatt Regency	• Serena Hotel (conference facilities) • Hyatt Regency (high level management) • FourPoints

Source: HTI Consulting

Market Performance

Metrics to Measure Hotel Performance

ADR – indicates the average revenue earned for an occupied room in a hotel on a given day. It thereby removes any taxes/levies, discounting and F&B costs associated with the rate

Occupancy – the percentage of available rooms that are occupied at a given time

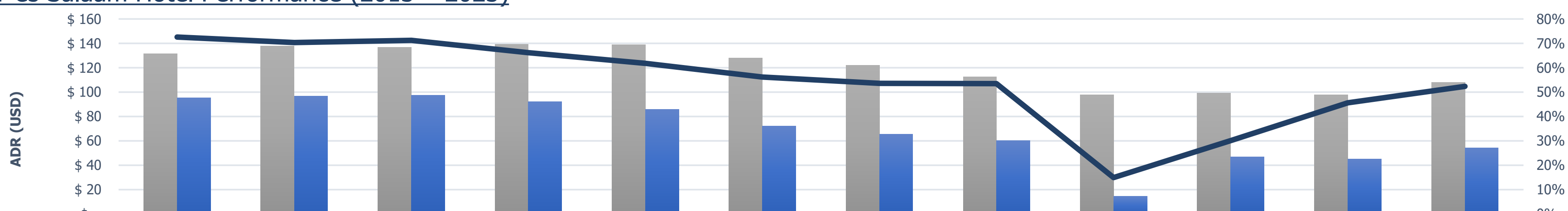
RevPAR – combines the top two metrics (ARR x occupancy). RevPAR reflects a hotel's ability to fill its available rooms at an average rate

Market Performance

Historic Market Performance

- Historically (2013 and 2014) Dar es Salaam hotel performance was stable with healthy occupancy and ADR performance being driven by corporates (largely from the oil and gas sector). During these years, long stay corporates were common as the Current Temporary Assignment ("CTA") visa enabled corporates more flexibility with working permits, which boosted occupancy levels throughout the market.
- However in 2015, a combination of a supply increase (the opening of 262 branded rooms between 2014/2015) and the revoking of the CTA under the new Presidency saw a number of project based international corporate travellers forced out of the country. This, combined with a new Government policy to use only Government owned facilities for conferences and a significant cut in government spending saw both corporate and Government demand levels decline. Occupancy dropped by 5.1 percentage points in 2015 and a further 4.3 percentage points to reach 61.8% in 2016. A further decline, albeit slight was experienced between 2017 and 2019 driven by an increase in supply (opening of the Johari Rotana in 2019). Despite the increase in supply, occupancy remained buoyant in 2019 at a level of 53.4%.
- Whilst ADRs remained relatively stable between 2013 and 2016, from 2017 the continued decline in demand levels applied pressure to rates with market ADRs declining year on year to reach USD 113 by 2019. Hoteliers indicated high levels of rate pressure amongst competitors with rate undercuts often seen. It must be remembered that the Dar es Salaam market is primarily a 3 or 4 star hotel market, segments which often see high level of cross competition when securing business.
- Given market pressures, the timing of Covid-19 was unfortunate and further exacerbated the markets ability to recover from the previous stagnation in demand. 2020 saw declines in all market indices with occupancies reaching a substantial low of 14.9% whilst ADRs handled slightly better, declining by only 14.5% to USD 98. Despite being one of the first East African countries to reopen, market recovery was slow over 2021 and 2022. By 2023 ADRs had reached near full recovery, however rate pressure remains apparent and the pre-pandemic highs have yet to be reached. Occupancy for the year reached 52.3% with hoteliers noting a pick up in corporate and government demand during the year.
- Going forward it is likely that demand in Dar es Salaam will remain stable, however the government is making headway with their move to Dodoma and once complete a notable portion of government related demand will be displaced to Dodoma with Dar es Salaam relying more heavily on corporate related demand to push both occupancy and ADRs in the market.

Dar es Salaam Hotel Performance (2013 – 2023)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ADR (USD)	$ 132	$ 138	$ 137	$ 139	$ 139	$ 128	$ 122	$ 113	$ 98	$ 99	$ 98	$ 108
RevPAR (USD)	$ 95	$ 97	$ 97	$ 92	$ 86	$ 72	$ 65	$ 60	$ 15	$ 47	$ 45	$ 54
Occ (%)	72,6%	70,3%	71,2%	66,1%	61,8%	56,2%	53,6%	53,4%	14,9%	30,1%	45,6%	52,3%

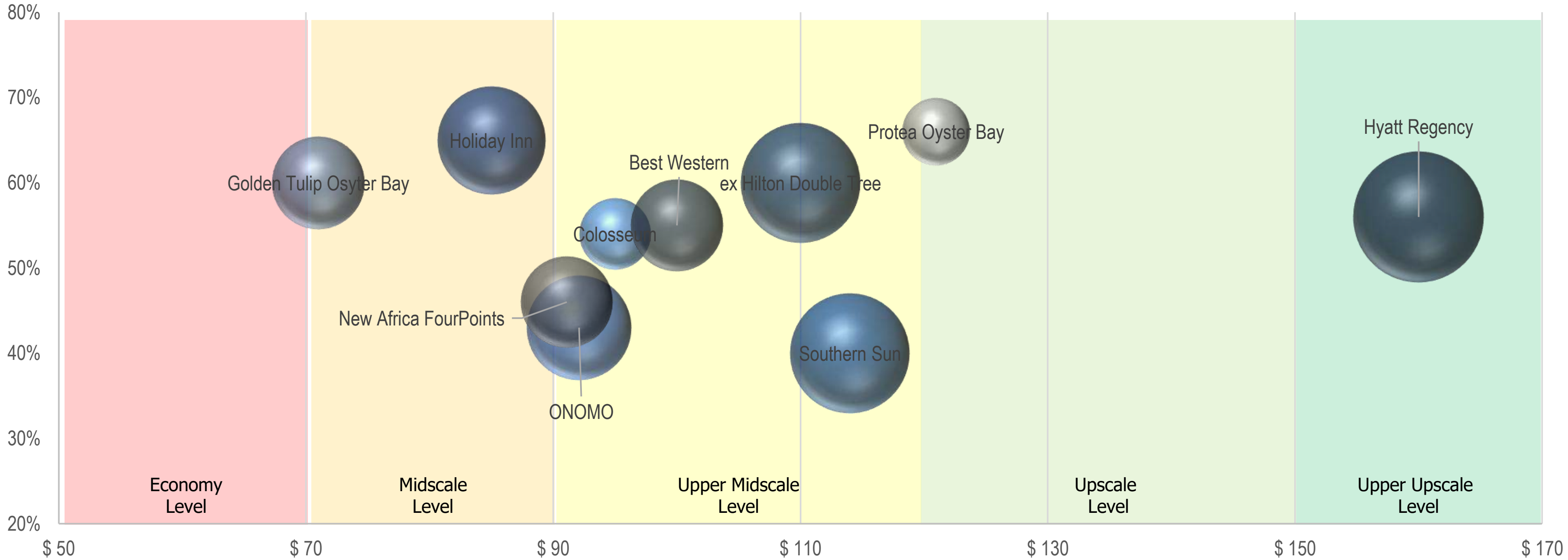
Source: STR

Market Performance

2019 Individual Performance

- The below graph provides an indication of the individual positioning and performance of the competitive set in 2019 (latest full set data). Their positioning on the graph is relative to their ADR (x-axis) and occupancy (y-axis) however the size of the bubble highlights the size of the property.
- Assessing where individual properties are performing relative to their market positioning can be utilised as a guide for potential hotel performance in Dodoma. The majority of quality supply is performing at an upper midscale levels with ADRs ranging from USD 85 to USD 115. There is then a wide gap before reaching the ADRs levels achieved by the Hyatt Regency which is positioned at an upper upscale level. At this level ADRs range from USD 150 to USD 170.
- As will be seen in the Dodoma Hotel Market Assessment (Section 5), it is likely that the proposed hotel will fall within the upscale level whereby possible rate yield range between USD 115 and USD 150.

Dar es Salaam Individual Hotel Performance (2019)



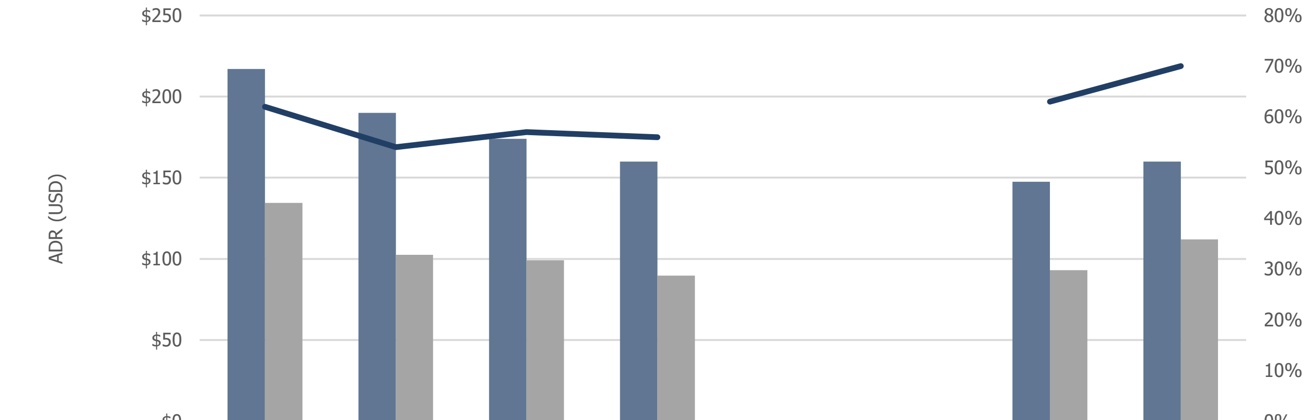
Source: HTI Consulting

Market Performance

Spotlight on Hyatt Regency Performance

- Considering the initial 5 star positioning of the development under review, we have provided an overview of the historic and current performance of the Hyatt Regency as an example of performance metrics for an upper upscale product as ultimately performance KPIs achieved by such a comparator product can be seen as a performance cap for the Dodoma market once established. In addition, the Hyatt has a diverse market mix and is frequently utilised by key demand generators such as foreign embassies, corporates, NGOs and a portion of high-level government officials.
- Similar to the Dar es Salaam market as a whole, rate yields have declined year on year from USD 200+ to USD 160 in 2023, however when compared to 2019 levels the Hyatt has achieved full recovery in terms of ADRs. The hotels occupancy levels are considered impressive, both when taking into consideration post-Covid recovery and average occupancies achieved across Dar es Salaam hotels in 2023. The Hyatt achieved a strong 2023 occupancy of 70%, surpassing pre-pandemic levels by 14 percentage points and surpassing market averages which were positioned at 58%. This is an indicator that demand for this quality of product is high amongst demand generators, however management did note that price sensitivity remains apparent and the hotel has well discounted corporate contracts. As a point to note, the rack rates quoted at the Hyatt range from USD 280 for Standard Room to USD 700 for an Executive Suite and USD 2,000 for a Presidential Suite, whereas the hotel is only achieving an ADR of USD 160.
- The element of price sensitivity and rate negotiation at a property of this nature should be noted as it is therefore not likely that clients will be willing to pay higher rates for hotel accommodation in Dodoma.

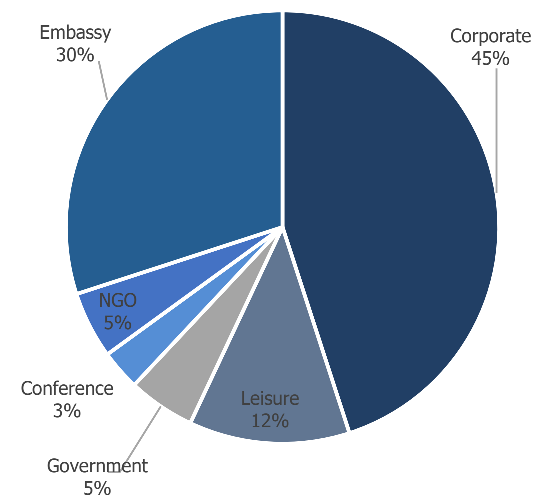
Historic Performance of Hyatt Regency Dar es Salaam (2016 - 2023)



	2016	2017	2018	2019	2020	2021	2022	2023
ADR (USD)	217	190	174	160			148	160
RevPAR (USD)	135	103	99	90			93	112
Occupancy (%)	62%	54%	57%	56%			63%	70%

Source: HTI Consulting

Hyatt Regency Market Mix



Dodoma Hotel Market Assessment

SECTION 5

Having understood the market fundamentals in the greater Dar es Salaam market as a benchmark comparison for Dodoma, in this Section we will highlight:

- An introduction to accommodation supply in Dodoma;
- Hospitality demand drivers in Dodoma;
- Rate and occupancy levels in Dodoma; and
- Future hotel supply planned for Dodoma.

Dodoma Hotel Market

Introduction

- Having explored the greater Dar es Salaam hotel market and performance metrics achieved by quality supply, we will now focus on the Dodoma hotel market.

Supply Characteristics

- Given the nature and young age of Dodoma as a capital city, the hospitality offering remains under-development and in its infancy when compared with the commercial capital, Dar es Salaam. Although the hospitality offering in the city has been steadily growing, supply remains limited with an estimated 30 hotels present in the city (+/- 600 hotel rooms) of which all falls within an economy to midscale segment.
- The vast majority (more than 95%) of supply in the city is independently managed with only the Best Western Dodoma Hotel (63 keys) under an international brand through a franchise agreement. The new owner is an experienced hotelier from Dar es Salaam, owning and operating the Holiday Inn is the city centre.
- Current facilities are geared towards the mid-market business traveller with supply ranging from economy to upper midscale hotels (i.e. One to Three star properties). Overall current hotel facilities do not (and will not) adequately meet the needs of the future traveller to Dodoma, therefore presenting a development opportunity within the hospitality sector.
- Although airport arrival statistics show increased visitor volumes to Dodoma, the lack of hotel accommodation (of quality) in the city see's a large number of visitors return to Dar es Salaam when seeking overnight accommodation. Until fully established, Dodoma will indirectly compete with the hospitality market in Dar es Salaam. The table below provides an overview of supply characteristics in Dodoma compared with Dar es Salaam. As detailed in the previous section (Section 4), Dar es Salaam can form a benchmark comparison for the future potential of Dodoma in terms of hotel characteristics and performance. However it is foreseen that Dar es Salaam will continue to indirectly compete with Dodoma in the medium term.

	Dar es Salaam	Dodoma
Positioning of Current Supply	Diverse supply offering, ranging from Midscale to Upper Upscale hotels. The most superior product is the Hyatt Hotel	Lack o quality supply with hotels primarily positioned between an Economy and Midscale level. The most superior product is the Best Western Dodoma City Hotel
Brand Penetration	Healthy • Has the highest level of brand penetration within mainland Tanzania • International and regional operators include: ONOMO, IHG, Marriott, Serena, Best Western, Golden Tulip	Weak • Supply is dominated by independently operated hotels • Only brand present is Best Western (under a franchise agreement)
Number of Quality Rooms	3,000	~ 600
Average Hotel Sizes	110 keys	60 keys
Average Occupancy (%)	52,3% (2023)	67,2% (2023)
Average ADRs (USD)	USD 108 (2023)	USD 66 (2023)

Spotlight on Relevant Set

Introduction and Location of Relevant Set

- Although the proposed development will offer a level of service and quality that will outperform current supply in Dodoma, it remains important to understand the demand drivers in the market and current performance metrics achieved. For this, we have surveyed a select number of properties based on their quality (in relation to the market as a whole), their location and utilization by key demand drivers.
- The below map highlights the location of the Relevant Set, it total 305 rooms (5 hotels) were surveyed which represents a healthy portion of overall supply present in Dodoma. Of the surveyed supply, St Gasper Hotel and Conference center is the closed (3.3 kms) to the development site whereas remaining supply is centralized around Dodoma city center.

Location of Dodoma Relevant Set Hotels

Best Western Dodoma City Hotel
Upper Midscale
63 keys

Morena Hotel
Midscale
54 keys

Nashera Hotel Dodoma
Midscale Hotel
72 keys

Rafiki Dodoma Hotel
Upper Midscale
43 keys

St. Gasper Hotel and Conference Centre
Economy
73 keys

Source: My Maps

Dodoma Hotel Market Assessment

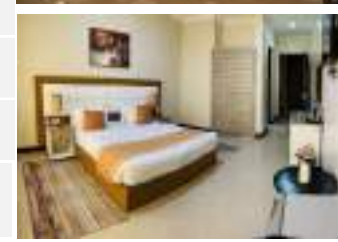
Relevant Set

	Hotel	Best Western Dodoma City Hotel	Nashera Hotel
General	Location	CBD	CBD
	Position	Upper Midscale	Midscale
	Keys	63	75
	Operator	Franchise with Best Western	Independent
Facilities	Conference	3 venues Max capacity: 50 pax	3 venues Max capacity: 80 pax
	F&B	2	1
	Gym	Yes	Yes
	Pool	Yes	Yes
	Other	NA	NA
Rooms	Room Typology	Standard, Suites, Presidential Suite	Standard, Deluxe
	Single Rack Rate (USD)	Rooms: USD 90 -100 Suites: USD 130 - 160 Pres. Suite USD 170 - 200	Standard: USD 100 - 120 Deluxe: USD 120 - 160
	Commentary	Good quality rooms with modern furniture, bathroom with shower	Large rooms with upgraded furniture, bathroom with shower
Comments	Renovation / Expansion	Recently acquired by owner of Holiday Inn Dar es Salaam. Internal refurb underway	NA
	Unique Selling Point	Rooftop bar	NA
	Quality Rating within Market context (low - high)		







Dodoma Hotel Market Assessment

Relevant Set

	Hotel	Rafiki Hotel	Morena Hotel
General	Location	CBD	CBD
	Position	Upper Midscale	Midscale
	Keys	43	54
	Operator	Independent	Independent (owner is a Gov. official)
Facilities	Conference	3 venues Max capacity: 100 pax	4 venues Max capacity: 300 pax
	F&B	1	2
	Gym	Yes	Yes
	Pool	Yes	Yes
	Other	NA	NA
Rooms	Room Typology	Standard, Deluxe, Suites, Presidential Suite	Standard, Deluxe, Suites, Presidential Suite
	Single Rack Rate (USD)	Rooms: USD 40 – 100 Suites: USD 72 – 120 Pres. Suite: USD 100 – 150	Rooms: USD 80 – 100 Pres. Suite: USD 250
	Commentary	Room furnishing is modern, bathroom with shower	Largest rooms in the market, furnishing is outdated, bathroom with shower
Comments	Renovation / Expansion	NA	Owner adding 115 key new wing to open in short term
	Unique Selling Point	NA	Landscaped gardens
	Quality Rating within Market context (low - high)		








Relevant Set

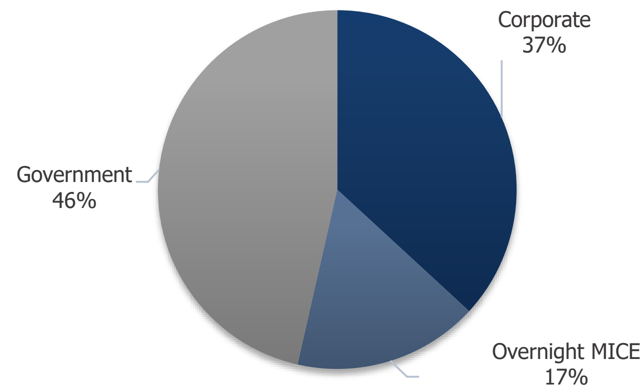
General	Hotel	St Gasper Hotel and Conference Centre
General	Location	Swaswa
General	Position	Economy
General	Keys	73
General	Operator	Independent
Facilities	Conference	8 venues Max capacity: 500 pax
Facilities	F&B	2
Facilities	Gym	Yes
Facilities	Pool	Yes
Facilities	Other	Large gardens
Rooms	Room Typology	Standard, Deluxe, Pres. Suite
Rooms	Single Rack Rate (USD)	Standard: USD 40 Deluxe: USD 60 Pres. Suite: 140
Rooms	Commentary	Outdated room offering
Comments	Renovation / Expansion	NA
Comments	Unique Selling Point	Largest conference facilities
Comments	Quality Rating within Market context (low - high)	

Demand Drivers

Market Mix

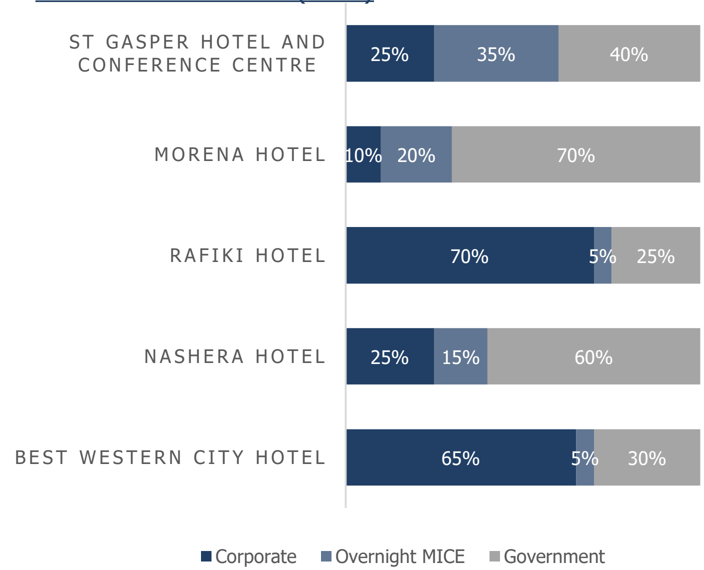
- Considering the nature of the destination, business travellers drive almost all demand amongst hotels in Dodoma with very few leisure based tourists present. Taking this into consideration, week day seasonality is strong with an average length of stay of 3 nights being the most common. The high levels of week day seasonality and business nature of travel in Dodoma make it challenging for hoteliers to maximise occupancy with hotel occupancy peaking (above 60%) during week days but dropping down to low levels (30%) over the weekend periods.
- **Government** demand is the strongest, accounting for 46% of the overall market mix amongst surveyed hotels. Although the strongest driver of demand, this segment is the most price sensitive with the following accommodation per diem allowances confirmed by government officials:
  - Junior level staff: USD 50 – USD 60
  - Mid level staff: USD 80 – USD 100
  - Senior level staff: USD 150 – USD 300
- Government officials are primarily traveling for meetings/workshops or field work in Dodoma and tend to stay for a week at a time. Group sizes vary, for purposes other than in-house MICE business, government groups range from 5 to 10 delegates. It is not uncommon for a government delegation to be split over several hotels depending of the per diem allowance of delegates as many lower level staff opt to save their allowance by making use of lower priced accommodation options. Alternatively, twin rooms are utilised as this reduces individual travel costs.
- Morena Hotel has the greatest level of penetration into the Government segment, this is due in part to its government official ownership coupled with its large rooms (all with balconies) and large conference venues (when compared to other city centre supply) that can accommodate up to 300 delegates.
- **Corporate** demand, which includes foreign embassies and NGOs, accounts for 37% of roomnigth demand amongst the Relevant Set making it the second strongest segment. Similar to the government segment, corporates are traveling for meeting/business related purposes primarily with various government departments and ministries. Corporates have a shorter length of stay, averaging 2 to 3 nights and are primarily concentrated at the better quality properties in the market such as the Best Western and Rafiki Hotel. Rates paid by this segment are also the highest, ranging from USD 90 to USD 180 on average. In terms of group size, most hoteliers noted small to medium sized delegations of between 3 to 8 pax traveling together – all of which will stay at the same hotel.

Relevant Set Market Mix (2023)



Source: HTI Consulting

Individual Market Mix (2023)



Source: HTI Consulting

Demand Drivers

Market Mix (continued)

- **Overnight MICE** demand refers to in-house conference and meeting activity that has resulted in roomnigth demand. Overnight conference demand is primarily driven by the government sector, followed by NGOs and a small portion of corporate demand. Conferences held at hotel facilities tend to average 1 to 3 days in duration with less than 50% of delegates overnighting at the hotel during the conference period – this indicates that the majority of delegates originate in Dodoma and its surrounds or delegates opt to utilise other (often times cheaper) hotel accommodation during these periods.
- Outside of the Arusha Convention Centre, St Gasper Hotel and Conference Centre has the most extensive conference offering with 8 venues and a capacity ranging from 80 to 500 delegates. The hotel is located on the outskirts of Dodoma city which in part has resulted in the hotel achieving the highest percentage of overnight delegates (60%) compared with other properties in more central locations that indicated an average of 10% to 50% of delegates will make use of hotel accommodation during conference periods.
- Full day conference packages at hotels assessed range from USD 18 (TSH 45,000) to USD 30 (TSH 75,000) and given the higher proportion of government conference demand packages are primarily charged and billed in local currency.
- In comparison, the Arusha Convention Centre has a more inclusive rate structure for events depending on the size of the delegation and venue utilised. Prices range from:
  - USD 78 / TSH 200,000 for meetings rooms (10 – 20 pax)
  - USD 150 / TSH 400,000 for medium sized venues (60 – 70 pax)
  - USD 310 / TSH 800,000 for large sized venues (100 – 150 pax)
  - USD 4,200 / TSH 10,800,000 for exhibition hall (3,500 pax)
- Based on market feedback, hotel venues tend to be more popular than the Arusha Convention Centre with utilisation at the Arusha Convention Centre being low. However, given its larger capacity the Arusha Convention Centre hosts all major parliamentary events with hotels attracting workshop and conference related demand.

Overnight MICE Details (2023)

	Percentage of Market Mix (2023)	Conf. Venues	Max. Capacity	Half Day Package (USD)	Full Day Package (USD)	Average Number of Conf. per Month	Average Delegation Size (Pax)	% Delegation Overnighting
St Gasper Hotel and Conference Centre	40%	8	500		30	15 - 20	80 - 150	60%
Morena Hotel	70%	4	300		20	20	80 - 120	40%
Rafiki Hotel	25%	3	100	22	24	10	50	10%
Nashera Hotel	60%	3	80	16	18	15	50	30%
Best Western City Hotel	30%	3	50		26	12	10	50%

Source: HTI Consulting

Demand Assessment

Demand Generator Feedback

- The below table highlights the salient points associated with key demand generators in Dodoma. As seen the development is of keen interest amongst market drivers and given the rates demand generators are willing to pay, a 4 star positioning may be more appropriate for the development.

Demand Generator Feedback (2024)

	Embassy Demand	Corporate Demand	NGO Demand	Government Demand
Main Demand Driver	• Meetings with government departments • Attending conferences	• Meetings or workshops with government departments • Business at corporate regional office in Dodoma	• Conferences or workshops with government departments and other agencies • Site visits to projects in surrounding area	• Meetings and workshops • Regional projects
Primary Criteria for Usage	• **Facilities** • **Room size and quality** • **Transit back to Dar es Salaam as general quality in Dodoma is poor**	• **Quality** • **Proximity to regional office**	• **Rate** • **Conference facilities** • **Size** – overall capacity to host and accommodation conference delegates	• **Rate**– most price sensitive segment • **Conference facilities**
Rates Paid (USD)	• Rates vary between USD 120 and USD 250 with breakfast included	• Rates corporates are currently paying range from USD 70 to USD 120 per night • All rates are inclusive of breakfast	• Dodoma US agency per diem allowance for 2024: USD 88 for overnight accommodation and USD 63 for meals therefore total of USD 151	Per diem allowances range from: • Junior level staff: USD 50 – USD 60 • Mid level staff: USD 80 – USD 100 • Senior level staff: USD 150 – USD 300
Trends	• When attending meetings, day trips are most common followed by 1 night overnight stays • When attending a conference, officials primarily overnight in Dodoma	• Average length of stay ranges from 2 to 3 nights (weekdays only)	• Average length of stay is dependent of conference/workshop length with stays up to 5 days being seen	• Average length of stay ranges from 3 to 4 nights • During parliamentary meeting period stays can be longer than a week
Current Hotel Utilisation	• St Gasper (conference facilities) • Morena (large rooms, government meetings) • Best Western (quality, location) • **Primarily transit back to Dar es Salaam**	• Best Western Dodoma City Hotel (room quality, accessible location) • Rafiki Hotel (room quality) • **Primarily to transit back to Dar es Salaam**	• St. Gasper Hotel (conference facilities)	• Morena Hotel (conference facilities, large rooms) • Nashera Hotel (price) • St Gasper Hotel (conference facilities, landscaped layout)
Usage of Proposed Development	• Given the convenient flight connections between Dodoma and Dar es Salaam, day visits will remain the most dominant • Not all embassies will relocate and demand for travel to Dodoma will continue to be driven by meetings / conferences with government officials in the city • **When overnight, strong likelihood** of utilisation given the poor quality of supply • Rates should **be lower than current rates charged in Dar es Salaam (**i.e. must be below the Hyatt and Serena)	• **Development is appealing and would be utilised** given the lack of quality facilities in the city, however the location is further afield with most corporates preferring accommodation options within proximity to their regional offices in the city centre • **Rates corporates are willing to pay for a superior, branded property range from USD 90 to USD 150 (relatively similar to current rates paid in Dar es Salaam)**	• Utilisation **would depend on rate structure** and facilities. NGOs tend to have a lower per diem allowance in Dodoma with a focus on conference style hotels	• **Strong interest shown** by government departments due to the overall lack of quality hotels in Dodoma, especially when hosting parliamentary events • A 5 star positioning is preferred but rates would need to be aligned with government per diems as indicated above

Relevant Set Performance

Rack Rates

- The below table indicates the current rack rates quoted amongst the Relevant Set hotels. It is common for Tanzanian Residents to receive preferential rates, most of which are quoted in local currency compared with foreign rates that are charged in US Dollars.
- Average rates for a Standard Room at USD 70 / TSH 175,000 for local residents compared with USD 84 / TSH 210,000 for foreign travellers. Rates for the most superior room type or Presidential Suite are USD 165 / TSH 462,000 for local residents and USD 185 / TSH 292,000 for foreign travellers. As seen rates are aligned with overall product quality and positioned at a mid-market level.

Relevant Set Rack Rates (2024)

	Standard Rooms		Deluxe Rooms		Suites		Presidential Suite		Relevant Set Average (USD)
	Resident (USD)	Non-Resident (USD)	Resident (USD)	Non-Resident (USD)	Resident (USD)	Non-Resident (USD)	Resident (USD)	Non-Resident (USD)	
Best Western City Hotel	90	100			130	160	170	200	**142**
Nashera Hotel	100	120	120	160					**125**
Rafiki Hotel	40	80	60	100	72	120	100	150	**90**
Morena Hotel	80	80	100	100			250	250	**143**
St Gasper Hotel and Conference Centre	40	40	60	60			140	140	**80**
Relevant Set Average per Room Type (USD)	**70**	**84**	**85**	**105**	**101**	**140**	**165**	**185**	**117**

Source: HTI Consulting

- Please note a Rack Rate is not a true reflection of a hotel room revenue/earnings with hoteliers referring to a hotels Average Daily Rate (ADR) as a key performance metric amongst the industry. An ADR indicates the average revenue earned for an occupied room in a hotel on a given day. It thereby removes any taxes/levies, discounting and F&B costs associated with the rate. This will further be explained in coming slides, along with other key performance metrics assessed.

Relevant Set Performance

Metrics to Measure Hotel Performance

ADR – indicates the average revenue earned for an occupied room in a hotel on a given day. It thereby removes any taxes/levies, discounting and F&B costs associated with the rate

Occupancy – the percentage of available rooms that are occupied at a given time

RevPAR – combines the top two metrics (ARR x occupancy). RevPAR reflects a hotel's ability to fill its available rooms at an average rate

Relevant Set Performance

Market and Individual Performance

- Given the infancy of the hotel market in Dodoma historic reporting and statistics are not readily available and the following performance related data and insight is based on hotel managerial interviews held by HTI Consulting.
- Overall hoteliers stated demand (occupancy) levels are steady in Dodoma and have almost fully recovered post the Covid pandemic with 2023 market occupancy sitting around 66% compared with 72% in 2019. Average individual occupancies range from 55% to 75% with a 2023 market average of 66% achieved. This level of performance is healthy considering the high levels of weekday seasonality within the market and indicates weekday occupancy is likely tracking above 70%. In addition, hotels run at near 100% occupancy over the prime parliamentary periods in June and July which aids in maximising overall yearly occupancies. This trend is also seen during April and October when smaller parliamentary meetings take place in the town.
- The adjacent graph highlights the individual performance of properties assessed with the x-axis representing the ADR (USD) achieved and y-axis being the occupancy (%). The size of the bubble highlights the key count of each property.
- As mentioned, the popularity of the Morena Hotel as a prominent government conferencing facility results in strong occupancy performance at this property with Morena achieving the highest 2023 occupancy (~75%) amongst assessed properties. This was followed by Rafiki Hotel whose overall superior quality drives decent corporate demand. Despite its branding, the Best Western Dodoma City hotel is achieving a mid-60% occupancy and is in a period of ramp up. This property will remain popular amongst the international corporate segment, and is currently achieving the strongest ADR (~ USD 75) compared with a market average of USD 67 with most other hotels achieving ADRs in the low to mid USD 60s. As mentioned, a hotels ADR is their net rate once VAT, taxes/levies, breakfast and any discounting or commission has been removed. Overall there is a USD 20 – USD 30 difference between the quoted rack rate of hotels in the market compared with the ADRs. As will be seen in the following Section, the ADRs achieved in Dar es Salaam are positioned around USD 100, and can be utilised as a guide for potential performance in Dodoma. Taking into consideration the rate yields achieved in Dar es Salaam as a benchmark it is apparent that overall rate sensitivity is experiences amongst business style properties with discounting being common place. This is key to note when determining the most appropriate positioning for the development under question.

Relevant Set Market Performance (2023 vs 2019)

Occupancy (%)

2022: 66% | 2019: 72% | Recovery: 91%

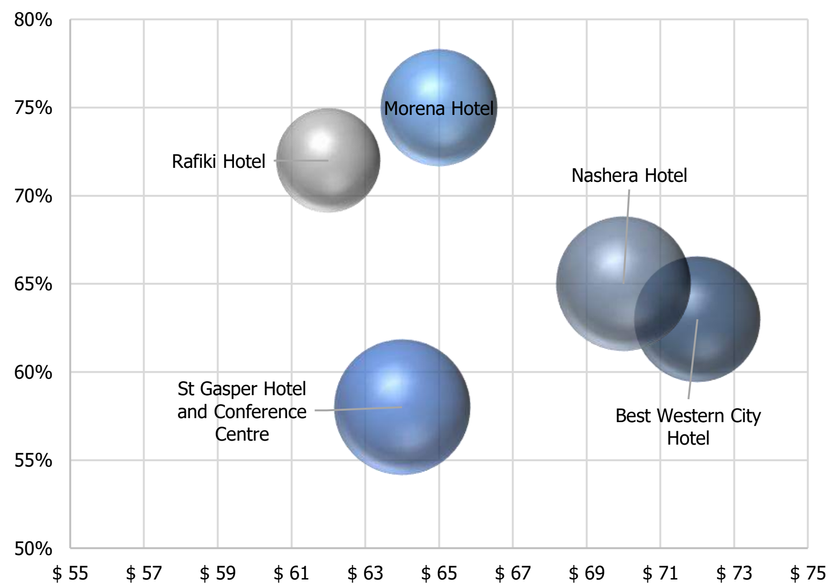
ADR (USD)

2022: USD 67 | 2019: USD 62 | Recovery: 108%

RevPAR (USD)

2022: USD 44 | 2019: USD 45 | Recovery: 97%

Relevant Set Individual Performance (2023)



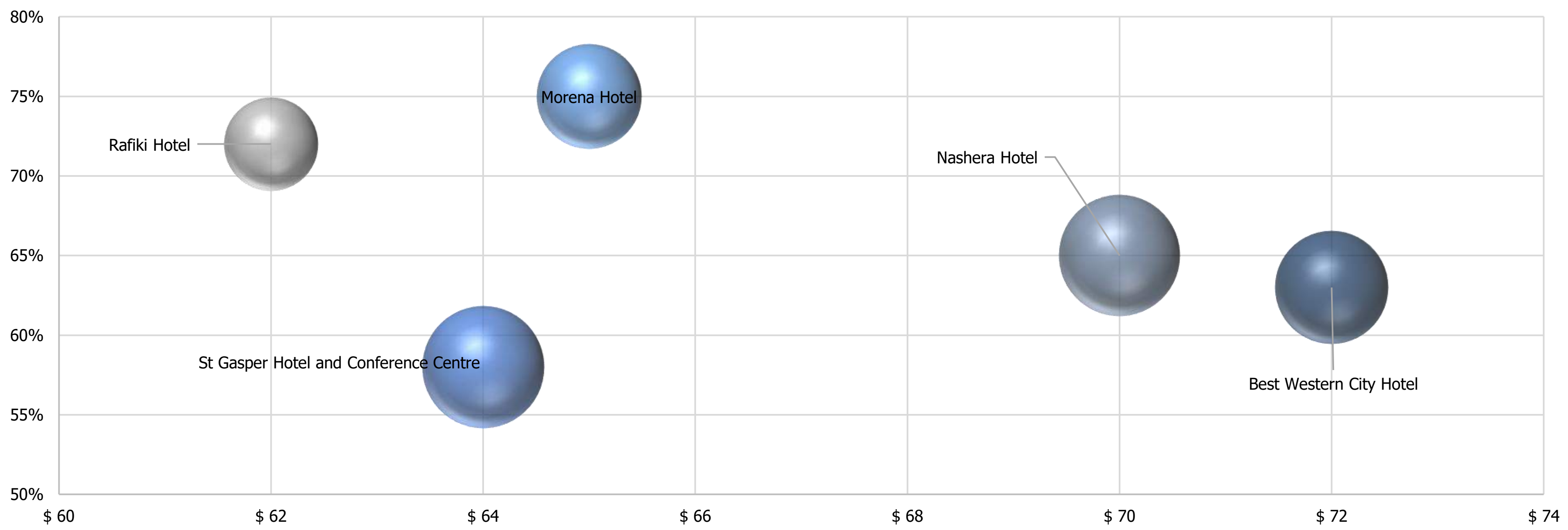
Source: HTI Consulting

Relevant Set Performance

Market and Individual Performance (continued)

- Based on RevPAR performance, the Morena Hotel is the strongest performer in the market with a RevPAR just below USD 50. The majority of other properties have a RevPAR in the mid USD 40 with only St Gasper achieving a RevPAR below USD 40 as a result of the weaker occupancy averaging around 58%.
- Overall RevPAR performance in Dodoma is tracking +/- USD 15 to USD 20 behind the greater Dar es Salaam market. This is primarily due to weaker ADR yields achieved in Dodoma whereas occupancy performance is stronger (66%) in Dodoma when compared with Dar es Salaam (58%).
- Although demand levels are stable in Dodoma, a key factor to ensure the success of the project will be the upliftment of rate yields to align (and possibly surpass) those being achieved in Dar es Salaam. As alluded to under Section 4, and based on demand generator feedback, **an upscale positioning may be more appropriate for the Dodoma market with ADRs between USD 110 and USD 130 considered achievable.**

Relevant Set Individual Performance (2023)



Source: HTI Consulting

Future Hotel Supply

Planned Hotel Supply for Dodoma

- Although Dodoma is in a period of transition and expansion, there are few active hotel projects planned for the market at this stage. Discussions with industry stakeholder, hoteliers and various international and regional hotel groups indicated the following:
  - Of the hotels surveyed, Morena will adding an additional 115 rooms to their inventory by the end of the year. Finishing are underway for a new wing adjacent to the hotel that will house the additional rooms, rooms will be primarily standard rooms and interiors offer a more contemporary and modern design than current inventory. This will increase the hotels competitive advantage within the city;
  - A 5 star hotel is under development in Government City (location of all government ministries and foreign embassies) that is currently 80% complete and should be open by 2025;
  - Discussions with industry stakeholders indicated a private hotel investor/owner is looking at the development of an internationally branded hotel at a 4 star level. The development is at initial planning stages with the operator undertaking due diligence and feasibility assessments. The location of the site has not been confirmed. Although the development would be positive sentiment for Dodoma in terms of investor confidence in the city and its hospitality market, it will increase competition within the market and be seen as the most direct competitor to the proposed development.

Hotel Concept Recommendations

SECTION 6

Based on market feedback and trends seen within Dodoma, as well as Dar es Salaam, the most appropriate concept and development size has been proposed.

In this section we unpack the following:

- Development availability within the market and positioning of the development;
- Initial design and concept recommendations;
- Number of units and size of units to develop; and
- Additional facilities and unique selling points to include.

Availability Opportunity

Overview

- Based upon our research and knowledge of the market, there is scope for the development of an internationally branded hotel in Dodoma which is driven by the notable lack of quality supply that adequately caters to market needs.
- The development would be the first internationally branded hotel in the market, thereby establishing itself as a market leader, generating healthy levels of demand from international corporates, foreign delegations and government officials.

Recommended Positioning

- Based on demand feedback and the rate yields being achieved in Dar es Salaam, which have utilised as a benchmark given the poor quality of properties in Dodoma, we propose an **Upscale positioning** for the development (4 star level). As the market matures, there could be opportunity to reposition as a Upper Upscale (5 star level) positioning.
- As a point of comparison, this would position the hotel below the Hyatt Regency in Dar es Salaam but given the new build nature of the development, quality is likely to be relatively aligned with the hotel offering a significantly more superior product that current supply in Dodoma.

Source: HTI Consulting

Concept Overview

- To create strong elements of differentiation, an "**urban resort hotel**" is proposed, geared towards the corporate sector but offering a more relaxed and tranquil environment.
- The design of an urban resort hotel focuses on creating a serene and relaxing atmosphere within the context of a cityscape. The hotel should include lush gardens, a rooftop terrace and various open-air spaces which provide a respite from the hustle and bustle found within Dodoma. Considering the availability of open space and low-rise nature of developments in Dodoma, the creation of an "urban oasis" is achievable.
- The architecture should include natural elements, such as green walls, water features, floor-to-ceiling windows and sliding doors which bring the outside in.
- The interior design embraces a blend of modern elegance and natural materials, creating a warm and inviting ambiance.
- Given the elevated typography and corner location of the site, visibility will be strong. For this reason, a bold exterior design and façade is recommended. This will be eye-catching and enhance interest in the hotel. In addition this will create strong differentiation from current and future supply within the market.
- Given the mixed use nature of the development we propose a **Dual Tower structure with linking mezzanine podium** connecting the hotel tower to the corporate office tower. The mezzanine levels (~ 2 floors) can house the convenience retail on one level and conference/meeting facilities on another level with controlled access to both towers. The mezzanine rooftop should be transformed into a landscaped public space with outdoor seating. This will be separate to the hotel leisure facilities which will remain for private use of in-house guest only.
- Above ground parking levels are recommended over basement level parking in order to reduce overall construction costs of the development.
- Concept reference imagery is provided alongside.

Dual Tower Concept Imagery

Source: Google Images

Hotel Concept Recommendation

Recommended Facilities

Facility Overview

- As the hotel component will be professionally managed under a reputable hotel operator, aligning with international brand standards is an integral part of the concept development. Taking this into consideration, whilst balancing market supply and demand fundamentals, a **120 key upscale hotel** is proposed which will create strong differentiation amongst market competitors. A typical hotel parking ratio is **1 bay per every 2 rooms**, therefore around **50 – 60 bays** are required to adequately support the hotel development.
- The **food and beverage (F&B)** offering proposed will be critical to the success of the project as these facilities can drive nearly half of total hotel revenue at times. The location within a prominent corporate node (as per master plan vision for Njedengwa) aligns well with the development of a more expansive F&B offering. Given the presence of corporate tenants (both within the building as well as from surrounding development), a healthy portion of transient F&B covers are projected for the development. A key part of the F&B offering will be the rooftop terrace and bar. This facility will be popular with international clients and creates an ideal space for after-work drinks for corporate tenants and residents in the surrounding area.
- A **flexible conference hall** catering to both corporate clients and the local events market is proposed. This facility should be positioned within the mezzanine levels to allow access to both the hotel and corporate tower.

Recommended Hotel Facilities

Rooms

120 Keys:

- 70 Standard Rooms
- 40 Deluxe Rooms
- 10 Suites

Leisure Amenities

- Lush Gardens
- Water features
- Wellness facility
- Roof top terrace
- Ground floor swimming pool

Food and Beverage

3 outlets

- All day dining restaurant
- Rooftop terrace
- Ground floor grab and go

Meeting Facilities

Separate flexible conference facility

- 1 x divisible multi – function room
- 3 x meeting rooms
- Pre function space

Flow of Space

Lobby and Public Areas

- A large welcoming, and open plan lobby area should be development as these spaces can enhance guest experience upon arrival. If possible, a double volume atrium would be preferred to provide a more grand atmosphere and unique design.
- The lobby / reception area, should be used as a multi-purpose area where most of the public facilities will be located. The lobby area should have limited front office facilities and adopt a multifunctional approach to reservations, switchboard, reception and cashier services.
- Where possible a natural color pallet should be incorporated throughout the hotel with soft bright colors utilised to enhance certain areas and spaces. Light furniture should be prioritized as this creates more flexibility in space utilization and can easily be repositioned as per guest needs – i.e. more intimate space for a private meeting could be created.
- Making use of local artisans and furniture manufactures should be emphasized as this creates a more authentic offering and can reduce overall development costs.
- A small business center offering printing, scanning and email facilities should be incorporated into the lobby space. This area should be positioned away from other public spaces to provide a quiet location of guests to undertake business when needed. The use of modern furniture and working stations is recommended.

Hotel Public Area Flow

Hotel Rooms

Room Features

- Of the **120 total keys** are proposed for the development, split between Standard (combination of twin and king rooms), Deluxe and Hotel Suites. Average room sizes in Dodoma are larger than expected for a primarily midscale hotel market. In keeping with market trends but also aligning with the proposed positioning, room sizes start at **28/29 sqm for a Standard Room** and grow to **150 sqm for the Presidential Suite**. At these sizes the hotel will competitive effectively with competitors with Dar es Salaam whilst balancing out development costs as larger rooms do not always translate to higher rate yields within the greater Tanzania market.
- Rooms should be contemporary in their design and geared towards the business traveller with adequate charging stations and plug points easily available. All rooms should have large floor to sealing sliding doors with a safety rail as only the Suites should have a small balcony. The inclusion of balconies and large open windows creates a stronger sense of space within the rooms.
- Bathrooms should be minimalist in design with frosted glass separating them from the bedroom section of the room. Again the use of glass creates a greater sense of space which is advantageous. The Standard and Deluxe Rooms should incorporate a large walk in shower whereas the Hotel Suites should offer a separate bathtub to enhance their superior positioning.

Hotel Room Categories and Sizing

70 x Standard Rooms

28/9 sqm

40 x Deluxe Rooms

32 sqm

10 x Hotel Suites

60 – 150 sqm

Hotel Rooms

Room Amenities

- The following in-room facilities are recommended for the **Standard/Deluxe and Suite Rooms**:
  - King size or Queen size bed;
  - Two side tables;
  - Electronic connection panel at bedside with USB connectivity;
  - Individually controlled air-conditioners in all rooms;
  - LCD or plasma televisions with satellite television channels;
  - Corner lounge area with couch, chair and coffee table;
  - Free wireless internet connectivity;
  - Desk (of a decent size) with light weight chair;
  - Built-in luggage racks;
  - Iron and ironing board;
  - Universal adaptors for plug points;
  - Bedside USB charging ports;
  - Main light switches near the beds and at the entrance;
  - Electronic swipe door access;
  - Smoke detectors;
  - Hair dryers;
  - Full length mirror;
  - Safes connected to a power-point that can store and charge a laptop;

- **Standard/Deluxe bathroom facilities** should include:
  - A high quality, spacious, walk-in shower.
  - Toilet;
  - Above counter basin;
  - Large mirrors;
  - Bathroom amenities; and
  - Electric shaving point.

In addition to the above, the **Suites** should provide a well-sized bathtub and separate walk-in shower

Suites

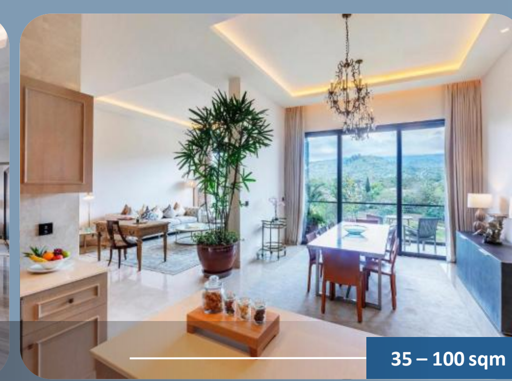
Suite Features

- We propose **10 Suites** *(Hyatt Regency has 18 Suites)* based on the following category split:
    - **1 x Presidential Suite (150 sqm)** with large king room, walk-in dressing facility and large bathroom (standalone bathtub and walk-in shower), there should be a separate living and dining facility and a small kitchenette should be included to cater to private butler/dining requests. It is also recommended to have a guest toilet and well appointed work station with plug points/connectivity. A large balcony leading off the living space and bedroom is recommended.
    - **2 x Executive Suites (90 sqm)** with large king room, dressing facility and bathroom (standalone bathtub and walk-in shower), there should be a separate living and dining facility with a work station for meetings. It is also recommended to have a guest toilet. A large balcony leading off the living space and bedroom is recommended.
    - **2 x Deluxe Suites (75 sqm)** with large king room and bathroom (standalone bathtub and walk-in shower), there should be a separate living area with lounge and dining facilities as well as a well appointed work station with plug points/connectivity. A balcony should lead off the living space and connect to the bedroom.
    - **5 x Junior Suites (60 sqm)** with large king room and bathroom (standalone bathtub and walk-in shower), there should be a separate living area with a well appointed work station with plug points/connectivity. A balcony should lead off the living space and connect to the bedroom.

Suite Imagery

King Bed Room and Bathroom

Lounge and Dining



Food and Beverage

Outlets

- A contemporary food and beverage concept is proposed for the development, catering not only to the business travellers that will drive demand for the hotel but also the portion of transient business driven by the surrounding corporate developments. Three F&B outlets have been recommended, which include an all-day dining restaurant (offering a more specialised dinner service), rooftop terrace bar and a ground floor café with Grab & Go concept incorporated.
- The **All-Day Dining** (+/- 120 pax) restaurant should be positioned on the ground floor overlooking the gardens and pool area. The restaurant should provide both indoor and outdoor seating to promote a relaxed and stylish setting. The restaurant should offer a fusion of international and local cuisine and be seen as more of a "specialty" restaurant within the market. A buffet breakfast and a la carte lunch menu should be provided. Evening service should be more bespoke in its menu offering to enhance its appeal amongst the local market. To increase covers, the inclusion of specialized events such as Sunday Brunch parties could be implemented and will driver strong demand from the local community.
- Finally, the inclusion of a **rooftop bar and terrace** (+/- 80 pax) will be key to the success of the development and create a strong unique selling point for the hotel. This facility should offer lunch and dinner service in a vibrant and open-air venue. The rooftop will be an ideal location for after-work drinks and local events. Events such as cocktail evening or whiskey and cigar nights could be created to promote awareness of the facility.
- The **Grab & Go** concept within the ground floor café bodes well with the business travelers which will be the primary driver of demand for the hotel. This facility offers convenient pre-made meals catering to guest on the move. This facility will form part of the ground floor café and should be positioned alongside the mezzanine rooftop gardens to increase visibility amongst office tenants.

Food and Beverage Facilities

All Day Dining Restaurant

250sqm

Grab & Go

30 sqm

Roof Top Bar and Terrace

120sqm

Meeting Facilities

Conference and Meeting Hall

- As mentioned, the conference and meeting facilities should be located within the mezzanine levels that link the hotel and office towers. This provides more privacy between hotel and conference guests and can create a more efficient eventing space.
- The hotel's main kitchen will service the meeting and conference activity. With that being said, a smaller warming kitchen and assembly area is required for event catering.
- The pre/post function area could lead out towards a patio which would provide views over Dodoma.
- Where possible conference facilities should offer natural light and blackout blinds for the windows.
- The sizing of various conference related facilities is provided, in total 1,200 sqm are required which includes Back of House (BOH) amenities.
- With regards to parking allocation, industry standard in **1 bay per 10 sqm** of conference space. With this in mind a **total of 120 parking bay** should be allocated to the conference and meeting facility.

Divisible Meeting and Conference Facilities

1 x Flexible Meeting Hall divisible into 3 venues
- Size: totalling 800 sqm
- Demand: Catering to mid to large conferences and private functions of between 80 – 400 pax

3 x Meeting Rooms
- Size: 30 – 50 sqm
- Demand: Catering to board meetings and small workshop events of between 10 – 30 pax

Other Facilities
- Pre-Function: 100 sqm
- BOH and Warming Kitchen: 80 sqm
- Toilets: 50 sqm

Leisure Facilities

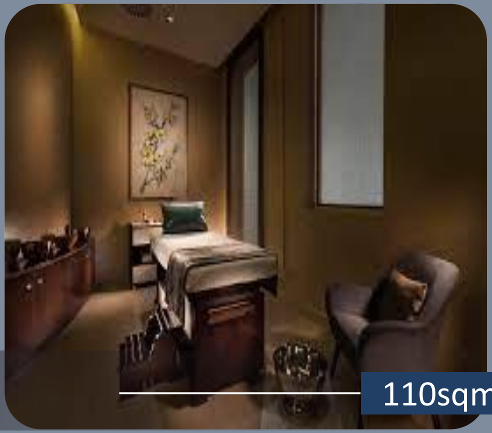
Other Spaces

Although corporate clientele will dominate the market mix of the proposed hotel, it is important to incorporate some leisure facilities into the development, including:

- A tranquil **wellness facility** which offers a small but **modern gym facility and treatment rooms.** The gym should include a few cardio machines and a small free weights section. Typical hotel gym facilities are small, averaging between 50 and 80sqm. As these facilities are more commonly utilised by business travelers (especially amongst males) a spacious facility of 70 sqm is recommended. A small spa should be located alongside the gym offering two treatment rooms (25 sqm each) and sauna/steam facilities (15 sqm).
- To reduce construction costs a **ground floor pool** is proposed over a rooftop pool. The pool area should be centrally located, filtering off the all-day dining facility. There should be a variety of seating options from sun lounges, cabanas, couches, tables and chairs which will create more intimate spaces for guests as well as providing a more casual environment for business people to work during the evenings or host informal meeting meetings.
- Given the dominance of business travelers to Dodoma, there is no need for a large swimming pool and a facility sized around 90 sqm would be sufficient. Lush landscaping should be developed around the swimming pool area to enhance the "oasis" feel of the property. The use of water features is also encouraged.

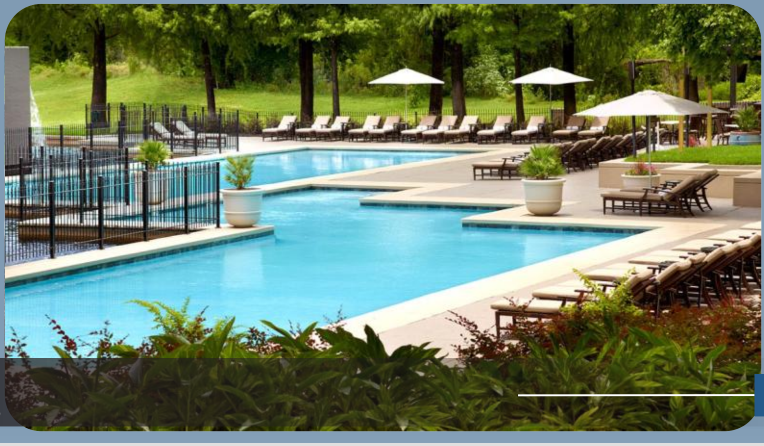
Leisure Facilities

Wellness



110sqm

Outdoor Swimming Pool



90 sqm

High Level Hotel Area Schedule

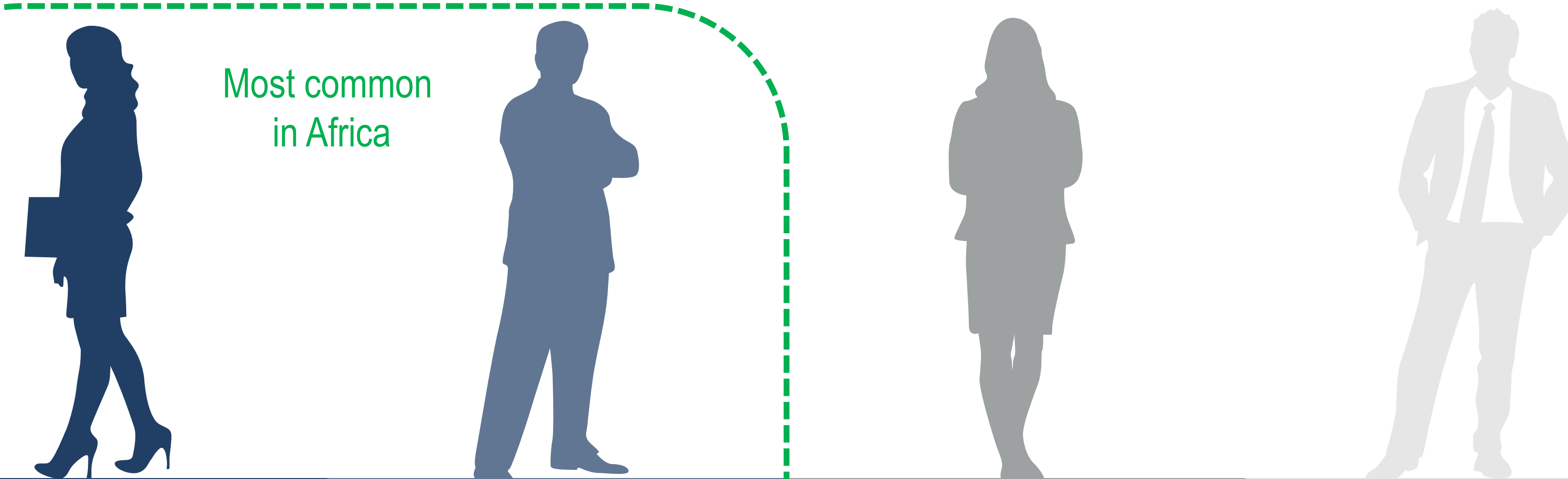
- The below area schedule has been developed by HTI Consulting and can be utilised as a guide when developing a detailed area program as a detailed area program will need to be developed.

Hotel Area Schedule	Units	Per key GLA (average)	GLA / GFA (for hospitality)	GBA
-	Rooms	-	-	-
Rooms Component	**120**	**50**	**5 660**	**7 254**
Standard Room	70	28	1 960	2 548
Deluxe Room	40	35	1 400	1 820
Junior Suite	5	60	300	390
Deluxe Suite	2	75	150	195
Executive Suite	2	90	180	234
Presidential Suite	1	150	150	195
BoH - (internal stairs, lift, walls/ducks) *(per floor)*	8	180	1 440	1 872
Housekeeping (per floor)	8	10	80	104
Arrival and Lobby		**360**	**360**	**468**
Lobby/Reception	1	100	100	130
Lobby Lounge	1	150	150	195
Café	1	60	60	78
Guest Toilets	1	50	50	65
F&B		**580**	**640**	**754**
All Day Dining (including toilets)	1	250	250	325
Rooftop (including toilets)	1	120	120	156
Main Kitchen	1	100	100	130
Kitchen stores	1	60	60	78
Rooftop assembly kitchen and stores	1	50	50	65
Staff offices	3	20	60	78
Conference and Banqueting			**1120**	**1456**
Divisible conference hall	1	800	800	1 040
Meeting Rooms	3	30	90	117
Pre function area	1	100	100	130
BOH and Warming Kitchen	1	80	80	104
Toilets	1	50	50	65
Spa and Gym			**210**	**273**
Gym	1	70	70	91
Changing Rooms and Showers	1	60	60	78
Spa Treatment Rooms	2	25	50	65
Sauna	2	15	30	39
Back of House	-	**125**	**162**	**211**
Security	1	10	10	13
Reception office	4	7	28	36
GM office	1	10	10	13
Financial office	1	10	10	13
Other offices	3	8	24	31
Staff Room	1	30	30	39
Staff dining	1	50	50	65
Laundry	1	150	150	195
Baggage storage	1	10	10	13
Workshop	1	60	60	78
Overall Hotel Development			**8 152**	**10 416**

Hotel Management Options

Introduction

- One of the key factors to consider when reviewing the various management options available to a hotel owner is the level of control (if any) the Owner wishes to have over the daily operations of the hotel.
- The below highlights the key management options available to the Owner:



Hotel Management Agreement

- Owner does not wish to operate or management hotel;
- Chosen Hotel Operator undertakes daily operations and manages the hotel – operator has majority control; and
- Owner remains in control of the building in the long term.

Franchise Agreement

- The Owner or a third party operator (white label hotel operator) undertakes the daily operations and management of the hotel.
- A hotel brand provides brand services and marketing only.
- Owner/third party operator remains in control of the hotel operations.

Lease Agreement

- Owner leases the building to a tenant (the hotel operator), who in turns makes decisions relating to the management and daily operations of the hotel.
- The tenant is responsible for all financial burdens of the operations.
- Owner remains in control of the building in the long term.

Independent Hotel

- Owner undertakes all daily operations and management of the hotel.
- The hotel is operated as an independent hotel.
- Owners retains all elements of control.

Source: HTI Consulting

SWOT Analysis for Various Hotel Management Options - Owner

	Hotel Management Agreement	Franchise Agreement	Lease Agreement
Strengths	• Owner owns the property business and Operator is contracted to manage the hotel on their behalf • Owner retains all profits once management fee's have been paid • Quality management ensured through the partnering with reputable operators and brand • Operator undertakes all daily operations	• Owner/third party operator has control and involvement in daily operations • Less expensive than management agreements (if a third party operator is not involved) • Flexibility and strong cost control in operations • Access to distribution systems and brand recognition • Access to technical service support and training offered by the brand	• Owner retains the title to the property and the residual value created at the end of the lease • The hotel operator / tenant is responsible for all operations and financial burden – Owner incurs minimal financial risk • Steady rental income for Owner depending on the lease structure entered into
Weaknesses	• Owner carries all the financial risk • Owner has limited operational control • Owner is liable for all operational expenses	• Owner/third party carries all operational and financial risk • Bound by brand-imposed marketing and global initiatives • Locked into a contract for a lengthy period of time	• Owner does not have control over the hotel's operations • Owner does not benefit if the hotel is more profitable – Operator retains all profits after rent has been paid • Operator has little interest in maintaining the property as the lease comes to expiration
Opportunities	• To limit financial risks, Owner can structure performance clause, owners priority and guarantees into the MHA • HMA can be terminated by the Owner at any time (albeit at a high cost)	• Ability to acquire a brand name with regional and international reach, without having to relinquish operational control to a property group • Seen as more favorable to secure financing than under independent management • Stronger sales potential than under independent management	• When the lease term expires the Operator loses its right to the property, enabling Owner to partner with another company if preferred
Threats	• Can hinder Owners ability to dispose of asset and encumbered hotel (hotel still under HMA) may limit asset appeal • Premature termination can result in high expenses incurred by the Owner	• Can be more costly than a management agreement if a third party operator is involved • When a potential franchiser inspects a hotel property whose owners are interested in branding a hotel, a PIP (product improvement plan) will be prepared – which will have CAPEX cost implications • Owner must be experienced in hotel operations otherwise the use of third party operator if often times required by international brands	• Leases are often more difficult to terminate than HMA because they create a vested interest in the property for the Operator

Source: HTI Consulting

Brand Options

Most Appropriate Brand Recommendation

- The inclusion of an international or regional operator will be paramount to the success of the development and create a strong competitive advantage for the property and enable the development to compete more effectively with hotel supply in Dar es Salaam for those corporate that tend to transit back to Dar es Salaam after a meeting in Dodoma.
- As an upscale positioning has been recommended, the following international brand should be considered for the development. Preference should be placed on operators that already have a presence in Tanzania as they will already have well established trade relationships, local knowledge on sales and marketing and could offer operational synergies which can lead to more cost efficiencies at the proposed hotel.
- Importantly the brand should be aligned with the recommended concept positioned at upscale level and have a strong conference offering as this will be a key focus for the development.
- A core brand (Holiday Inn, Novotel) or a brand including the name of the core brand (Hilton Garden Inn, AC by Marriott) should be selected to increase the reach of the property. Some additional attributes which should be considered when selecting a brand include: target market fit and experience, market representation, strength of brand, regional representation, and expansion plans in Africa and the region.
- The following brands could be explored:

HYATT PLACE

AC HOTELS MARRIOTT

CROWNE PLAZA HOTELS & RESORTS

PROTEA HOTELS. MARRIOTT

Holiday Inn

Operator/ brand present in Mainland Tanzania

Radisson

DOUBLETREE by Hilton

Mercure HOTELS

Source: HTI Consulting

Contract Options

HMA vs Franchise Agreement and Third Party HMA

- Although a hotel management agreement is the most common management option proposed in Africa, these contracts can be onerous to the Owner when it comes to adhering more strictly to brand standards in terms of design of the property which can increase overall development costs. As it remains important that the property be internationally managed and the inclusion of a brand will enable strong levels of competition for the property, there is the option to enter into a Franchise Agreement with the preferred brand which can then be combined with a hotel management agreement under a third party or white label hotel operator such as Valor or Aleph Hospitality. Third party management companies are smaller specialist hotel management companies that are able to operate hotels under different brands.
- The Pro's and Con's of each option are shown below:

Standard HMA – contract and brand with same company		Int. Brand Franchise + Third Party HMA	
Pro's	**Con's**	**Pro's**	**Con's**
• Partnering with large, well established international management companies • Extensive experience in managing hotel around the world • Access to a pool of resources and support mechanisms • Recognised and reputable companies with a strong performance / management track record	• Lengthy contracts usually 20 years + • Allow very limited owner involvement and flexibility during operations • More rigid and slow to react • Less flexible on contact terms • More rigid brand standards and technical requirements during development / construction	• Benefit from the same distribution network of the brand under a franchise • Third party operators are more responsive and reactive • Third party operators willing to enter into shorter agreements of 7 years and up • Third party operators more hands on and are often more localised • Third party operators manage less hotels providing more personalised attention • Easier to convert a third party management agreement to a self-managed hotel in the medium to long term • Third party operators more flexible on contract terms • Third party operators can have an influence over the brand during the development process which can have a positive impact on cost management • More flexible on design elements impacting operations: kitchens, back of house, laundry, etc. wish can positively impact development costs	• Less experienced and relatively new to the market, limited track record • Still untested to a degree in Africa • Have limited support mechanisms and functions they can call on • Is generally more costly from a fee perspective as franchise fees need to be paid to the custodian of the brand and management fees need to be paid to the third party operator • Having to deal with two companies depending on the issues • Have less recourse due to the size of the company • Have to pay two sets of technical service fees one to the brand and one to the third party operator

Source: HTI Consulting

Hotel Concept Recommendation

Way Forward

Hotel Implementation Plan

- Below a high level / indicative project implementation timeline is provided. It is estimated that a total of 36 months are required to complete the development with certain tasks/activities taking place concurrently as shown below. A detailed project timeline should be provided by the chosen Project / Development Manager.

Activity	Responsible Party	Sub-activity	Output	Duration (mths)	Timeline (mths)																																			
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
Project Approval from BoT and Ministry of Finance	NSSF	Presentation of project to relevant stakeholders	Project approval	1																																				
Onboarding of Hospitality Consultant (to run Operator Selection process)	NSSF	Preparation of TOR Request for Proposal from Hotel Consultants Evaluation of Proposals Contract awarding and signing	Hotel Consultant appointed	1																																				
Procurement of Hotel Operator	Hotel Consulting firm	Preparation of TOR Request of Proposal from Hotel Operators Evaluation of Proposals Negotiation of Heads of Terms with Top 3 Operators Signing of Heads of Terms with Preferred Operator HMA Contract Negotiation with Preferred Operator Signing of HMA with Preferred Operator	Hotel Operator appointed	6																																				
Appointment of Project / Development Manager	NSSF	Preparation of TOR Call for Expression of Interests Request for Proposals Evaluation of Project Manager firms Contract awarding and signing	Project Manager appointed	1																																				
Procurement of Project Design Team	Project Manager	Preparation of TOR Call for Expression of Interests Request for Proposals Evaluation of Professional Teams / Consultants Contract awarding and signing	Design Team appointed	2																																				
Preparation of Project Design / Concept	Project Design Team	Detailed Design of Project Concept Drawings Preparation of Project Cost - Order of Magnitude Technical Review with Operator	Design Concept and Project Costing	3																																				
Procurement of Contractor	Project Manager	Compile construction tender documents Call for Expression of Interests / Announcement of Tender Request for Proposals Evaluation of contractor proposals Contract awarding and signing	Project Contractor appointed	3																																				
Construction Approval	Contractor / Project Manager	Compile contract / construction permits Approval of construction permits	Construction Permit Approvals	2																																				
Construction	Contractor / Project Manager	Construction of Development	Completed Project	24																																				
Combined Project Timeline (months)				**36**																																				

Source: HTI Consulting

Hotel Projected Demand

SECTION 7

In order to project demand for a proposed hospitality development, there are two methods which can be adopted namely the “fair share supply and demand method” or the “demand build-up” method.

For the purpose of this market assessment we have chosen to use the “fair share” supply and demand method considering the well established hotel environment and constant markets which are unlikely to change significantly in the near future.

Introduction to Projected Demand

Introduction

- In order to project demand for a proposed hospitality development, there are two methods which can be adopted namely the “fair share supply and demand method” or the “demand build-up” method.
- The “fair share” supply and demand method is ideally used when projecting hotel demand in an existing, established and relatively stable hotel market. In this method the current competitive supply is determined as well as the addition of future supply. Additionally demand is projected based on current conditions and future projected demand growth.
- The “demand build-up” method is used where markets are new or unstable and where hotels are not necessarily likely to compete directly with one another. Base data is used to project potential demand to a particular area and hotel.
- For the purpose of this market assessment we have chosen to use the “fair share” supply and demand method considering the well established hotel environment and constant markets which are unlikely to change significantly in the near future. As part of this analysis the competitive set analysed with whom the proposed development will compete.

Methodology

- The potential future demand of hotels in the competitive set is determined by estimating current performance data relating to the demand for such establishments and applying a growth factor to this demand. On the supply side we have gathered information on the supply of competitive rooms in the area and have also taken possible future developments into consideration by estimating the number of additional rooms which will be added into the market. We have also made allowance for other possible future developments which could be developed, but as yet are not known about or planned.
- We have compared future demand and supply levels, which yields a projection of average occupancies for the relevant market as a whole. We have analysed this to ascertain the hotel’s likely fair share of the available market. We then developed projections of future occupancies of the proposed project based on the its expected competitive advantage over the other competitors in the market by determining how much more than fair share the proposed project will be able to attract. The supply and demand projections assist in determining the optimum size of the proposed development by giving an indication of how many rooms can be absorbed into the market and what effect the additional rooms will have on the performance of the market.
- We have modelled our projections on a **120 key upscale hotel entering the market in 2027** in accordance with research outcomes outlined during the course of this study.

Demand Growth

Introduction

- Information on the hotel market in Dodoma was gathered and has been incorporated into the supply and demand model. The relevant set accounted for 305 rooms. The projections in this model are based on the performance of the relevant set which achieved an average combined occupancy of 66.4% in 2023.

Demand Growth and Market Mix

- Driven by an active government and corporate market, recovery in the Dodoma hospitality market has been steady over the last two years following the Covid-19 pandemic. Most hotels are operating at near full recovery rates and occupancies in the market are healthy. This bodes well for the proposed development as the hotel will be entering a fully recovered environment.
- Hotel demand and occupancy growth is strongly linked to economic activity within the Tanzania, with an emphasis on the government sector. For this reason we have closely linked growth rates in the two key market drivers, government and corporates, with economic growth outlooks for the country and have taken into consideration the projected infrastructure growth across Dodoma as outlined in the 2019 – 2039 Master Plan.
- Given the nature of the destination, the **conference** market is projected to have the strong long term growth, following by corporates which typically visit Dodoma for meetings or conferences primarily with government officials. The main driver of overnight conference demand is the government and considering the medium term relocation, growth rates are strongest over the medium to long term, averaging at 8.5% over the assessed period.
- **Corporate** demand is projected to grow at 8.4% year on year over the assessed period. This aligns with the overall development of Dodoma as a capital city and the need for international corporates, NGOs and Embassies to undertake business in the city. Although Dar es Salaam will remain the financial hub of Tanzania, absorbing most of corporate related activity, the increased access to Dodoma through the development of the SGR link will stimulate corporate activity and overnight hotel demand in the city.
- Growth within the government sector is likely to be slower in the short term, however once ministry developments are complete in the next 3 to 5 years growth within this market will be more aligned with medium to long term GDP growth projections for Tanzania averaging around 7%.
- Overall the **market as a whole is projected to achieve an average growth rate of 8.1%** over the assessed period and is ultimately aligned with economic growth projections for the country.
- Based on the above growth rates, **segmentation in Dodoma is to remain fairly similar** to current trends with government (43%) as the most dominant followed by corporates (37%) and overnight conferencing (20%).

Average 10 year Market Growth Rates

Government

7.3% demand growth

Corporate

8.2% demand growth

Overnight Conference

8.5% demand growth

Source: HTI Consulting

Demand Growth

Future Supply

- Supply growth has been notably weak in Dodoma with no new formal supply having entered the market in many years despite its official status as the capital city.
- Of the hotels surveyed, Morena will adding an additional 115 rooms to their inventory by the end of the year. Finishing are underway for a new wing adjacent to the hotel that will house the additional rooms, rooms will be primarily standard rooms and interiors offer a more contemporary and modern design than current inventory. This will increase the hotels competitive advantage within the city.
- A 5 star hotel is under development in Government City (location of all government ministries and foreign embassies) that is currently 80% complete and should be open by 2025.
- Discussions with industry stakeholders indicated a private hotel investor/owner is looking at the development of an internationally branded hotel at a 4 star level. The development is at initial planning stages with the operator undertaking due diligence and feasibility assessments. The location of the site has not been confirmed. Although the development would be positive sentiment for Dodoma in terms of investor confidence in the city and its hospitality market, it will increase competition within the market and be seen as the most direct competitor to the proposed development.
- The combined effect of these developments (including the proposed development) will see fairshare market occupancies drop to 45.3% by the end of 2028 before recovery to mid-60% levels in the long term. This is shown in the table below which outlines the growth in supply and its overall effect on fairshare market occupancies. The fair share occupancy of a hotel is the occupancy that a hotel should achieve if it is attaining its correct market position.

Projected Supply Growth and its Effect on Fairshare Market Occupancy (2023 - 2033)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Room nights supply	111 325	125 725	182 500	182 500	270 100	270 100	270 100	270 100	270 100	270 100	270 100
Growth		12,9%	45,2%	0,0%	48,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Room nights demand	73 919	79 988	87 510	94 278	107 308	122 256	135 454	144 410	153 964	164 157	175 033
Demand Growth		8,2%	9,4%	7,7%	13,8%	13,9%	10,8%	6,6%	6,6%	6,6%	6,6%
Fair-share Occupancy (CompSet)	66,4%	63,6%	48,0%	51,7%	39,7%	45,3%	50,1%	53,5%	57,0%	60,8%	64,8%

Source: HTI Consulting

Demand for the Proposed Development

Fair share Percentage, Displaced Demand and Created Demand

- Given the lack of quality facilities in Dodoma, the proposed hotel is likely to achieve its **fair share** of the corporate market during its first year of operations and greater than its fair share of the overnight conference given the modern facilities offered which are not currently seen in the market. Strong demand from the conference market, especially within the government sector, will be imperative to the overall success of the development. Considering the status of the project it is likely that many government events will be pushed to the hotel, thereby enabling the hotel to successfully achieve higher than its fair share of the overnight MICE segment throughout the assessed period.
- Less than its fair share of government demand is projected due to the stronger rate structure proposed at the development when compared with current market rates. It is anticipated that higher level government officials will make use of the hotel, however junior and medium level staff may opt to remain at current accommodation providers. With that being said, fair share percentages will grow year on year with the hotel anticipated to attract higher than its fair share amongst all key market segments.
- In addition to achieving higher than its fair share of demand amongst main market segments, the development of a branded upscale hotel in Dodoma will **create additional demand** within the segments such as the corporate market. This is due to the hotels ability to cater more adequately to this segment thereby removing the need to constantly transit back to Dar es Salaam, with corporates noting that would overnight in Dodoma more frequently if hotel supply met their needs.
- Although a smaller percentage given the more superior rate structure associated with the development, the hotel will **displace** a portion of demand away from hotels that are not represented in the relevant set. This is primarily the case for government and overnight conference segments.

Stabilized Market Mix

- With the above in mind, the market segmentation of the proposed development is likely to differ slightly from the market as a whole with a higher proportion of overnight MICE business expected. Other market segments will remain prominent with a slightly higher proportion of demand being driven by the government segment. The proposed stabilized market mix is shown in the adjacent graph.

Percentage Greater/Less than Fair Share of the Market

Hotel Fair Share	2027	2028	Stabilisation Onwards
Corporate	Fair share	5,0%	10,0%
Overnight MICE	5,0%	10,0%	15,0%
Government	-10,0%	Fair share	5,0%

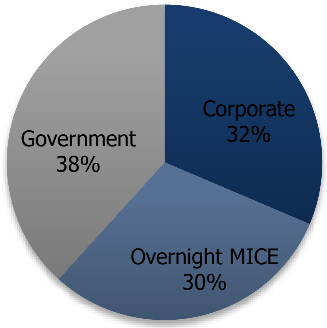
Source: HTI Consulting

Additional Forms of Demand

Created Demand	Displaced Demand
The creation of new forms of demand or source markets to the hotel through the introduction of a branded hotel in Dodoma that can compete more effectively with hotel supply in Dar es Salaam, thereby removing the need for business people to transit back to Dar es Salaam	International branding enables the property to displace demand from other establishments not represented in the competitor set. This will be primarily apparent within the government and conference markets.

Source: HTI Consulting

Proposed Market Mix for the Hotel



Source: HTI Consulting

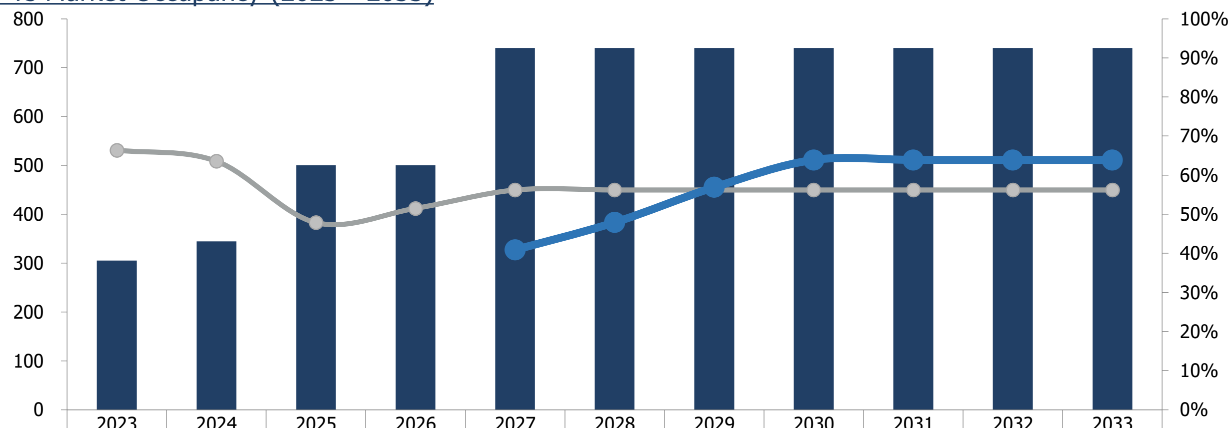
Hotel Projected Demand

Occupancy

Proposed Hotel Performance Projections

- Taking into account supply and demand fundamentals and the unique elements of the development that enable it to:
  - Achieve greater than its fairshare of the key market segment;
  - Create demand amongst the corporate and government segments that is being lost to Dar es Salaam; and
  - Displace conference demand away from poorer quality products
- The hotel is expected to achieve a healthy opening occupancy just above 40% in 2027. Once stabilised – which within the hospitality market takes approximately three years, however given the development nature of Dodoma we project 4 years to stabilisation is required - occupancy performance grows steadily to reach a stabilized occupancy of 61.8% in year three (2029). This is stronger than the stabilised occupancy projected for the market as a whole and reiterates the demands ability to position itself as the market leader in Dodoma.

Hotel Projected Occupancy vs Market Occupancy (2023 - 2033)



Market Stabilised Occupancy 56.2%

Proposed Hotel Stabilised Occupancy 63.9%

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Additions to supply (number rooms)	305	344	500	500	740	740	740	740	740	740	740
Market Occupancy with Stab	66,4%	63,6%	47,8%	51,5%	56,2%	56,2%	56,2%	56,2%	56,2%	56,2%	56,2%
NSSF Dodoma Occupancy with Stab					40,9%	47,9%	56,9%	63,9%	63,9%	63,9%	63,9%

Source: HTI Consulting

- Although market fundaments are favourable for the entry of an internationally branded hotel in Dodoma, Dar es Salaam will continue to remain as a financial hub within Tanzania and indirectly compete with the hospitality market in Dodoma.

Hotel Revenue Projections

SECTION 8

In this section we have performed revenue projections and prepared statements of profit and loss, cash flows and investment analysis for the proposed hotel development.

These projections have been compiled in accordance with the Uniform System of Accounts for Leisure Industry (USALI).

Introduction

Introduction

- In this section we have performed revenue projections and prepared statements of profit and loss, cash flows and investment analysis for the proposed development. These projections have been compiled in accordance with the Uniform System of Accounts for Leisure Industry (USALI). Projections to income before fixed charges were made on the hotel.

Assumptions

- Key assumptions findings and analysis for the project include the following:
  - The development will consist of 120 keys.
  - A base date of December 2023 has been assumed. The property is expected to open in January 2027.
  - All amounts are in USD and are net of any relevant taxes.
  - Inflation has been projected at 2.00%, however a higher inflation rate of 2.50% has been projected during the construction period to allow for current economic pressures globally.
  - As per international hotel operator benchmarks, an FF&E reserve of 1.00% in the first year leading up to 4.00% in the fourth year (and thereafter) has been incorporated.
  - For the purpose of this report, insurance and property taxes have been estimated at 0.20% and 0.30% respectively – based on African benchmarks.
  - The following incentive fee structure has been incorporated based on industry benchmarks:

AGOP Percentage	% of AGOP
0% - 19.99%	0%
20% - 24.99%	5%
25% – 29.99%	6%
30% - 39.99%	7%
40.0% and above	8%

  - As per benchmarks within the hospitality industry the terminal value of the hotel is estimated using a 10% Cap Rate. In addition a discount rate of 12.24% has been utilised which incorporates investment and country risk.
  - An additional scenario has been incorporated to determine the terminal value: based on the NSSF Investment Guideline Rate a Cap Rate of 4.57% has been utilised and a discount rate of 6.57% which incorporates a 2% margin for country and investment risk.

Commonly Utilised Terminology

Metrics to Measure Hotel Performance

ADR – indicates the average revenue earned for an occupied room in a hotel on a given day. It thereby removes any taxes/levies, discounting and F&B costs associated with the rate

Occupancy – the percentage of available rooms that are occupied at a given time

RevPAR – combines the top two metrics (ARR x occupancy). RevPAR reflects a hotel's ability to fill its available rooms at an average rate

Financial Bases

Rooms Revenue - Occupancy, Average Room Rates and RevPAR

- Based on our understanding of future supply and demand, we estimate that the proposed upscale hotel will achieve the following occupancies and average room rates (see table below). We expect the hotel to reach stabilized occupancies after its fourth year of operations (2030) which aligns with the medium to long term development vision for Dodoma.

Projected Performance Levels of the Proposed Hotel (2027 - 2032)

Year	2027	2028	2029	2030	2031	2032
Occupancy	**40,3%**	**47,3%**	**56,3%**	**63,3%**	**63,3%**	**63,3%**
Rooms sold	17 666	20 732	24 674	27 740	27 740	27 740
Beds Sold	23 367	27 417	32 460	36 674	36 674	36 674
Average Room Rate (USD)	**140**	**144**	**148**	**153**	**156**	**159**
Average Room Rate Growth		3,3%	2,5%	3,4%	2,0%	2,0%
RevPAR (USD)	**57**	**69**	**84**	**98**	**100**	**102**
RevPAR Growth		21,0%	21,7%	16,1%	2,0%	2,0%
Rooms Revenue	2 501 318	3 025 535	3 682 086	4 275 419	4 360 928	4 448 146
Rooms % of Total Revenue	*48,9%*	*46,7%*	*45,5%*	*45,2%*	*45,2%*	*45,2%*

Source: HTI Consulting

- The first full year (2027) of operations the hotel is projected to achieve an **occupancy of 40.3%.** Considering the mid term entry, the Dodoma market will be showing full post-Covid recovery and many of the government ministries offices will be complete and business activity in the city will be growing making it an opportune period to enter the market. Once established, the push of government conference demand to the hotel coupled with the branding of the property will result in occupancy maximization with the hotel projected to **stabilize around 63.3%.** Should lower than expected levels of government conferencing take place at the hotel, a lower stabilized occupancy closer to 60% is expected.
- Based on a **current term ADR of USD 126** (as shown in the following slides) and taking into account inflation during the construction period, a **first year ADR of USD 140** is projected. As will be seen in the coming slide, an ADR differs from the quoted Rack Rate with items such as VAT (18%), breakfast costs (USD 18) and discounting (which ranges from 15% to 30% in the market) being removed from the rack rate to result in the overall achieved rate by room type and market segment as discounts differ depending on the market segment.
- Overall Rooms Revenue amounts to USD 2,5 million in the first year and grows to USD 4,4 million in 2032. The Rooms Department will remain the primarily driver of hotel revenue throughout the assessed period however conference demand is anticipated to be strong given the status of the development which will driver decent levels of revenue within the Food and Beverage Department and Banqueting. Typically, the Rooms Department drives more than 60% of overall revenue, however when taking into account the aforementioned factors this department drives between 45% and 50% of Total Revenue.

Financial Base

Rooms Revenue - Average Daily Rate

- The table below provides an overview of the rate structure per room type for the proposed development. Rate structures are aligned with market feedback in terms of what clients are willing to pay for a product of quality in Dodoma and are slightly behind the 4 star rates being quoted in Dar es Salaam. Standard Rooms are priced at USD 165 per night going up to USD 210 for a Deluxe Room. The Suites range from USD 320 to USD 1,200 for the Presidential Suite. As seen discounting is common in the market with corporate discounts averaging around 10% to 15%, overnight conference guests tend to receive discounts between 20% and 30% with government being the most discounted segment at around 30% for most room types.
- Given the under-developed nature of Dodoma, comparing projected ADRs to those achieved in Dar es Salaam is more relevant as the hotel will notably outperform current competitors in Dodoma. The current term ADR is below the Hyatt Regency by around USD 30, but positioned slightly above the FourPoints by Sheraton and notably higher than the Crowne Plaza.

Projected rates for different room types (2023 values)

	Market segment	No. of Rooms	% of rooms	Double Occupancy	Occupancy	Single rate	Double rate	Average total Discount	VAT	What Clients will Pay	Less Breakfast, and other	Average room rate
Standard Room	Corporate	70	20%	10%	68%	165	215	10%	18%	149	18	113
	Conference	70	50%	70%	68%	165	215	20%	18%	132	18	109
	Government	70	30%	5%	68%	165	215	30%	18%	116	18	116
	Total Standard Rooms	**70**			**68%**	**165**	**215**					**102**
Deluxe Room	Corporate	40	60%	10%	61%	220	286	10%	18%	198	18	156
	Conference	40	10%	70%	61%	220	286	25%	18%	165	18	143
	Government	40	30%	5%	61%	220	286	30%	18%	154	18	116
	Total Deluxe Rooms	**40**			**61%**	**220**	**286**					**142**
Junior Suite	Corporate	5	50%	5%	54%	320	416	15%	18%	272	18	218
	Conference	5	0%									
	Government	5	50%	5%	54%	320	416	20%	18%	256	18	204
	Total Junior Suites	**5**			**54%**	**320**	**416**					**211**
Deluxe Suite	Corporate	2	60%	5%	40%	420	546	15%	18%	357	18	291
	Conference	2	0%									
	Government	2	40%	5%	40%	420	546	20%	18%	336	18	273
	Total Deluxe Suites	**2**			**40%**	**420**	**546**					**283**
Executive Suite	Corporate	2	20%	5%	40%	650	845	15%	18%	553	18	459
	Conference	2	0%									
	Government	2	80%	5%	40%	650	845	30%	18%	455	18	375
	Total Executive Suites	**2**			**40%**	**650**	**845**					**392**
Presidential Suite	Corporate	1	10%	10%	40%	1000	1300	20%	18%	800	18	682
	Conference	1	0%									
	Government	1	90%	10%	40%	1000	1300	30%	18%	700	18	594
	Total Presidential Suites	**1**			**40%**	**1000**	**1300**					**602**
TOTAL		**120**										**127**

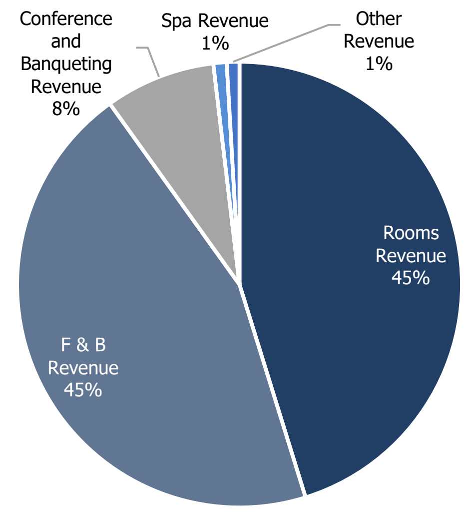
Source: HTI Consulting

Financial Base

Departmental Revenues

- As seen in conference focused hotels, there is often a balance of revenue being driven by the **Rooms** department and the **F&B** department, both of which account for 45% of total hotel revenue once stabilized. In addition, the more diverse restaurant offering which will be popular amongst in-house guests, surrounding corporates and local residents drives a stronger percentage of F&B revenue than typically seen at business hotels.
- Although **conferencing** activity will be a strong driver of roomnight demand at the hotel, revenue is small as conference revenue refers only to the venue hire component of MICE activity. All F&B related conference revenue falls under the F&B revenue, aligned with USALI principles. For this reason, conference revenue drives 8% of total revenue once stabilised.
- **Other Revenues** account for 1% of total revenues during stabilization. This includes revenues such as parking, laundry, transfers, telephone etc.
- **Spa revenue** will also drive around 1% of total revenue. This is due to the nature of the development with business/conference travellers being the most prominent – markets that typically have a lower utilisation of spa facilities. With that in mind we anticipate external users will be the main driver of spa revenue, with an average treatment cost projected at USD 20 incorporated into the model.
- The breakdown of revenue per department has been provided below. During the first operational year, Total Revenues generated by the hotel is projected at USD 5,1 million and grows to USD 10,6 million by the tenth year.

Stabilised Revenue Split (2030)



Source: HTI Consulting

Departmental Revenues (2027 - 2036)

In USD	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rooms Revenue	2 501 318	3 025 535	3 682 086	4 275 419	4 360 928	4 448 146	4 537 109	4 627 851	4 720 408	4 814 816
F&B Revenue	2 168 563	2 854 615	3 633 103	4 246 210	4 331 135	4 417 757	4 506 112	4 596 235	4 688 159	4 781 923
MICE Revenue	339 783	474 395	614 255	759 520	774 711	790 205	806 009	822 129	838 572	855 343
Spa Revenue	48 899	65 898	85 451	91 135	92 957	94 816	96 713	98 647	100 620	102 632
Other Revenue	52 458	62 652	75 525	86 929	88 668	90 441	92 250	94 095	95 977	97 897
Total Revenues	**5 111 020**	**6 483 094**	**8 090 420**	**9 459 214**	**9 648 398**	**9 841 366**	**10 038 193**	**10 238 957**	**10 443 736**	**10 652 611**

Source: HTI Consulting

Financial Base

Food and Beverage Revenues

- In estimating the average food spends and levels of utilization by in-house and external guests, we have taken into account the location of the hotel and its proximity and access to the external population centers as well as proximity to residential nodes.
- F&B outlets proposed include a main full service F&B outlet offering a buffet breakfast and a la carte lunch and dinner menus, coupled with a rooftop terrace offering a more bespoke lunch and dinner menu and a ground floor cafe. The full service restaurant will also cater the any MICE related business.
- All outlets will be open to the public, this increases total covers and overall revenue generated by this department. Upon stabilization the food and beverage department will account for approximately 45% of total revenue, with the all day dining outlets being the most dominant as it will service both the hotel and the conference hall.
- The revenue generated by the all day dining and rooftop terrace has been separated and provided in the adjacent table. Although the all day dining generates the larger portion of total F&B revenue as this facility caters to the conference market, the rooftop terrace generates a higher average spend and will create a strong element of differentiation within the market.
- Overall USD 1,9 million in revenue is projected to be generated by the all-day dining outlet during the first year, growing to USD 4,1 million by the 10th year. A similar level of growth is anticipated at the rooftop terrace, however first year revenues are positioned at USD 230,000, growing to USD 565,046 by the tenth year.

Average Spend and Covers per Outlet (2027)

		All Day Dining	Rooftop Terrace
Average Spend (USD)		13	24
Covers per Day	Breakfast	97 – includes conf. packages	-
	Snacks	121 – includes conf. packages	-
	Lunch	117 – includes conf. packages	10
	Dinner	68	30
	Total	403	40

Source: HTI Consulting

Revenue per Outlet (2027 - 2036)

	All Day Dining (USD)	Rooftop Terrace (USD)	Total F&B Revenue (USD)
2027	1 901 996	226 767	**2 168 563**
2028	2 473 240	336 719	**2 854 615**
2029	3 117 685	465 728	**3 633 103**
2030	3 693 782	501 745	**4 246 210**
2031	3 767 658	511 780	**4 331 135**
2036 (10th YR)	**4 159 799**	**565 046**	**4 781 923**

Source: HTI Consulting

Source: HTI Consulting

Financial Base

Events/Conference and Banqueting Revenue

- MICE revenue (made up of room hire only) accounts for 5% of revenue in stabilization. MICE facilities proposed are more diverse in sizing and flexibility than those currently offered by competitors. It is anticipated that the development will displace a portion of MICE business from most other competitors as the location is more accessible and convenient, especially when hosting a government delegation given its proximity to Government City.

- The proposed development will cater primarily to government and corporate events with a strong government push expected given the status of the development. Small to medium sized events averaging 30 to 80 delegates are projected to be the most frequent with around 3 – 4 events anticipated per week once stabilised. This is followed by larger events with an average delegation of 250 pax. We anticipate around 2 large events to be hosted at the hotel on an weekly basis. It must be noted that support from government departments is required in order to reach the aforementioned conference utilisation projections incorporated.

Banqueting Revenue and Event Attendees (2027 - 2036)

Average event size	Duration in days	Average number of conferences per week					
		2027	2028	2029	2030	2031	YR 10
30	2,50	2,5	3,0	3,5	4,0	4,0	4,0
80	1,75	1,5	2,0	2,5	3,0	3,0	3,0
250	1,50	1,0	1,5	2,0	2,5	2,5	2,5
Residential delegate days (annual)		7 216	8 450	9 986	11 269	11 269	11 269
Day delegate days (annual)		32 954	47 060	60 864	74 921	74 921	74 921
Total delegate days (annual)		40 170	55 510	70 850	86 190	86 190	86 190
Average per day		110,1	152,1	194,1	236,1	236,1	236,1
Total conference revenue (USD)		**339 783**	**474 395**	**614 255**	**759 520**	**774 711**	**790 205**

Source: HTI Consulting

Financial Base

Departmental Profitability

- Departmental profits have been based on guidelines received from existing hotels in the market and have been adjusted to the nature and size of the proposed development
- Overall operational profitability in the stabilised year is 63.0% which amounts to USD 5,9 million in 2030. By the tenth year, departmental profits grow to USD 6,7 million.

Stabilised Departmental Profitability (2030)

Rooms Profitability

The rooms department records the highest profit margin as staffing costs and general costs are much lower relative to the food and beverage department.

The stabilised profitability level is slightly lower than market benchmarks due to the inclusion of kitchen/lounge units which can increase cleaning costs. Competitors indicated profitability around 85% can be achieved in this department.

F&B Profitability

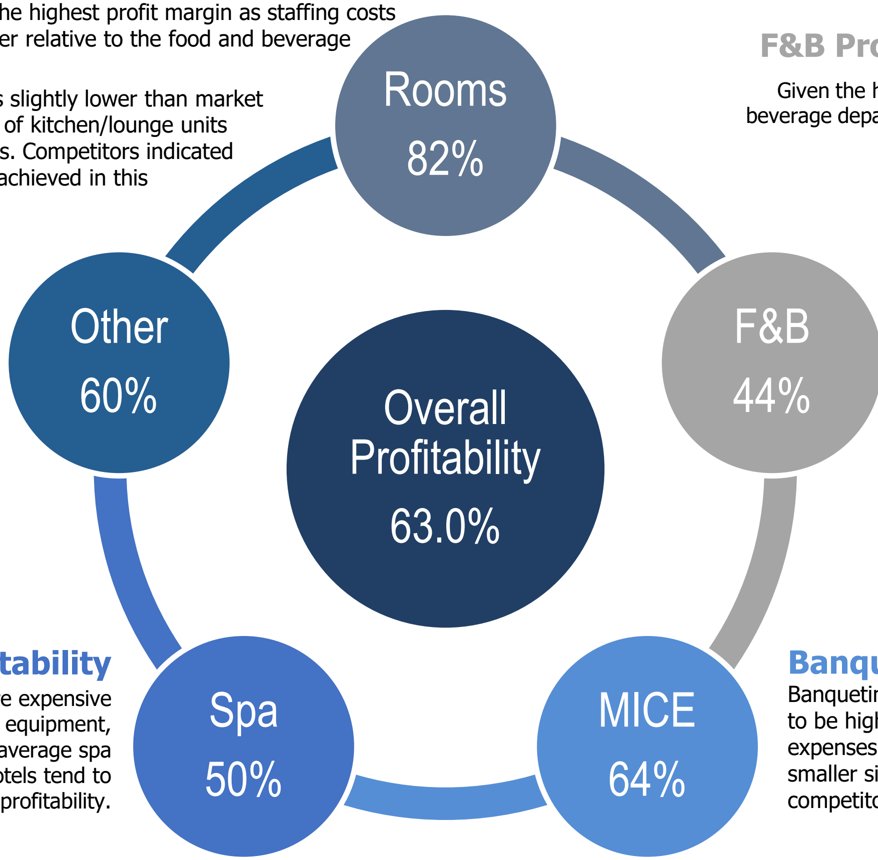
Given the high proportion of variable costs within the food and beverage department, profitability is usually much lower than that of the rooms department.

This is particularity true for an upscale hotel due to the quality and diversity of food (the majority of which will need to be imported) offerings that will need to be provided.

With that being said, Dodoma has a strong agricultural sector with fresh produce more readily available within the market. For this reason, profitability within this department is above typical benchmarks for a hotel of this nature, stabilizing at 44%. Although higher than traditional benchmarks, this level of profitability is lower than that current achieved by hotels in the market which stated F&B profits can reach as higher at 60%, however given the differing quality a more superior quality establishment may not be able to achieve this level of profitability.

Other Dept. Profitability

Other profits are high given the limited expenses associated with this department. When compared to other competitors, profitability projects are lower given the portion of long stay guests which require more frequent laundry services. Other competitors indicated profitability can reach 65%.



Spa Profitability

Spa profits are limited due to the more expensive nature of this department in terms of equipment, products and staff required. On average spa facilities within business style hotels tend to achieve between 40% and 50% profitability.

Banqueting Profitability

Banqueting departmental profits are expected to be high due to the limited number of expenses needed for venue hire as well as the smaller size of facilities when primary MICE competitors

Overhead Costs

Stabilised Overhead Costs

- Total overhead costs account for 25.6% of total revenue during the stabilized year (2030) with Admin. and General being the most costly overhead which is common when branding under an international operator.

Stabilized Overhead Costs Percentage of Total Revenue (2029)

Admin & General	IT	Sales & Marketing	Property Maintenance	Utilities	**Total Overhead Expenses**
11.0%	1.5%	3.8%	3.8%	5.5%	**25.6%**

- **Administrative & General ("A&G")** costs in addition to salaries & wages for administrative functions, usually includes other related expenses such as credit card commissions, operating supplies, print and stationery costs or telecommunications inter alia. We expect this cost to account for 12.0% of revenue in 2027 lowering to 11.0% after stabilisation. This is slightly below market benchmarks however it is anticipated that an international brand will be able to create greater efficiencies.
- **IT costs** tend to average around 1.5% - 2% amongst international operators, with the anticipated 1.5% in line with benchmark percentages seen in Dar es Salaam.
- **Sales & Marketing** expenses account for costs generated by commercial efforts to promote the property. This includes amongst others, marketing research, brochures or advertising campaigns. We expect Marketing costs to account for 3.8% of total revenue after stabilisation. Marketing costs exclude the marketing fees paid to the operator which adds an additional 2.5% once stabilised.
- **Property Operations & Maintenance** expenses should cover the maintenance of electrical and mechanical equipment, heating and ventilation systems as well as any other expenses required to ensure the proper and functional operation of the property. This cost usually increases over the first few years of operation, stabilising at 3.8%.
- **Energy** costs account for the cost of electricity, gas, oil, water or any other energy costs related to the operation of the property. Energy costs were indicated by market participants as having shown a strong increase in recent years with ratios currently positioned at 6.0% of total revenue. Energy costs for the proposed development are expected to become more efficient over the life of the property with more eco friendly/solar investment options offering the ability to better manage costs in the longer term. Costs have therefore been positioned slightly below market benchmarks on stabilization.

Management Fees

Base and Incentive Fees

Base Management Fee

Base Fees are the basic cost of employing a management company and are determined as a percentage of total revenues. In the "older style" management contracts, this percentage often remained fixed, and could be as high as 3% in initial proposals. In modern contracts in Africa, this figure lies closer to 2% initially and increases to about 2.5% to 2.75% over a five year period, however small scale luxury developments tend to still reach 3%.

A progressive base fee is a must for owners, as it alleviates some of the pressure on cash flows during the initial years of operations, a notoriously difficult period for new hotels. When management companies propose or accept this kind of base fee structure, they are effectively offering to shoulder some of the initial risk in exchange for a higher percentage fee later in the following years.

Based on regional benchmarks and contracts recently negotiated with international operators in Dar es Salaam, we have included the following Base Fee structure into the financial model.

Base Management Fee

	Base Fee (%)	USD Value
Year 1	1.50%	76 665
Year 2	2.00%	129 662
Year 3 (onwards)	2.00%	161 808
Total Base Fee over 10 year period	2.00%	1 774 585

Incentive Management Fee

Incentive fees should be designed to entice operators into achieving higher performance standards and are therefore calculated as a percentage of gross operating profit "GOP".

Fees should ideally not be payable until a specific pre-determined Gross Operating Profit "GOP" level has been achieved. Thereafter, incentive fee percentages should increase progressively based on higher tiers of GOP percentages.

These tiered or threshold-based mechanisms can be negotiated to the extent where initial fees can be as low as 0% at low GOP levels, with higher incentives provided of up to 10% –11% at GOP levels of 45% – 50% or higher. Average incentive fees of 7% or 8% are usually seen at GOP's of between 30% and 40% and fees of 8% or 9% at GOP's of 40% to 50% depending on the attractiveness and profitability of the market.

This steeper progressive structure alleviates the financial pressure imposed on the owner in early years, and provides management companies with higher potential incentive fees to entice managers to maximize the performance of the hotel.

Based on benchmarks the following Incentive Fee structure has been incorporated.

Incentive Management Fee

AGOP Percentage	% of AGOP
0% - 19.99%	0%
20% - 24.99%	5%
25% – 29.99%	6%
30% - 39.99%	7%
40% -and above	8%

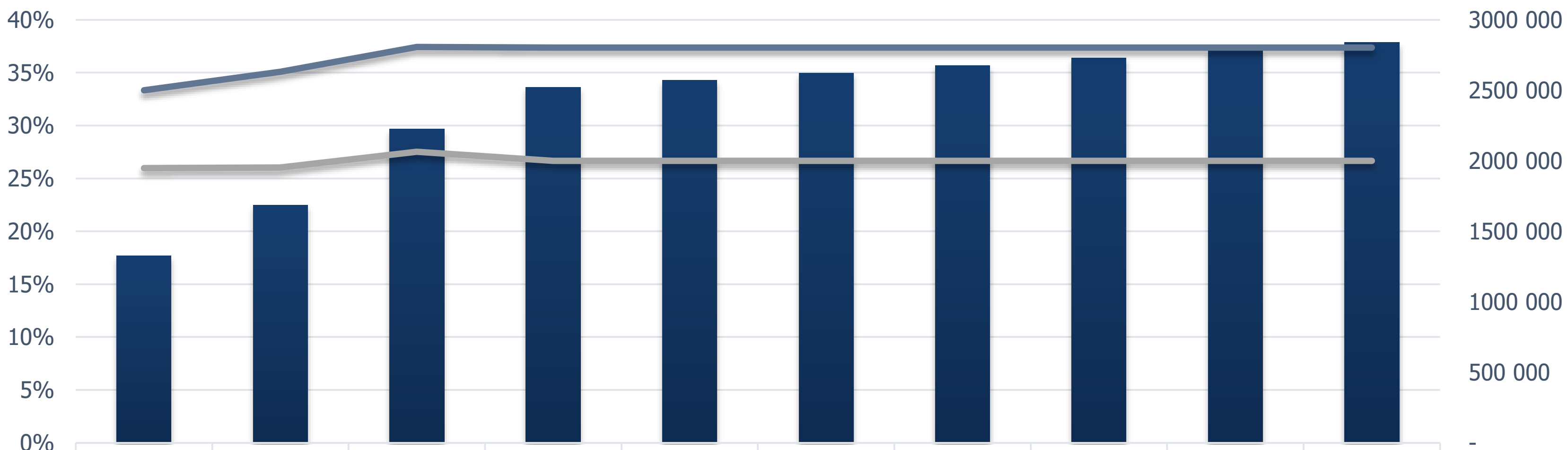
	Stabilised Incentive Fee (%)	USD Value
Total Incentive Fee over 10 year period	7.00%	2 137 076

Profit Margins

GOP and EBITDA

- Overall the GOP achieved by the hotel is projected at 33.3% in its first full year, stabilizing at 37.4% from 2030 onwards. This level of stabilized performance is aligned with upscale (4 star) business style hotels and makes them often times more profitable than hotels positioned at higher level. As an example, 5 star hotels tend to have lower GOP margins with the Hyatt Regency indicating GOP levels around 30% where achieved during 2023.
- Looking at Earnings Before Income Tax, Depreciation and Amortization (EBITDA) bottom line performance is averaging around 26.7%. This equates to a bottom line profit of **USD 1,32 million (TZS 3,9 billion) in the first year growing to USD 2,84 million (TZS 8,5 billion) by the tenth year**.
- Strong conference demand which results in healthy stabilized occupancy for the property, coupled with the overall under-developed and supplied nature of the market attribute to the sustainable level of profitability associated with development.

EBITDA (USD) and Profit Margins (2027 - 2036)



	2 027	2 028	2 029	2 030	2 031	2 032	2 033	2 034	2 035	2 036
EBITDA / NOI	1327 290	1687 185	2226 930	2522 761	2573 216	2624 680	2677 174	2730 717	2785 332	2841 038
GOP	33,3%	35,1%	37,4%	37,4%	37,4%	37,4%	37,4%	37,4%	37,4%	37,4%
EBITDA	26,0%	26,0%	27,5%	26,7%	26,7%	26,7%	26,7%	26,7%	26,7%	26,7%

Source: HTI Consulting

Hotel Revenue Projections

Profit and Loss Statement (USD)

NSSF Dodoma Upscale Hotel (USD)																				
YEAR	Dec-27		Dec-28		Dec-29		Dec-30		Dec-31		Dec-32		Dec-33		Dec-34		Dec-35		Dec-36	
Operating Days	365		365		365		365		365		365		365		365		365		365	
Rooms	120		120		120		120		120		120		120		120		120		120	
Rooms Available	43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800		43 800	
Rooms Sold	17 922		20 988		24 930		27 996		27 996		27 996		27 996		27 996		27 996		27 996	
Occupancy	**40,9%**		**47,9%**		**56,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**		**63,9%**	
Occupancy Growth			17,1%		18,8%		12,3%		0,0%		0,0%		0,0%		0,0%		0,0%		0,0%	
ADR	**139,6**		**144,16**		**147,7**		**152,7**		**155,8**		**158,9**		**162,1**		**165,3**		**168,6**		**172,0**	
ADR Growth			3,3%		2,5%		3,4%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
RevPAR	**57,1**		**69,1**		**84,1**		**97,6**		**99,6**		**101,6**		**103,6**		**105,7**		**107,8**		**109,9**	
RevPAR Growth			21,0%		21,7%		16,1%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
REVENUES																				
Rooms Revenue	2 501 318	48,9%	3 025 535	46,7%	3 682 086	45,5%	4 275 419	45,2%	4 360 928	45,2%	4 448 146	45,2%	4 537 109	45,2%	4 627 851	45,2%	4 720 408	45,2%	4 814 816	45,2%
F & B Revenue	2 168 563	42,4%	2 854 615	44,0%	3 633 103	44,9%	4 246 210	44,9%	4 331 135	44,9%	4 417 757	44,9%	4 506 112	44,9%	4 596 235	44,9%	4 688 159	44,9%	4 781 923	44,9%
Conference and Banqueting Revenue	339 783	6,6%	474 395	7,3%	614 255	7,6%	759 520	8,0%	774 711	8,0%	790 205	8,0%	806 009	8,0%	822 129	8,0%	838 572	8,0%	855 343	8,0%
Spa Revenue	48 899	1,0%	65 898	1,0%	85 451	1,1%	91 135	1,0%	92 957	1,0%	94 816	1,0%	96 713	1,0%	98 647	1,0%	100 620	1,0%	102 632	1,0%
Other Revenue	52 458	1,0%	62 652	1,0%	75 525	0,9%	86 929	0,9%	88 668	0,9%	90 441	0,9%	92 250	0,9%	94 095	0,9%	95 977	0,9%	97 897	0,9%
TOTAL REVENUE	**5 111 020**	**100%**	**6 483 094**	**100%**	**8 090 420**	**100%**	**9 459 214**	**100%**	**9 648 398**	**100%**	**9 841 366**	**100%**	**10 038 193**	**100%**	**10 238 957**	**100%**	**10 443 736**	**100%**	**10 652 611**	**100%**
Revenue Growth			26,8%		24,8%		16,9%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
DEPARTMENTAL COSTS																				
Rooms Department	500 264	20,0%	574 852	19,0%	662 776	18,0%	769 575	18,0%	784 967	18,0%	800 666	18,0%	816 680	18,0%	833 013	18,0%	849 673	18,0%	866 667	18,0%
F&B Department	1 301 138	60,0%	1 655 676	58,0%	2 034 537	56,0%	2 377 878	56,0%	2 425 435	56,0%	2 473 944	56,0%	2 523 423	56,0%	2 573 891	56,0%	2 625 369	56,0%	2 677 877	56,0%
Conference and Banqueting Department	129 117	38,0%	175 526	37,0%	221 132	36,0%	273 427	36,0%	278 896	36,0%	284 474	36,0%	290 163	36,0%	295 966	36,0%	301 886	36,0%	307 924	36,0%
Spa Department	24 449	50,0%	32 949	50,0%	42 725	50,0%	45 567	50,0%	46 479	50,0%	47 408	50,0%	48 356	50,0%	49 324	50,0%	50 310	50,0%	51 316	50,0%
Other Departments	20 983	40,0%	25 061	40,0%	30 210	40,0%	34 772	40,0%	35 467	40,0%	36 177	40,0%	36 900	40,0%	37 638	40,0%	38 391	40,0%	39 159	40,0%
TOTAL DEPARTMENTAL COSTS	**1 975 951**	**38,7%**	**2 464 064**	**38,0%**	**2 991 380**	**37,0%**	**3 501 220**	**37,0%**	**3 571 244**	**37,0%**	**3 642 669**	**37,0%**	**3 715 522**	**37,0%**	**3 789 833**	**37,0%**	**3 865 629**	**37,0%**	**3 942 942**	**37,0%**
Departmental Costs Growth			24,7%		21,4%		17,0%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
DEPARTMENTAL PROFIT																				
Rooms Department	2 001 054	80,0%	2 450 683	81,0%	3 019 311	82,0%	3 505 844	82,0%	3 575 961	82,0%	3 647 480	82,0%	3 720 429	82,0%	3 794 838	82,0%	3 870 735	82,0%	3 948 149	82,0%
F&B Department	867 425	40,0%	1 198 938	42,0%	1 598 565	44,0%	1 868 333	44,0%	1 905 699	44,0%	1 943 813	44,0%	1 982 689	44,0%	2 022 343	44,0%	2 062 790	44,0%	2 104 046	44,0%
Conference and Banqueting Department	210 665	62,0%	298 869	63,0%	393 123	64,0%	486 093	64,0%	495 815	64,0%	505 731	64,0%	515 846	64,0%	526 163	64,0%	536 686	64,0%	547 420	64,0%
Spa Department	24 449	50,0%	32 949	50,0%	42 725	50,0%	45 567	50,0%	46 479	50,0%	47 408	50,0%	48 356	50,0%	49 324	50,0%	50 310	50,0%	51 316	50,0%
Other Departments	31 475	60,0%	37 591	60,0%	45 315	60,0%	52 158	60,0%	53 201	60,0%	54 265	60,0%	55 350	60,0%	56 457	60,0%	57 586	60,0%	58 738	60,0%
TOTAL DEPARTMENTAL PROFIT	**3 135 069**	**61,3%**	**4 019 030**	**62,0%**	**5 099 040**	**63,0%**	**5 957 994**	**63,0%**	**6 077 154**	**63,0%**	**6 198 697**	**63,0%**	**6 322 671**	**63,0%**	**6 449 125**	**63,0%**	**6 578 107**	**63,0%**	**6 709 669**	**63,0%**
Departmental Profit Growth			28,2%		26,9%		16,8%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
UNDISTRIBUTED OPERATING EXPENSES																				
Administration, Management and General	613 322	12,0%	745 556	11,5%	889 946	11,0%	1 040 514	11,0%	1 061 324	11,0%	1 082 550	11,0%	1 104 201	11,0%	1 126 285	11,0%	1 148 811	11,0%	1 171 787	11,0%
IT	102 220	2,0%	116 696	1,8%	121 356	1,5%	141 888	1,5%	144 726	1,5%	147 620	1,5%	150 573	1,5%	153 584	1,5%	156 656	1,5%	159 789	1,5%
Energy	332 216	6,5%	388 986	6,0%	444 973	5,5%	520 257	5,5%	530 662	5,5%	541 275	5,5%	552 101	5,5%	563 143	5,5%	574 406	5,5%	585 894	5,5%
Marketing	229 996	4,5%	272 290	4,2%	307 436	3,8%	359 450	3,8%	366 639	3,8%	373 972	3,8%	381 451	3,8%	389 080	3,8%	396 862	3,8%	404 799	3,8%
Repairs & Maintenance	153 331	3,0%	220 425	3,4%	307 436	3,8%	359 450	3,8%	366 639	3,8%	373 972	3,8%	381 451	3,8%	389 080	3,8%	396 862	3,8%	404 799	3,8%
TOTAL UNDISTRIBUTED EXPENSES	1 431 086	28,0%	1 743 953	26,9%	2 071 148	25,6%	2 421 559	25,6%	2 469 990	25,6%	2 519 390	25,6%	2 569 778	25,6%	2 621 173	25,6%	2 673 597	25,6%	2 727 069	25,6%
Undistributed Expenses Growth			21,9%		18,8%		16,9%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
GOP BEFORE FEES	1 703 983	33,3%	2 275 077	35,1%	3 027 891	37,4%	3 536 435	37,4%	3 607 164	37,4%	3 679 307	37,4%	3 752 894	37,4%	3 827 951	37,4%	3 904 510	37,4%	3 982 601	37,4%
GOP Growth			33,5%		33,1%		16,8%		2,0%		2,0%		2,0%		2,0%		2,0%		2,0%	
MANAGEMENT FEE																				
Base Fee	76 665	**1,50%**	129 662	**2,00%**	161 808	**2,00%**	189 184	**2,00%**	192 968	**2,00%**	196 827	**2,00%**	200 764	**2,00%**	204 779	**2,00%**	208 875	**2,00%**	213 052	**2,00%**
Marketing Fee	31 266	**1,25%**	75 638	**2,50%**	92 052	**2,50%**	106 885	**2,50%**	109 023	**2,50%**	111 204	**2,50%**	113 428	**2,50%**	115 696	**2,50%**	118 010	**2,50%**	120 370	**2,50%**
Total Fees	107 932	2,1%	205 300	3,2%	253 861	3,1%	296 070	3,1%	301 991	3,1%	308 031	3,1%	314 192	3,1%	320 475	3,1%	326 885	3,1%	333 423	3,1%
AGOP	**1 596 051**	**31,2%**	**2 069 777**	**31,9%**	**2 774 031**	**34,3%**	**3 240 365**	**34,3%**	**3 305 173**	**34,3%**	**3 371 276**	**34,3%**	**3 438 702**	**34,3%**	**3 507 476**	**34,3%**	**3 577 626**	**34,3%**	**3 649 178**	**34,3%**
Incentive Fee (on AGOP)	111 724	7,0%	144 884	7,0%	194 182	7,0%	226 826	7,0%	231 362	7,0%	235 989	7,0%	240 709	7,0%	245 523	7,0%	250 434	7,0%	255 442	7,0%
INCOME BEFORE FIXED CHARGES	1 484 328	29,0%	1 924 892	29,7%	2 579 849	31,9%	3 013 540	31,9%	3 073 811	31,9%	3 135 287	31,9%	3 197 993	31,9%	3 261 953	31,9%	3 327 192	31,9%	3 393 736	31,9%
FIXED CHARGES																				
FF&E Reserve	51 110	1,0%	129 662	2,0%	242 713	3,0%	378 369	4,0%	385 936	4,0%	393 655	4,0%	401 528	4,0%	409 558	4,0%	417 749	4,0%	426 104	4,0%
Property Taxes	45 397	0,9%	46 305	0,7%	47 231	0,6%	48 176	0,5%	49 140	0,5%	50 122	0,5%	51 125	0,5%	52 147	0,5%	53 190	0,5%	54 254	0,5%
Insurance	60 530	1,2%	61 740	1,0%	62 975	0,8%	64 235	0,7%	65 519	0,7%	66 830	0,7%	68 166	0,7%	69 530	0,7%	70 920	0,7%	72 339	0,7%
TOTAL FIXED CHARGES	157 037	3,1%	237 708	3,7%	352 919	4,4%	490 779	4,0%	500 595	4,0%	510 607	4,0%	520 819	4,0%	531 235	4,0%	541 860	4,0%	552 697	4,0%
EBITDA	1 327 290	26,0%	1 687 185	26,0%	2 226 929	27,5%	2 522 760	26,7%	2 573 216	26,7%	2 624 680	26,7%	2 677 174	26,7%	2 730 717	26,7%	2 785 332	26,7%	2 841 038	26,7%

Hotel Revenue Projections

Profit and Loss Statement (local currency)

	2027f	2028f	2029f	2030f	2031f	2032f	2033f	2034f	2035f	2036f
Average Exchange Rate LCU/USD over 10 year period	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000

NSSF Dodoma Upscale Hotel (TSH)										
YEAR	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36
Operating Days	365	365	365	365	365	365	365	365	365	365
Rooms	120	120	120	120	120	120	120	120	120	120
Rooms Available	43 800	43 800	43 800	43 800	43 800	43 800	43 800	43 800	43 800	43 800
Rooms Sold	17 922	20 988	24 930	27 996	27 996	27 996	27 996	27 996	27 996	27 996
Occupancy	**40,9%**	**47,9%**	**56,9%**	**63,9%**	**63,9%**	**63,9%**	**63,9%**	**63,9%**	**63,9%**	**63,9%**
Occupancy Growth		17,1%	18,8%	12,3%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
ADR	**418 712**	**432 477**	**443 100**	**458 154**	**467 317**	**476 664**	**486 197**	**495 921**	**505 839**	**515 956**
ADR Growth		3,3%	2,5%	3,4%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
RevPAR	**171 323**	**207 228**	**252 198**	**292 837**	**298 694**	**304 668**	**310 761**	**316 976**	**323 316**	**329 782**
RevPAR Growth		21,0%	21,7%	16,1%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
REVENUES										
Rooms Revenue	7 503 952 889	9 076 604 317	11 046 259 446	12 826 257 515	13 082 782 666	13 344 438 319	13 611 327 085	13 883 553 627	14 161 224 700	14 444 449 193
F & B Revenue	6 505 689 057	8 563 843 804	10 899 307 644	12 738 631 077	12 993 403 699	13 253 271 773	13 518 337 208	13 788 703 952	14 064 478 031	14 345 767 592
Conference and Banqueting Revenue	1 019 348 675	1 423 184 257	1 842 765 522	2 278 560 764	2 324 131 980	2 370 614 619	2 418 026 912	2 466 387 450	2 515 715 199	2 566 029 503
Spa Revenue	146 696 709	197 693 028	256 352 818	273 403 973	278 872 052	284 449 493	290 138 483	295 941 253	301 860 078	307 897 279
Other Revenue	157 373 945	187 955 383	226 574 156	260 788 304	266 004 070	271 324 151	276 750 635	282 285 647	287 931 360	293 689 987
TOTAL REVENUE	**15 333 061 276**	**19 449 280 789**	**24 271 259 586**	**28 377 641 634**	**28 945 194 466**	**29 524 098 356**	**30 114 580 323**	**30 716 871 929**	**31 331 209 368**	**31 957 833 555**
Revenue Growth		26,8%	24,8%	16,9%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
DEPARTMENTAL COSTS										
Rooms Department	1 500 790 578	1 724 554 820	1 988 326 700	2 308 726 353	2 354 900 880	2 401 998 897	2 450 038 875	2 499 039 653	2 549 020 446	2 600 000 855
F&B Department	3 903 413 434	4 967 029 406	6 103 612 281	7 133 633 403	7 276 306 071	7 421 832 193	7 570 268 837	7 721 674 213	7 876 107 698	8 033 629 852
Conference and Banqueting Department	387 352 497	526 578 175	663 395 588	820 281 875	836 687 513	853 421 263	870 489 688	887 899 482	905 657 472	923 770 621
Spa Department	73 348 355	98 846 514	128 176 409	136 701 986	139 436 026	142 224 747	145 069 241	147 970 626	150 930 039	153 948 640
Other Departments	62 949 578	75 182 153	90 629 662	104 315 322	106 401 628	108 529 661	110 700 254	112 914 259	115 172 544	117 475 995
TOTAL DEPARTMENTAL COSTS	**5 927 854 441**	**7 392 191 069**	**8 974 140 640**	**10 503 658 939**	**10 713 732 118**	**10 928 006 760**	**11 146 566 895**	**11 369 498 233**	**11 596 888 198**	**11 828 825 962**
Departmental Costs Growth		23,7%	20,5%	17,1%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
DEPARTMENTAL PROFIT										
Rooms Department	6 003 162 311	7 352 049 496	9 057 932 746	10 517 531 163	10 727 881 786	10 942 439 421	11 161 288 210	11 384 513 974	11 612 204 254	11 844 448 339
F&B Department	2 602 275 623	3 596 814 398	4 795 695 363	5 604 997 674	5 717 097 627	5 831 439 580	5 948 068 372	6 067 029 739	6 188 370 334	6 312 137 741
Conference and Banqueting Department	631 996 179	896 606 082	1 179 369 934	1 458 278 889	1 487 444 467	1 517 193 356	1 547 537 224	1 578 487 968	1 610 057 727	1 642 258 882
Spa Department	73 348 355	98 846 514	128 176 409	136 701 986	139 436 026	142 224 747	145 069 241	147 970 626	150 930 039	153 948 640
Other Departments	94 424 367	112 773 230	135 944 493	156 472 982	159 602 442	162 794 491	166 050 381	169 371 388	172 758 816	176 213 992
TOTAL DEPARTMENTAL PROFIT	**9 405 206 835**	**12 057 089 720**	**15 297 118 946**	**17 873 982 694**	**18 231 462 348**	**18 596 091 595**	**18 968 013 427**	**19 347 373 696**	**19 734 321 170**	**20 129 007 593**
Departmental Profit Growth		28,5%	26,9%	16,8%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
UNDISTRIBUTED OPERATING EXPENSES										
Administration, Management and General	1 839 967 353	2 236 667 291	2 669 838 554	3 121 540 580	3 183 971 391	3 247 650 819	3 312 603 836	3 378 855 912	3 446 433 030	3 515 361 691
IT	306 661 226	350 087 054	364 068 894	425 664 625	434 177 917	442 861 475	451 718 705	460 753 079	469 968 141	479 367 503
Energy	996 648 983	1 166 956 847	1 334 919 277	1 560 770 290	1 591 985 696	1 623 825 410	1 656 301 918	1 689 427 956	1 723 216 515	1 757 680 846
Marketing	689 987 757	816 869 793	922 307 864	1 078 350 382	1 099 917 390	1 121 915 738	1 144 354 052	1 167 241 133	1 190 585 956	1 214 397 675
Repairs & Maintenance	459 991 838	661 275 547	922 307 864	1 078 350 382	1 099 917 390	1 121 915 738	1 144 354 052	1 167 241 133	1 190 585 956	1 214 397 675
TOTAL UNDISTRIBUTED EXPENSES	4 293 257 157	5 231 858 909	6 213 444 457	7 264 677 781	7 409 969 963	7 558 169 359	7 709 332 743	7 863 519 394	8 020 789 778	8 181 205 570
Undistributed Expenses Growth		21,9%	18,8%	16,9%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
GOP BEFORE FEES	5 111 949 677	6 825 230 811	9 083 674 488	10 609 304 914	10 821 492 385	11 037 922 236	11 258 680 685	11 483 854 302	11 713 531 392	11 947 802 023
GOP Growth		33,3%	32,3%	16,8%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
MANAGEMENT FEE										
Base Fee	229 995 919	388 985 616	485 425 192	567 552 833	578 903 889	590 481 967	602 291 606	614 337 439	626 624 187	639 156 671
Marketing Fee	93 799 411	226 915 108	276 156 486	320 656 438	327 069 567	333 610 958	340 283 177	347 088 841	354 030 617	361 111 230
Total Fees	323 795 330	615 900 724	761 581 678	888 209 271	905 973 456	924 092 925	942 574 784	961 426 279	980 654 805	1 000 267 901
AGOP	**4 788 154 347**	**6 209 330 087**	**8 322 092 811**	**9 721 095 643**	**9 915 518 929**	**10 113 829 311**	**10 316 105 901**	**10 522 428 023**	**10 732 876 587**	**10 947 534 122**
Incentive Fee (on AGOP)	**335 170 804**	**434 653 106**	**582 546 497**	**680 476 695**	**694 086 325**	**707 968 052**	**722 127 413**	**736 569 962**	**751 301 361**	**766 327 389**
INCOME BEFORE FIXED CHARGES	4 452 983 543	5 774 676 981	7 739 546 314	9 040 618 948	9 221 432 604	9 405 861 259	9 593 978 488	9 785 858 061	9 981 575 226	10 181 206 734
FIXED CHARGES										
FF&E Reserve	153 330 613	388 985 616	728 137 788	1 135 105 665	1 157 807 779	1 180 963 934	1 204 583 213	1 228 674 877	1 253 248 375	1 278 313 342
Property Taxes	136 192 148	138 915 991	141 694 310	144 528 197	147 418 761	150 367 136	153 374 479	156 441 968	159 570 807	162 762 224
Insurance	181 589 530	185 221 321	188 925 747	192 704 262	196 558 347	200 489 514	204 499 305	208 589 291	212 761 077	217 016 298
TOTAL FIXED CHARGES	471 112 291	713 122 927	1 058 757 845	1 472 338 124	1 501 784 887	1 531 820 584	1 562 456 996	1 593 706 136	1 625 580 259	1 658 091 864
EBITDA	3 981 871 252	5 061 554 054	6 680 788 469	7 568 280 824	7 719 647 717	7 874 040 675	8 031 521 492	8 192 151 925	8 355 994 967	8 523 114 870

Hotel Returns Analysis

SECTION 9

Based on the Financial Projections and overall Net Income generated by the hotel development as per the previous section, this section outlines financial returns for the development.

Components such as development costs, financial leveraging and cashflow analysis are incorporated to determine the following:

- Debt Service Coverage Ratio (DSCR)
- Internal Rate of Return (IRR)
- Development Yields

Financial Bases

Investment Cost

- Development cost have been based on regional benchmarks for an upscale hotel of this nature and will need to be verified by a professional quantity surveyor and any changes or updates will be taken into consideration in our Return Analysis model.
- Based the on the 2023/2024 AECOM Africa Construction Cost Guide Report published towards the end of last year, Dar es Salaam has an average hotel development cost of USD 164,208 per key for a midscale (3 star) hotel and USD 387,436 per key for an upper upscale (5 star) hotel. Considering the upscale (4 star) positioning proposed for the development, a **cost per key estimate of USD 250,000** has been incorporated.
- We have separated the total land cost (TSH 402 million) between the hotel and commercial tower based on the area usage projected for each component of the development. Based on the high level area schedule provided at the end of Section 6, the hotel is estimated to account for 41% of the total land area with an estimated GBA of 10,884 sqm. With this in mind, the portion of total **land costs attributed to the hotel amounts to USD 55,076**.
- With the above in mind a **total hotel development cost of USD 30,247,089 (TZS 90,741,267,312)** is projected as shown below.
- Projected Development Costs

	Unit	Cost per unit in USD	Total costs in USD
Land Cost (33% of total land cost)	1	55 076	55 076
Topographical Surveys	1	7 675	7 675
Geotechnical Surveys	1	34 338	34 338
Operator Technical Service Fee	1	150 000	150 000
Hotel (upscale)	120	250 000	30 000 000
TOTAL (USD)	**120 key**	**252 059**	**30 247 089**

	Total costs in TZS
Land Cost (33% of total land cost)	165 228 562
Topographical Surveys	23 024 750
Geotechnical Surveys	103 014 000
Operator Technical Service Fee	450 000 000
Hotel (upscale)	90 000 000 000
TOTAL (TZS)	**90 741 267 312**

Source: HTI Consulting

- The following investment timeline has been included. Typically a larger portion of the development cost comes into effect towards the end of the development. This is due to the costs associated with the mechanical, electrical and plumbing ("MEP"), fit-out and loose furniture works which can amount to 60% of total development costs.

Development Timeline

	2023	2024	2025
Hotel Development	20%	35%	45%
TOTAL (USD)	**6 097 089**	**10 650 000**	**13 500 000**
TOTAL (TZS)	**18 291 267 312**	**31 950 000 000**	**40 500 000 000**

Source: HTI Consulting

Financial Bases

Cash Flow (Project)

- The cash flow generated by the property as well as the development cost timeline is presented in the table below from 2024 to 2036. In order to assess the viability of the project on its own, we have assumed any financial structure in the following table. All amounts mentioned are on a pre-tax basis with an average exchange rate of TZS 3,000 to 1 USD incorporated.
- Payback period is during Q1 of the thirteenth year of operations as seen in Annexure A: 20 Year Cashflows (USD and TZS).

Consolidated Cash Flow USD and TZS (2024 - 2036)

USD (000’)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBITDA before FF&E Reserve				1 378	1 817	2 470	2 901	2 959	3 018	3 079	3 140	3 203	3 267
Total (inflow)	0	0	0	1 378	1 817	2 470	2 901	2 959	3 018	3 079	3 140	3 203	3 267
Outflow													
Development cost	6 097	10 650	13 500										
FF&E Reserve				51,1	129,7	242,7	378,4	385,9	393,7	401,5	409,6	417,7	426,1
Total (outflow)	6 097	10 650	13 500	51,1	129,7	242,7	378,4	385,9	393,7	401,5	409,6	417,7	426,1
Net Cashflow	**-6 097**	**-10 650**	**-13 500**	**1 327**	**1 687**	**2 227**	**2 523**	**2 573**	**2 625**	**2 677**	**2 731**	**2 785**	**2 841**
Net Cashflow (Cumulative)	-6 097	-16 747	-30 247	-28 920	-27 232	-25 005	-22 483	-19 909	-17 285	-14 607	-11 877	-9 091	-6 250

Source: HTI Consulting

TZS (000’)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBITDA before FF&E Reserve				4 135 389	5 450 733	7 409 123	8 703 587	8 877 658	9 055 212	9 236 316	9 421 042	9 609 463	9 801 652
Total (inflow)				4 135 389	5 450 733	7 409 123	8 703 587	8 877 658	9 055 212	9 236 316	9 421 042	9 609 463	9 801 652
Outflow													
Development cost	18 291 267	31 950 000	40 500 000										
FF&E Reserve				153 331	388 986	728 138	1 135 106	1 157 808	1 180 964	1 204 583	1 228 675	1 253 248	1 278 313
Total (outflow)	18 291 267	31 950 000	40 500 000	153 331	388 986	728 138	1 135 106	1 157 808	1 180 964	1 204 583	1 228 675	1 253 248	1 278 313
Net Cashflow	**-18 291 267**	**-31 950 000**	**-40 500 000**	**3 982 058**	**5 061 747**	**6 680 985**	**7 568 481**	**7 719 851**	**7 874 248**	**8 031 733**	**8 192 367**	**8 356 215**	**8 523 339**
Net Cashflow (Cumulative)	-18 291 267	-50 241 267	-90 741 267	-86 759 209	-81 697 462	-75 016 476	-67 447 995	-59 728 145	-51 853 897	-43 822 165	-35 629 798	-27 273 583	-18 750 244

Return Analysis

Developers Returns

Returns Analysis

- We have assumed the Project will be equity funded and have not incorporated any debt financing associated with the Project at this stage.
- The Project IRR (10 years) is 10.6% alongside an NPS of USD 13,545,090 which constitutes a financially feasible investment within the African hospitality context. Returns ranging from 0% - 5% in the hospitality industry are seen as weak and often not financially feasibility, returns between 5% - 10% are considered feasible with a long term investment view and returns between 10% - 15% are considered good and indicate a healthy project.

Yields Analysis

- The yield (before tax) of 9.4% in the 10th year offers decent overall profitability.
- Overall profitability is attributable to the general lack of quality supply in the market which enables the development to attract healthy levels of demand at rates more aligned with the Dar es Salaam market, the inclusion of a more diverse F&B offering and attractive location will drive higher utilisation amongst key market segments.

Project Returns

Project Returns – Based on Tanzania Average Cost of Capital Cap and Discount Rates	
Project IRR 10 Yr of operations	**10.6%**
Project IRR 20 Yr of operations	**9.57%**
Cap Rate *(as per Tanzania cost of capital)*	5.00%
Discount Rate *(as per Tanzania cost of capital)*	7.00%
NPV (USD)	13 545 090

Source: HTI Consulting

**** Note: The Cap and Discount Rates specified above are as per Tanzania Average Cost of Capital rates.***

Project Yields (2026 – 2035)

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 327	1 687	2 227	2 523	2 573	2 625	2 677	2 731	2 785	2 841
Yields		*4,4%*	*5,6%*	*7,4%*	*8,3%*	*8,5%*	*8,7%*	*8,9%*	*9,0%*	*9,2%*	*9,4%*

Source: HTI Consulting

Hotel Sensitivity Analysis

Internal Rate of Return

- In order to test the volatility of the returns on the project, we ran a sensitivity analysis on 4 variables: **ADR, Occupancy Rate, Development Cost and Total Gross Revenue.**
- The development cost figures used as a base are based on total construction cost for the hotel component only.
- A decrease of 10.0% in development costs will increase the 10 Year Project IRR to 11.9% which is the best result when changing only one variable. For this reason cognisance should be placed on streamlining construction costs and overall finishing's, without foregoing on quality where possible, as this can contribute to the overall success of the project.
- The combined effect of a reduction in development costs (-10%) and increase in revenues (+10%) has a notable impact on the returns with Project IRRs increasing to 13.1%. When increasing both ADR (+10%) and occupancy (+500p), Project IRRs grow to 12.2%. This indicates that a higher focus on achieving competitive rates and strong occupancies – if possible – by the management company could significantly contribute to the success of the project.

Revenue & Development Cost Sensitivity

10 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	10,6%	11,2%	11,8%	12,4%	13,1%
Revenue + 5%	10,0%	10,6%	11,2%	11,8%	12,5%
Base Revenue	9,5%	10,0%	10,6%	11,2%	11,9%
Revenue - 5%	8,8%	9,4%	10,0%	10,6%	11,3%
Revenue - 10%	8,2%	8,7%	9,3%	9,9%	10,6%

Source: HTI Consulting

20 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	9,6%	10,1%	10,7%	11,2%	11,8%
Revenue + 5%	9,0%	9,6%	10,1%	10,7%	11,3%
Base Revenue	8,6%	9,0%	9,6%	10,1%	10,7%
Revenue - 5%	7,9%	8,5%	9,0%	9,6%	10,2%
Revenue - 10%	7,4%	7,9%	8,4%	8,9%	9,6%

Occupancy & ADR Sensitivity

10 Year Project IRR

	ADR -10%	ADR -5%	Base ADR	ADR +5%	ADR +10%
Occ. +500 bps	10,4%	10,8%	11,3%	11,8%	12,2%
Occ. +300bps	10,1%	10,6%	11,0%	11,5%	11,9%
Base Occ.	9,7%	10,2%	10,6%	11,0%	11,5%
Occ. - 300bps	9,3%	9,7%	10,2%	10,6%	11,0%
Occ. - 500 bps	9,0%	9,4%	9,9%	10,3%	10,7%

Source: HTI Consulting

20 Year Project IRR

	ADR -10%	ADR -5%	Base ADR	ADR +5%	ADR +10%
Occ. +500 bps	9,2%	9,4%	9,7%	9,9%	10,1%
Occ. +300bps	9,1%	9,3%	9,6%	9,8%	10,0%
Base Occ.	9,0%	9,2%	9,6%	9,8%	9,9%
Occ. - 300bps	8,4%	9,1%	9,3%	9,5%	9,7%
Occ. - 500 bps	7,9%	8,2%	8,6%	8,7%	8,9%

Hotel Sensitivity Analysis

Yields

Results

+20% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 614	2 046	2 694	3 050	3 111	3 173	3 237	3 301	3 367	3 435
Yields		*5,3%*	*6,8%*	*8,9%*	*10,1%*	*10,3%*	*10,5%*	*10,7%*	*10,9%*	*11,1%*	*11,4%*

+10% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 471	1 867	2 461	2 786	2 842	2 899	2 957	3 016	3 076	3 138
Yields		*4,9%*	*6,2%*	*8,1%*	*9,2%*	*9,4%*	*9,6%*	*9,8%*	*10,0%*	*10,2%*	*10,4%*

Base case scenario

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 327	1 687	2 227	2 523	2 573	2 625	2 677	2 731	2 785	2 841
Yields		*4,4%*	*5,6%*	*7,4%*	*8,3%*	*8,5%*	*8,7%*	*8,9%*	*9,0%*	*9,2%*	*9,4%*

-10% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 184	1 508	1 993	2 259	2 304	2 351	2 398	2 446	2 494	2 544
Yields		*3,9%*	*5,0%*	*6,6%*	*7,5%*	*7,6%*	*7,8%*	*7,9%*	*8,1%*	*8,2%*	*8,4%*

-20% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	30 247	1 041	1 328	1 760	1 996	2 036	2 076	2 118	2 160	2 204	2 248
Yields		*3,4%*	*4,4%*	*5,8%*	*6,6%*	*6,7%*	*6,9%*	*7,0%*	*7,1%*	*7,3%*	*7,4%*

Source: HTI Consulting

Dodoma Commercial Market Assessment

SECTION 11

The proposed development will house 8,000 sqm commercial office stock for the NSSF and 3,000 sqm lettable office stock and 1,000 sqm of retail stock. Considering the mixed use nature of the development this Section will cover:

- An overview of the commercial office market in Tanzania;
- Supply characteristics of commercial office stock in Dodoma;
- Performance of commercial office market in Dodoma; and
- Projection rental rates (USD) for the proposed lettable stock

Introduction to Tanzania Office Market

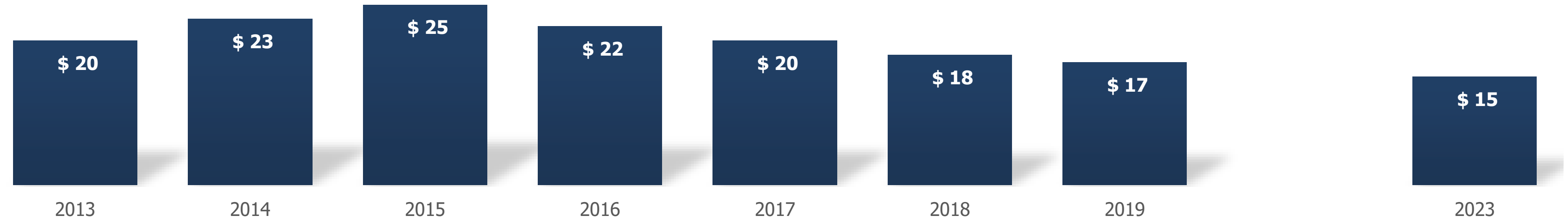
Market Overview

- The Tanzania office market represents a crucial sector within the country's real estate landscape, reflecting its economic growth, urbanization, and evolving business environment. As the largest economy in East Africa, Tanzania boasts a diverse range of industries, including finance, telecommunications, tourism, and manufacturing, all of which drive demand for office space in key urban centers.
- At the forefront of Tanzania's office market is Dar es Salaam, the country's commercial capital and primary business hub. With its strategic location along the East African coast and robust infrastructure, Dar es Salaam serves as a magnet for local and international businesses seeking to establish a presence in the region. The prime office market in Dar es Salaam is centered around the traditional CBD node and over the years has expanded north into the Peninsula. These prominent commercial areas house a variety of office spaces, ranging from modern high-rise buildings to traditional low-rise structures.
- In addition to Dar es Salaam, Tanzania's office market extends to other urban centers such as Dodoma and Arusha. While Dar es Salaam remains the epicenter of commercial activity, these secondary markets are witnessing gradual growth and development, primarily in Dodoma whereby development is being driven by government initiatives. In comparison, growth in commercial spaces in Arusha is being driven by foreign investment and regional integration efforts.

Rental Rates and Performance

- Overall office rentals in Tanzania have been subdued in recent year, this is both due to the element of rental recovery required post pandemic but also is an effect of a general over supply within the market as a whole which has put downwards pressure of rentals yields with Knight Frank reporting a 30% decrease in rentals since 2019. Across the greater Tanzania office market rents of between USD 12 and USD 15 per square meter (sqm) per month are being achieved with Dar es Salaam stock position at the high end of this range compared with Dodoma which is positioned at the lower end of the range.
- Below are the historic average rentals achieved in Dar es Salaam which highlight a general downwards trend pre and post pandemic. Although rents have been decline, occupancy levels within the City has remained stable averaging between 75% and 80% in 2023. In addition, office yields have remained constant at 9% which is positive sentiment should the Client opt to rent out their existing Dar es Salaam facility once the relation to Dodoma has been complete.

Dar es Salaam Prime Office Rentals (USD/sqm/month) (2013 – 2023)

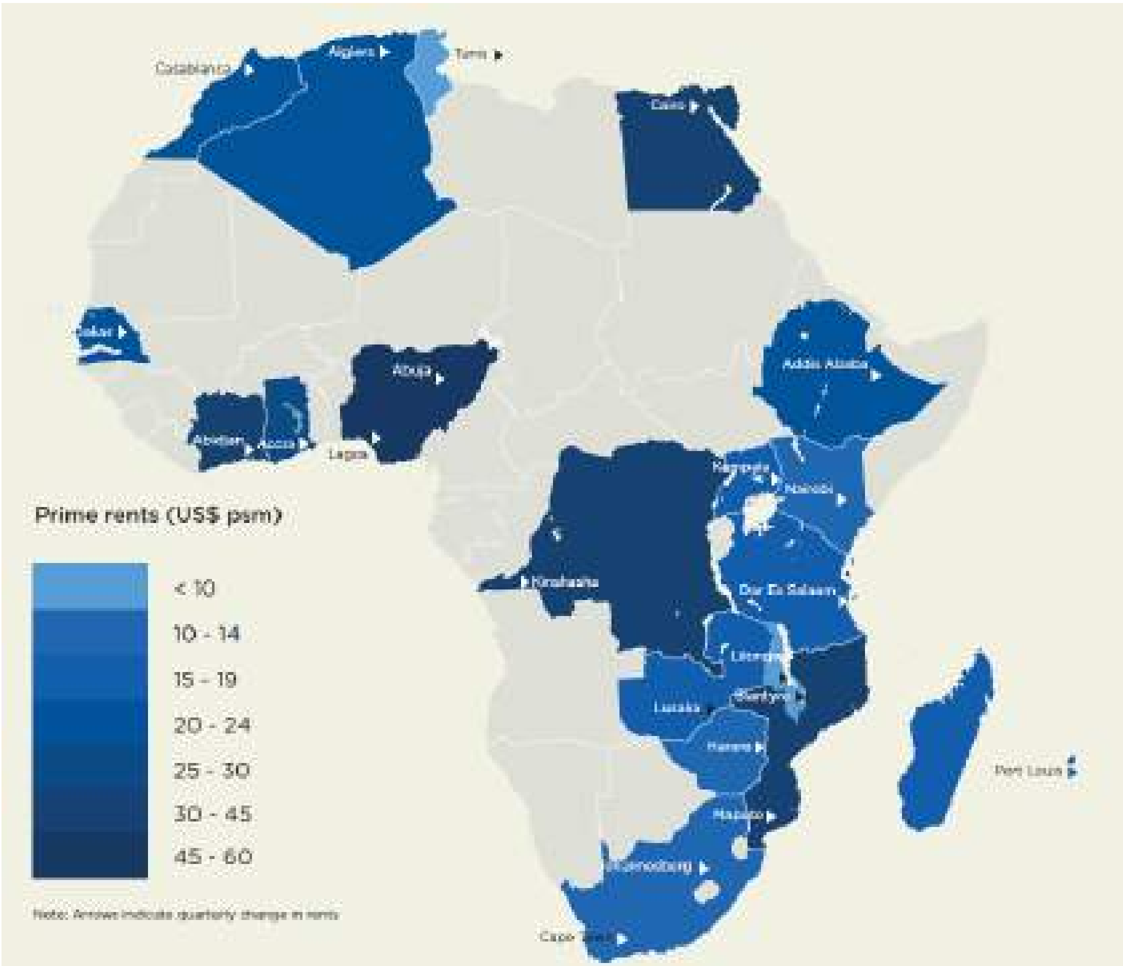


Source: Knight Frank

- Overall it is anticipated that as government ministries relocate out of Dar es Salaam in the short term, the supply influx of lettable stock will continue to apply pressure to rentals in the market with tenants gaining the upper hand over landlord in term or rental negotiations.

Introduction to Tanzania Office Market

2023 Prime Office Rentals Across Africa



COUNTRY	CITY	PRIME RENTS (%)	PRIME YIELDS (%)
ALGERIA	ALGIERS	20	10
COTE D'IVOIRE	ABIDJAN	22	9
DEMOCRATIC REPUBLIC OF CONGO	KINSHASA	35	10
ETHIOPIA	ADDIS ABABA	20	-
EGYPT	CAIRO	17	10
GHANA	ACCRA	29	9.25
KENYA	NAIROBI	13	8.5
MALAWI	LILONGWE	6.6	8.0
	BLANTYRE	7.20	9.5
MAURITIUS	PORT LOUIS	15	8.75

COUNTRY	CITY	PRIME RENTS (%)	PRIME YIELDS (%)
MOZAMBIQUE	MAPUTO	32.00	6.50
NIGERIA	ABUJA	25.00	8.00
	LAGOS	56.00	9.00
SOUTH AFRICA	CAPE TOWN	12.00	8.80
	JOHANNESBURG	13.00	9.50
SENEGAL	DAKAR	31.50	9.50
TANZANIA	DAR ES SALAAM	15.00	9.00
TUNISIA	TUNIS	7.00	7.00
UGANDA	KAMPALA	16.00	9.00
ZAMBIA	LUSAKA	18.00	9.00
ZIMBABWE	HARARE	13.00	8.00

Source: Knight Frank

Introduction to Dodoma Office Market

Supply Characteristics

- Dodoma is also witnessing growth in its office market, albeit at a slower pace compared to Dar es Salaam. As the administrative center of the country, the city is home to various government institutions, diplomatic missions, and non-governmental organizations, driving demand for office space in the city. The size of the office stock in Dodoma is relatively smaller compared to Dar es Salaam, reflecting its status as a secondary commercial center. Overall rentals in Dodoma are generally lower compared to Dar es Salaam, reflecting the differences in demand, infrastructure, and economic activities between the two cities.
- In terms of office stock, Dodoma features a mix of buildings representing different grades of quality. Similar to other cities, office buildings in Dodoma are often categorized into different grades based on factors such as location, building design, amenities, and overall condition. These grades typically range from Grade A, representing high-quality, modern buildings in prime locations, to Grade C or lower, which may include older or less well-maintained properties in peripheral areas.

Grade A Office Buildings:

- Grade A office buildings in Dodoma are relatively limited compared to Dar es Salaam but still present, especially in areas close to government institutions and diplomatic missions. Based on industry feedback there are less than 10 Grade A buildings in Dodoma currently. Given the lack of Grade A stock in the market, it is common for tenants to lease Grade B facilities and undertake a refurbishment of the unit, therefore indicating stronger demand for quality stock is present in the market.
- The majority of Grade A stock are owner / occupier buildings with government agencies and private firms being the main occupiers of these buildings. Given the owner / occupier nature of these development, lettable space is limited but local agents noted rentals for Grade A facilities range between USD 10 and USD 15 at present.
- These buildings typically feature modern architecture, high-quality construction, and state-of-the-art amenities, catering to the needs of government agencies, international organizations, and corporate tenants.
- Grade A office spaces in Dodoma offer conveniences such as ample parking, advanced security systems, efficient floor layouts, and access to nearby amenities such as restaurants, hotels, and transportation hubs.

Grade B Office Buildings:

- Grade B office buildings constitute a significant portion of the office stock in Dodoma, offering decent quality office spaces at relatively affordable rental rates. The majority of stock is centralized around the Dodoma town with average rentals ranging from USD 7 to USD 11 per sqm per month depending on the quality and additional facilities/amenities provided.
- These buildings tend to vary in terms of design and amenities but generally provide functional workspace for government agencies, regional organizations, and small to medium-sized businesses.
- Grade B office buildings in Dodoma often feature mid-range facilities, standard security measures, and convenient access to essential services and infrastructure.

Grade C Office Buildings:

- Grade C office buildings in Dodoma are characterized by older construction, basic amenities, and less favorable locations compared to higher-grade properties.
- These buildings may lack modern features and infrastructure, making them suitable for budget-conscious tenants or organizations with less stringent requirements.
- Grade C office spaces in Dodoma may appeal to local businesses, start-ups, or organizations seeking affordable office solutions outside of prime commercial areas.

Introduction to Dodoma Office Market

Supply Characteristics (continued)

Grade A Imagery

Source: Google Images

Source: Google Images

Introduction to Dodoma Office Market

Magufuli / Government City

- The development of Magufuli / Government city will completely transform the office market landscape in Dodoma and position the city as the Political Capital as intended. This development taking place in the Mtumba node which is 17 kilometers from the Dodoma city center. The site, which is located in Njedengwa, is approximately 20 kilometers from Government city.
- There are a total of 189 government institutions in Tanzania, of these around 27 will remain in Dar es Salaam (given the nature of their services / business) but are required to have a sub office in Dodoma. The remaining institutions will be establishing a headquarters in Dodoma and will most likely continue to operate a sub office in Dar es Salaam.
- Around 65 institutions have been granted building permits for the development of a headquarter building in Government city. Based on updated information, 22 are complete and relocation is underway and around 16 are at various stages of construction and 19 are in the preliminary stages of construction.
  - As per government directives, the relocation of ministries will be apportioned over the coming two years with around 38 required to relocate during the 2023/2024 financial year and around 19 required to relocate during the 2024/2025 financial year.
- Given the nature of these developments, owner / occupier spaces will be the most common with only a small portion of lettable stock likely to be present.
- The images below show the current development status of buildings in Government city.



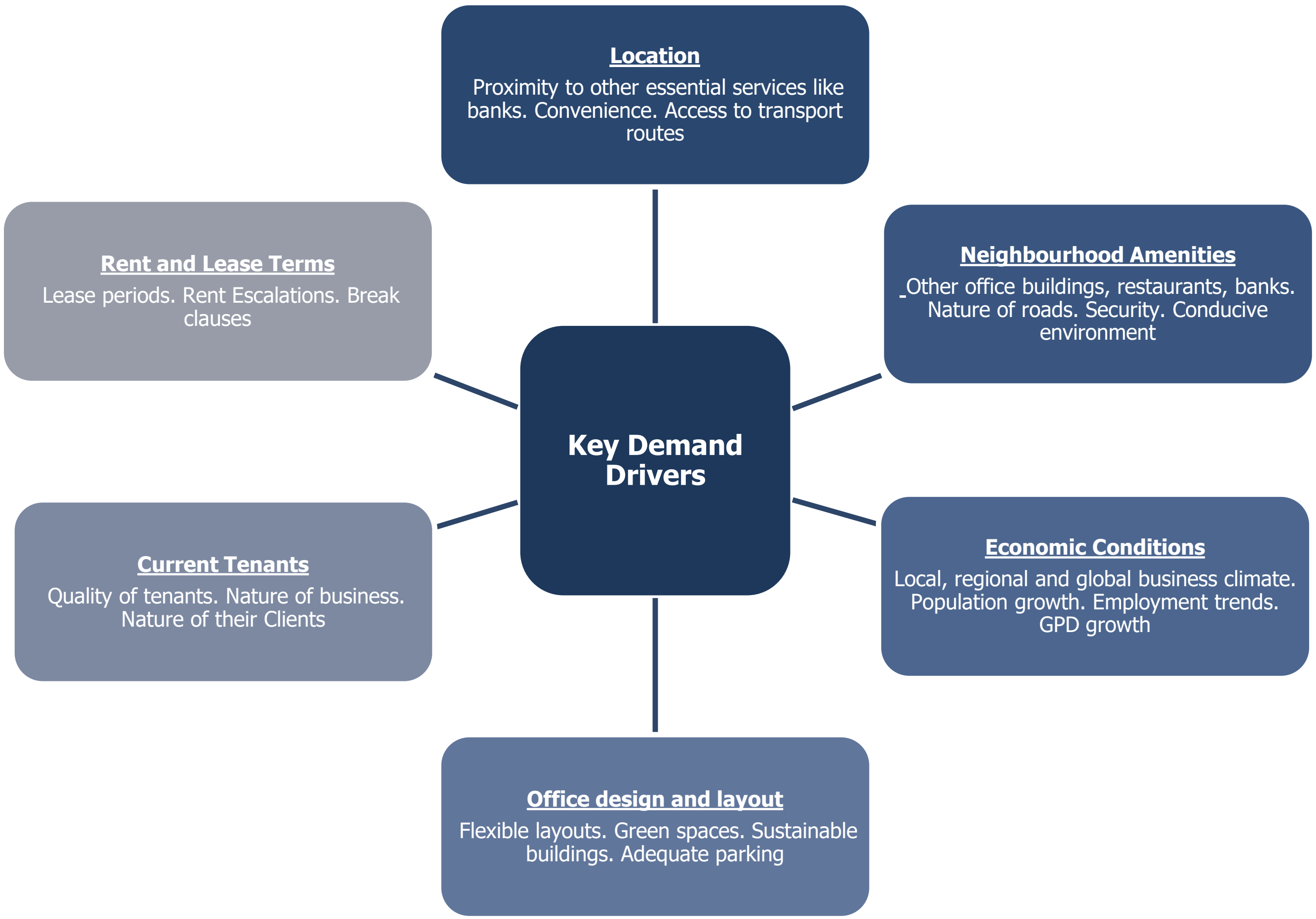
Source: Google Images

- In addition to government institutions, Government City will house 67 foreign embassies or consulates. To date no embassies have started development however plot allocation has been completed and around 30 embassies have been granted their permits with construction expected to start in the next quarter. It is noted that not all foreign embassies will relocate to Government City, opting to retain their Consulate or Commission offices in Dar es Salaam. For those that will not fully relocate, it is more likely that a smaller regional satellite office will be constructed in Dodoma. Based on market feedback, the US Embassy and British High Commission will not be fully relocating to Dodoma.

Office Market Indicators

Demand Drivers

- Key demand drivers are shown below, and should be considered when undertaking the development of the tenanted office portion of the greater development.



Source: HTI Consulting

Office Market Indicators

Grade A KPIs

- Demand for Grade A stock across Tanzania is strong, however operating costs associated with these buildings are high and given the more stagnant rental rates landlords are able to charge, profitability can be low. Typically **operating costs** account for approximately 20% - 35% of gross rental in the East African region, however a portion of Grade A buildings in Dar es Salaam (most appropriate examples) are recording operating costs as high at 65% of gross rentals.
  - Operating costs include property taxes and insurance, landscaping and security, maintenance and repairs, utilities and administration. In accordance with industry benchmarks taxes and insurance and utilises costs account for 40% and 25% of total operating costs respectively.
- Given the level of oversupply and rental suppression seen across the market, **rental escalations** are limited currently with landlords often only able to increase rentals every second year. Typically a benchmarked rental escalation of between 1.25% and 1.5% is achieved. Given current dynamics, landlords are focused on tenant retention and are making rate allowance where necessary to secure tenants.
- **Service charges** such as water, electricity and cleaning are charged on top of monthly rentals and average around USD 3 to USD 5.
- **Lease periods** have been declining post pandemic as a result of a more cautious tenant market as companies (primarily multi-national corporates) are still determining what their office requirements will be in a more hybrid work environment. Given this uncertainty, there is a clear reluctance to commit to a long-term lease, especially with the rise in flexible/co-working office providers entering the Dar es Salaam market (a trend that will filter into the secondary nodes in the short to medium term). Typically lease periods averaged around 5 years in 2019, however feedback indicates the average is closer to 3 years with 1 year leases becoming more common. Lease periods also tend to vary depending on the size of unit request, large units (or anchor tenants) prefer longer lease periods as this also aids in negotiating a more attractive rental cost whereas smaller unit tenants opt for 1 year leases which provides more flexibility should the wish to exit the lease after that period.

Commercial Agent Feedback

Industry Stakeholder Feedback

- Discussions with commercial agents/brokers in Dodoma and Dar es Salaam provided the following feedback on likely uptake of the **commercial lettable stock** incorporated into the development:
  - **Location:** Feedback from agents in Dodoma noted the location of the development in Njedengwa as attractive. This node will grow into a prominent commercial zone once fully developed. The area is seen as a support node for the greater Government city development and will house primarily public and private institutions. The area is well connected to Government city and should attract healthy demand from private sector firms in terms of lettable space.
  - **Concept and Size Recommendation (SQM):** the proposed 3,000 sqm is adequate and based on current enquires uptake would be swift.
  - **Rental Rate (USD) Potential:** Based on market conditions and current rental rates, agents project a per sqm rental of around USD 15 per month could be achieved (in current terms)
  - **Update Expectations (%):** for smaller stock less than 5,000 sqm first year vacancies around 20% could be seen before reaching around 90%/95% occupancy once stabilised. However for large sized development, uptake is slower and higher levels of vacancies around 35% - 40% could be seen.
  - **Possible Operating Costs (%):** difficult to quantify as there are limited Grade A (or Grade P) stock in Dodoma. Based on current buildings, operating costs between 25% and 35% could be expected, however this will depend on the level of sustainability incorporated into the development.
- Based on market feedback it is recommended to include no more than 5,000 sqm of tenanted office stock within the development. With the current concept including 3,000sqm agents do not recommend the tenanted stock be increased, and rather propose a slight reduction to this stock given the dominance of owner operator stock planned for the surrounding area.
- Prominent agents indicated that post-Covid, **co-working office concept** have gained popularity in areas such as Dar es Salaam and Arusha with many organizations preferring to operate within smaller, shared office environments. The appeal of these shared workspaces lies in their effectiveness, flexibility in terms of tenure, and suitability for start-up businesses. Currently such facilities are not available in Dodoma, and although this model does not suit the current tenant profile in the city, agents believe once the city is established co-working facilities will become more prevalent within the market – especially amongst the international corporate community that may not require a permanent office facility within Dodoma. Key players in the coworking industry in Tanzania include Link Space Tanzania, The Train’s House, and KOFISI. Such tenants should be considered for the tenanted office stock within the development. Co-working spaces compliment hotels as short term or contract workers renting a desk or office could opt to reside at the hotel as a means of convenient accommodation.

Office Component Recommendation

Convenience Style Retail Components

- Based on marketing findings coupled with the mixed-use nature of the development, the below office concept is proposed for the development:

	Office Option One: Co-working Facility	Office Option Two: Individual Lettable Units
Concept / Size (m²)	Co-working tenant takes up all 2,000 sqm (GLA) equating to 2,600 sqm (GBA)	White box tenant office stock of 2,000 sqm (GLA) equating to 2,600 sqm (GBA) broken up as follows: • 1 x anchor tenant = 1,000 sqm (GLA) equating to 1,300 sqm (GBA) • 2 x mid-size tenant (~ 500 sqm each) = 1,000 sqm (GLA) equating to 1,300 sqm (GBA)
Rentals (USD per m²) – current terms	Average retail rental of USD 15 per sqm	
Operating Expenses	~ 15%	
Rental Escalations	1.5% to 2% per annum	
Occupancy Rate (%)	• Planning: 100% (single tenant)	• Planning: 60% • Delivery: 85% • Yr1: 90% • Yr2 (stabilization): 90%
Parking Ratio	1:40 as per East Africa benchmarks	

Source: HTI Consulting

Imagery of Office Components Proposed


KOFISI Co-Working


White Box Medium Tenant Stock


White Box Anchor Tenant Stock

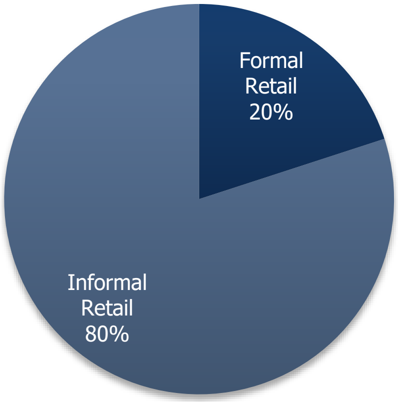
Source: HTI Consulting

Overview of Retail Market

Key Trends

- Despite the expanding middle-class population in Tanzania, retail offerings are primarily informal in nature with the sector dominated by small-scale, mostly domestic retailers. Based on insight from Knight Frank, the informal retail sector accounts for around 80% of the retail market with formal retailers remaining undersupplied in key commercial nodes.
- Large malls have yet to find their place within the traditional shopping nature presented by consumers. Prominent malls (located in key nodes of Dar es Salaam) were reporting occupancies as low as 5% last year. This is a combination of consumer habits, but also an after effect of the pandemic which saw a significant decline in retail spending.
- With that being said, various international retail brands have seen opportunity within the Tanzanian market with brands such as LC Waikiki, Game, Woolworths, Mr Price, Pizza Hut, Subway, etc. present. The vast majority of international (and local) retails opt to trade out of small scale shopping centers or mixed-use developments as these offer greater footfall than larger retail malls and tend to be well located within commercial centers. For this reason there is stronger appetite from retails to form part of a greater mixed-use development or locate themselves within small scale retail centers in well-established communities.
- In terms of retail rentals achieved amongst the formal retail sector, rentals have remained stable around USD 17 per sqm over the past 5 years. Smaller retail units are able to reach a premium, however price sensitivity and strong competition remains apparent therefore rate premiums are only able to reach around USD 19 per sqm. With large retail units a discount is applied to the monthly rental rate with some larger units being offered at rates as low as USD 13 per sqm.

Retail Market Distribution



Source: Knight Frank

Imagery of Informal and Formal Retail Outlets in Tanzania (2024)

Source: Google Images

Overview of Retail Market

Convenience Style Retail

- In the realm of mixed-use developments, **convenience retail** plays a pivotal role in enhancing the overall experience for residents, tenants, and visitors alike. A well-curated convenience retail concept can serve as a focal point within the development, offering essential goods and services while fostering a sense of community and vibrancy.
- Incorporating convenience-style retail into a mixed-use development offers several distinct benefits compared to traditional retail malls. These benefits include:
  - **Enhanced Urban Vibrancy**: Mixed-use developments contribute to the creation of lively and vibrant urban environments by integrating various functions such as hospitality, commercial, office, and recreational spaces. Convenience-style retail adds to this vibrancy by providing essential services and amenities within walking distance of hotel guests and workplaces. The presence of diverse retail offerings fosters pedestrian activity and encourages social interaction, contributing to a sense of community and belonging.
  - **Improved Walkability and Accessibility**: Convenience-style retail within a mixed-use development promotes walkability and reduces reliance on public transport – this is primarily the case for hotel guests. By locating retail outlets in close proximity to hospitality and office spaces, guests and workers can easily access everyday necessities without the need for lengthy commutes or driving to large retail malls. This enhances convenience, reduces traffic congestion, and promotes a more sustainable mode of transportation.
  - **Tailored to Local Needs and Preferences**: Mixed-use developments often have a stronger connection to the surrounding neighborhood and community compared to large retail malls. Convenience-style retail can be curated to meet the specific needs and preferences of local residents, reflecting the unique character and culture of the area. This customization allows for a more personalized shopping experience and fosters loyalty among customers who appreciate the convenience of having their everyday needs met within their neighborhood/work place.
  - **Flexible and Adaptive Spaces**: Mixed-use developments offer greater flexibility in terms of space utilization compared to large retail malls. Convenience-style retail units can be designed to accommodate a variety of formats and sizes, ranging from anchor stores to small specialty shops. This flexibility allows developers to respond to changing market demands and adapt the retail mix over time to remain relevant and competitive. Additionally, mixed-use developments can incorporate shared spaces and amenities that enhance the overall shopping experience, such as outdoor plazas, landscaped courtyards, or community gathering areas.
  - **Synergy with Other Uses**: By integrating convenience-style retail with hospitality, office, and other commercial components, mixed-use developments create synergies that benefit both retailers and occupants. Hotel guests and office workers become captive customers for retail tenants, while retail outlets benefit from a steady stream of foot traffic generated by the surrounding population – especially considering the strong levels of accessibility associated with the site location. This symbiotic relationship fosters economic vitality and supports the long-term sustainability of the development as a whole.
- With the above in mind, **convenience style retail is more viable** than the inclusion of a larger scale retail mall component within the development. The following slide provides an overview of the retail tenant split / mix proposed for the development. Based on industry feedback, convenience style retail within a mixed-use development tends to amount to 800 sqm – 1,200 sqm therefore the proposed 1,000 sqm of retail within the development aligns to market benchmarks. However, given the lack of surrounding retail planned there is opportunity to increase this portion whilst remaining within the convenience retail concept.

Overview of Retail Market

Convenience Style Retail

- Determining the best retail split or mix for convenience retail within a mixed-use development depends on various factors including the target demographic, location, local market preferences, and the overall theme or focus of the development. However, a general guideline for an effective mix of unit sizes in convenience retail should include:

Anchor Convenience Store

- This could be a larger unit occupying a prominent location within the development. The anchor store typically offers a wide range of convenience items such as groceries, snacks, beverages, toiletries, and basic household goods. It serves as the primary draw for foot traffic and provides essential services to hotel guests, tenants and visitors.
- Typically anchor convenience store range from 100 sqm – 300 sqm

Speciality Retailers

- Incorporating smaller units for specialty retailers can add diversity and appeal to the convenience retail mix. These could include businesses such as a bakery, coffee shop, delicatessen, wine or liquor store, pharmacy, or a health food store. These smaller units cater to specific consumer needs and preferences, offering unique products or services that complement the offerings of the anchor store.
- Typically speciality retailers range from 30 sqm – 100 sqm within a convenience style retail development. A bakery/coffee shop is typically sized around 50 sqm to 80 sqm whereas a pharmacy or health food store would require a larger space averaging around 80 sqm to 100 sqm.

Quick Service Restaurants

- Including units for QSRs like sandwich shops, pizza parlors, or fast-food outlets can attract customers seeking quick and convenient dining options. These smaller units typically offer takeaway or dine-in options for workers, and visitors within the mixed-use development. It is important to ensure these outlets do not compete directly with the F&B offering proposed at the hotel.
- Moderate-sized units, typically range from 50 sqm to 150 sqm, depending on the seating capacity and menu offerings. A smaller outlet like a sandwich shop requires a smaller footprint between 50 sqm to 80 sqm while a larger fast-food restaurant might need up to 150 sqm

Service Providers

- Allocating space for service providers such as a dry cleaner, hair salon, nail salon, or mobile phone repair shop can enhance the convenience factor for residents and workers. These businesses offer essential services that save time and effort for customers while adding to the overall appeal of the development.
- Sizes tend to vary depending on the type of service offered. For instance, a dry cleaner or mobile phone repair shop would require a smaller unit ranging from 20 sqm to 50 sqm, while a hair salon or nail salon requires slightly larger spaces, around 50 sqm to 80 sqm.

Financial Services

- Incorporating units for ATMs, banking kiosks, or small-scale financial service providers can meet the banking needs of residents and visitors within the mixed-use development. These services enhance convenience and accessibility for customers who may require banking services on-site.
- These tend to be compact units, typically ranging from 10 sqm to 30 sqm for an ATM kiosk or banking service point.

Community Spaces

- Allocating space for community-focused amenities such as a small library, co-working space, or meeting rooms can foster a sense of belonging and encourage social interaction within the development. These spaces add value to the overall convenience retail mix by providing opportunities for residents and workers to connect and engage with one another.
- Sizes can vary widely depending on the intended use. For example, a small library or meeting room might require around 50 sqm to 100 sqm, while a co-working space might need larger areas ranging from 100 sqm to 200 sqm.

Flexibility for Pop-Up Retail

- Designing some units with flexibility in mind allows for the incorporation of pop-up retail concepts or seasonal offerings. These temporary retail activations can inject novelty and excitement into the development, attracting shoppers and creating buzz around the convenience retail area.

Source: HTI Consulting

Retail Component Recommendation

Convenience Style Retail Components

- Based on marketing findings coupled with the mixed-use nature of the development, the below retail concept is proposed for the development:

	Retail Component
Concept / Size (m²)	Ground floor convenience style retail of 2,000 sqm (GLA) equating to 2,600 sqm (GBA) broken up as follows: • 2 x anchor convenience super market (~500 sqm each) = 1,000 sqm (GLA) equating to 1,300 sqm (GBA) • 2 x specialty retail stores (~150 sqm each) = 300 sqm (GLA) equating to 390 sqm (GBA) • 2 x quick service restaurants (~150 sqm each) = 300 sqm (GLA) equating to 390 sqm (GBA) • 2 x service providers (~ 80 sqm each) = 160 sqm (GLA) equating to 208 sqm (GBA) • 4 x ATM Hall (~ 10 sqm each) = 40 sqm (GLA) equating to 52 sqm (GBA) • 1 x financial services (~200 sqm each) = 200 sqm (GLA) equating to 260 sqm (GBA)
Rentals (USD per m²) – current terms	Average retail rental of USD 17 per sqm • 100 sqm (GLA) outlets =USD 13 - 15 per sqm • 60 sqm (GLA) and less = USD 19 per sqm
Operating Expenses	~ 15%
Rental Escalations	1.5% to 2% per annum
Occupancy Rate (%)	• Pre let: 65% • Yr1: 75% • Yr2: 85% • Yr3 (stabilization): 85%
Parking Ratio	1:25 where possible, try achieve a ratio of 1:20 as per East Africa benchmarks

Source: HTI Consulting

Imagery of Retail Components Proposed

Quick Service Restaurant

Speciality Retail Store – pharmacy

Service Provider – hair salon

Anchor Convenience Supermarket

Source: HTI Consulting

Office and Retail Revenue Projections

SECTION 12

In this section we have performed revenue projections, cash flows and return analysis for the proposed office and retail components of the development.

Office and Retail Financial Projections

Financial Base

Introduction and Assumptions

- In this section we have performed revenue projections and prepared statements of profit and loss, cash flows and investment analysis for the tenanted office and retail (Bank Hall) components of the development.
- The commercial tower is estimated to be sized at 12,000 sqm and will likely cover 16 floors. In addition to housing the NSSF headquarters (8,000 sqm) the commercial component of the development will include a **tenanted office stock at 2,000 sqm** and **2,000 sqm for a convenience retail.**

Commercial Development Components

Asset Class	Net Lease Area	Area Mix	Gross USD Rent / month / sqm	USD Rent per month
NSSF HQ	8 000	67%	NA	NA
Tenant Office	2 000	17%	15	28 657
Convenience Retail	2 000	17%	17	23 456
Total	12 000	100,0%	16	52 113

Source: HTI Consulting

- **Key assumptions findings and analysis for this component includes the following:**
- For the purpose of this report and as per Client instruction, the office revenue streams include the NSSF portion.
- Rental rates slightly higher than those offered in Dar es Salaam will be achieved by virtue of the lack of quality new building commercial stock supply in Dodoma
- As is currently the trend all costs are expected to be passed on to the tenant (water, electricity, etc.) with the land lord required to make repairs and reparation to the buildings;
- For this purpose a capital reserve of 5% of total rental income has been assumed throughout the assessed period;
- A 10% Cap Rate has been assumed;
- Individual water and electricity metres should be installed in each unit to ensure tenants are billed correctly

Summary of Operating Profit and Loss (2024 – 2033) – Offices and Retail

	USD	Dec-2027	Dec-2028	Dec-2029	Dec-2030	Dec-2031	Dec-2032	Dec-2033	Dec-2034	Dec-2035	Dec-2036	Dec-2037	Dec-2038
Offices area NSSF + Tenanted (sqm)		10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Average rental	15	15,9	16,2	16,4	16,6	16,9	17,2	17,4	17,7	17,9	18,2	18,2	18,2
		10,0%	7,0%	5,0%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Vacancy rate		10%	7%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Monthly rent		143 284	150 281	155 816	158 153	160 525	162 933	165 377	167 858	170 376	172 931	172 931	172 931
Retail area (sqm) - Banking Hall		2 000											
Average rental	17	18,0	18,3	18,6	18,9	19,2	19,4	19,7	20,0	20,3	20,6	20,6	20,6
		35,0%	25,0%	15,0%									
Vacancy rate		35%	25%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Revenue month		23 456	27 471	31 601	37 735	38 301	38 875	39 458	40 050	40 651	41 261	41 261	41 261
Total Revenue (USD)		**2 000 883**	**2 133 022**	**2 248 994**	**2 350 652**	**2 385 911**	**2 421 700**	**2 458 025**	**2 494 896**	**2 532 319**	**2 570 304**	**2 570 304**	**2 570 304**
Operational expense	15%	300 132	319 953	337 349	352 598	357 887	363 255	368 704	374 234	379 848	385 546	385 546	385 546
Management fee	5,00%	100 044	106 651	112 450	117 533	119 296	121 085	122 901	124 745	126 616	128 515	128 515	128 515
GOP		1 600 706	1 706 418	1 799 195	1 880 521	1 908 729	1 937 360	1 966 420	1 995 917	2 025 855	2 056 243	2 056 243	2 056 243
			6,6%	5,4%	4,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	0,0%	
Fixed Charges													
Insurance	0,20%	287	301	312	316	321	326	331	336	341	346	346	346
Property Tax / Rates	0,100%	2 001	2 133	2 249	2 351	2 386	2 422	2 458	2 495	2 532	2 570	2 570	2 570
Total		2 287	2 434	2 561	2 667	2 707	2 748	2 789	2 831	2 873	2 916	2 916	2 916
Other Expenses													
Capital Reserve		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
		100 044	106 651	112 450	117 533	119 296	121 085	122 901	124 745	126 616	128 515	128 515	128 515
EBITDA / NOI		**1 498 374**	**1 597 333**	**1 684 185**	**1 760 322**	**1 786 727**	**1 813 527**	**1 840 730**	**1 868 341**	**1 896 366**	**1 924 812**	**1 924 812**	**1 924 812**
Statistics													
GOP		80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%	80,0%
EBITDA		74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%	74,9%

Source: HTI Consulting

Financial Base

Development Costs

- Development costs for the office and retail component of the development total **USD 12,870,943** *(TZS 38,612,830,238).* This figure includes the portion of commercial stock associated with the NSSF office stock and the **land cost of USD 78,943** as the land usage. An average **cost per sqm of USD 820** has been utilised based on industry benchmarks for a new commercial development recently complete in Dodoma.

Office and Retail Cashflows

- The table presented below shows the net cash flow for the commercial component over the assessed period (2024 to 2036). In order to assess the viability of the project on its own, we have not assumed any financial structure in the following table. Payback is towards the end of the 8th year of operations, whereby cumulative cashflows are positive and reach USD 979,000 (TZS 2,93 billion) by the end of 2034. All amounts mentioned are on a pre-tax basis with an average exchange rate of TZS 3,000 to 1 USD incorporated.

Office and Retail Cashflows (2024 – 2036)

USD (000’)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBITDA before Capital Reserve				1 598	1 704	1 797	1 878	1 906	1 935	1 964	1 993	2 023	2 053
Total (inflow)	0	0	0	1 598	1 704	1 797	1 878	1 906	1 935	1 964	1 993	2 023	2 053
Outflow													
Development cost	2 637	6 396	3 838										
FF&E Reserve				100,0	106,7	112,4	117,5	119,3	121,1	122,9	124,7	126,6	128,5
Total (outflow)	2 637	6 396	3 838	100,0	106,7	112,4	117,5	119,3	121,1	122,9	124,7	126,6	128,5
Net Cashflow	**-2 637**	**-6 396**	**-3 838**	**1 498**	**1 597**	**1 684**	**1 760**	**1 787**	**1 814**	**1 841**	**1 868**	**1 896**	**1 925**
Net Cashflow (Cumulative)	-2 637	-9 033	-12 871	-11 373	-9 775	-8 091	-6 331	-4 544	-2 730	-890	979	2 875	4 800

Source: HTI Consulting

TZS (000’)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBITDA before Capital Reserve				4 795 256	5 111 953	5 389 904	5 633 563	5 718 066	5 803 837	5 890 895	5 979 258	6 068 947	6 159 981
Total (inflow)	0	0	0	4 795 256	5 111 953	5 389 904	5 633 563	5 718 066	5 803 837	5 890 895	5 979 258	6 068 947	6 159 981
Outflow													
Development cost	7 912 030	19 188 000	11 512 800										
FF&E Reserve				300 132	319 953	337 349	352 598	357 887	363 255	368 704	374 234	379 848	385 546
Total (outflow)	7 912 030	19 188 000	11 512 800	300 132	319 953	337 349	352 598	357 887	363 255	368 704	374 234	379 848	385 546
Net Cashflow	**-7 912 030**	**-19 188 000**	**-11 512 800**	**4 495 123**	**4 791 999**	**5 052 555**	**5 280 965**	**5 360 180**	**5 440 582**	**5 522 191**	**5 605 024**	**5 689 099**	**5 774 436**
Net Cashflow (Cumulative)	-7 912 030	-27 100 030	-38 612 830	-34 117 707	-29 325 707	-24 273 152	-18 992 187	-13 632 008	-8 191 426	-2 669 235	2 935 789	8 624 888	14 399 324

Return Analysis

Office and Retail Returns Analysis

- The Office and Retail Project IRR (10 years) of 16.69% indicates a strong level of return is achieved within these commercial components of the development. An NPV of USD 15,021,143 is achieved under our analysis which reaffirms the strength of commercial developments.

Yield Analysis

- Double digit yields are achieved from the first year of operators and range from a healthy 11.6% - 15.0% across the ten year period. This is above the market average yield of 9% for commercial stock in Tanzania and 7% yield achieved amongst retail stock.

Office and Retail Internal Rates of Return

	Based on Tanzania Cost of Capital Cap and Discount Rates
Project IRR 10 Yr of operations	**16.99%**
Project IRR 20 Yrs of operations	14.15%
Payback Period	Yr 8 Q1
NPV (USD)	15 021 143

Source: HTI Consulting

+20% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	12 871	1 849	1 976	2 089	2 194	2 227	2 260	2 294	2 328	2 363	2 399
Yields		*14,4%*	*15,4%*	*16,2%*	*17,0%*	*17,3%*	*17,6%*	*17,8%*	*18,1%*	*18,4%*	*18,6%*

+10% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	12 871	1 671	1 784	1 884	1 974	2 003	2 033	2 064	2 095	2 126	2 158
Yields		*13,0%*	*13,9%*	*14,6%*	*15,3%*	*15,6%*	*15,8%*	*16,0%*	*16,3%*	*16,5%*	*16,8%*

Base case scenario

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	12 871	1 498	1 597	1 684	1 760	1 787	1 814	1 841	1 868	1 896	1 925
Yields		*11,6%*	*12,4%*	*13,1%*	*13,7%*	*13,9%*	*14,1%*	*14,3%*	*14,5%*	*14,7%*	*15,0%*

-10% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	12 871	1 330	1 415	1 490	1 554	1 577	1 601	1 625	1 649	1 674	1 699
Yields		*10,3%*	*11,0%*	*11,6%*	*12,1%*	*12,3%*	*12,4%*	*12,6%*	*12,8%*	*13,0%*	*13,2%*

-20% on total revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	12 871	1 165	1 238	1 302	1 354	1 374	1 395	1 416	1 437	1 459	1 480
Yields		*9,1%*	*9,6%*	*10,1%*	*10,5%*	*10,7%*	*10,8%*	*11,0%*	*11,2%*	*11,3%*	*11,5%*

Source: HTI Consulting

Office and Retail Sensitivity Analysis

Internal Rate of Return

- In order to test the volatility of the returns on the project, we ran a sensitivity analysis on 2 variables: **Development Cost and Total Gross Revenue.**
- The development cost figures used as a base are based on total construction cost for the office and retail components only.

Revenue & Development Cost Sensitivity

10 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	17,2%	17,9%	18,6%	19,3%	20,1%
Revenue + 5%	16,5%	17,1%	17,8%	18,5%	19,3%
Base Revenue	15,7%	16,3%	**16,9%**	17,7%	18,4%
Revenue - 5%	14,9%	15,5%	16,2%	16,9%	17,6%
Revenue - 10%	14,1%	14,7%	15,3%	16,0%	16,7%

Source: HTI Consulting

20 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	14,3%	14,9%	15,5%	16,1%	16,7%
Revenue + 5%	13,7%	14,2%	14,8%	15,4%	16,1%
Base Revenue	13,1%	13,6%	**14,2%**	14,7%	15,3%
Revenue - 5%	12,4%	12,9%	13,5%	14,1%	14,6%
Revenue - 10%	11,7%	12,2%	12,7%	13,3%	13,9%

Combined Financial Returns and Conclusion

SECTION 13

Having undertaken a full Market and Financial Feasibility, this section will outline the salient points that indicate an overall viable (or not) development opportunity at the proposed location.

Total Investment Cost

Project Cost

- Based on cost estimates, total development costs amount to **USD 43,118,033** which equates to a cost per sqm of USD 1,352 based on an estimated total GBA of 26,016 sqm as shown below. The cost of each components includes the land costs associated with that component.

Projected Development Costs (USD)

Component	GLA (sqm)	GBA (sqm)	Component Cost (USD)	Cost per GBA SQM (USD)
Hotel	8 152	10 884	30 247 089	2 779
Office (NSSF + Tenanted Stock)	10 000	13 000	10 738 943	820
Convenience Retail	2 000	2 600	2 132 000	820
TOTAL	**20 152**	**26 484**	**43 118 033**	**1 352**

- The table below provides total development costs in local currency as per the prevailing exchange of USD 1 = TZS 3,000 (average over assessed period). Based on this rate of exchange, total development costs amount to **TZS 129,354,097,550.**

Projected Development Costs (TZS)

Component	GLA (sqm)	GBA (sqm)	Component Cost (TZS)	Cost per GBA SQM (TZS)
Hotel	8 152	10 884	90 741 267 312	8 337 431
Office (NSSF + Tenanted Stock)	10 000	13 000	32 216 830 238	2 460 000
Convenience Retail	2 000	2 600	6 396 000 000	2 460 000
TOTAL	**20 152**	**26 484**	**129 354 097 550**	**4 057 073**

Source: HTI Consulting

Combined Cashflow Analysis

Combined Cashflow (USD)

- The table presented below shows the net cash flow from the overall project to the developer for the projected period (2024 to 2036). In order to assess the viability of the project on its own, we have not assumed any financial structure in the following table. All amounts mentioned are in US Dollars (USD) and on a pre-tax basis.
- Payback is towards the middle of the eleventh year (Q2) of operations whereby cumulative cashflows reach USD 3,401,284 (2037 Q2) as seen in Annexure A: 20 Year Cashflows (USD and TZS).

Combined Development Cashflow (2024 – 2036)

USD (000')	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBTIDA Before FF&E Reserve Hotel				1 378 463	1 816 911	2 469 708	2 901 196	2 959 219	3 018 404	3 078 772	3 140 347	3 203 154	3 267 217
EBTIDA before Capital Reserve NSSF + Tenanted Office/Retail				1 598 419	1 703 984	1 796 635	1 877 854	1 906 022	1 934 612	1 963 632	1 993 086	2 022 982	2 053 327
Total (inflow)	0	0	0	2 976 882	3 520 895	4 266 342	4 779 050	4 865 242	4 953 016	5 042 404	5 133 433	5 226 137	5 320 544
Outflow													
Development cost	8 734 433	17 046 000	17 337 600										
FF&E Reserve Hotel				51 110	129 662	242 713	378 369	385 936	393 655	401 528	409 558	417 749	426 104
Capital Reserve Office/Retail				100 044	106 651	112 450	117 533	119 296	121 085	122 901	124 745	126 616	128 515
Total (outflow)	8 734 433	17 046 000	17 337 600	151 154	236 313	355 162	495 901	505 231	514 740	524 429	534 303	544 365	554 620
Net Cashflow	-8 734 433	-17 046 000	-17 337 600	2 825 727	3 284 582	3 911 180	4 283 149	4 360 010	4 438 277	4 517 974	4 599 130	4 681 771	4 765 925
Net Cashflow (Cumulative)	-8 734 433	-25 780 433	-43 118 033	-40 292 305	-37 007 723	-33 096 543	-28 813 394	-24 453 384	-20 015 108	-15 497 133	-10 898 003	-6 216 232	-1 450 307

Source: HTI Consulting

Combined Cashflow Analysis

Combined Cashflow (TSZ)

- The table presented below shows the net cash flow from the overall project to the developer for the projected period (2024 to 2036). In order to assess the viability of the project on its own, we have not assumed any financial structure in the following table. **All amounts mentioned are on a pre-tax basis with an average exchange rate of TZS 3,000 to 1 USD incorporated.**
- Payback is towards the middle of the eleventh year of operations (2037 Q2) whereby cumulative cashflows reach TZS 10,203,852,852 as seen in Annexure A: 20 Year Cashflows (USD and TZS).

Combined Development Cashflow (2024 – 2036)

TZS (000')	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Inflow													
EBTIDA Before FF&E Reserve Hotel				4 135 389	5 450 733	7 409 123	8 703 587	8 877 658	9 055 212	9 236 316	9 421 042	9 609 463	9 801 652
EBTIDA before Capital Reserve Tenanted Office/Retail				4 795 256	5 111 953	5 389 904	5 633 563	5 718 066	5 803 837	5 890 895	5 979 258	6 068 947	6 159 981
Total (inflow)				8 930 645	10 562 686	12 799 027	14 337 149	14 595 725	14 859 049	15 127 211	15 400 300	15 678 410	15 961 633
Outflow													
Development cost	26 203 298	51 138 000	52 012 800										
FF&E Reserve Hotel				153 331	388 986	728 138	1 135 106	1 157 808	1 180 964	1 204 583	1 228 675	1 253 248	1 278 313
Capital Reserve Office/Retail				300 132	319 953	337 349	352 598	357 887	363 255	368 704	374 234	379 848	385 546
Total (outflow)	26 203 298	51 138 000	52 012 800	453 463	708 939	1 065 487	1 487 703	1 515 694	1 544 219	1 573 287	1 602 909	1 633 096	1 663 859
Net Cashflow	-26 203 298	-51 138 000	-52 012 800	8 477 182	9 853 747	11 733 540	12 849 446	13 080 030	13 314 830	13 553 923	13 797 391	14 045 314	14 297 774
Net Cashflow (Cumulative)	-26 203 298	-77 341 298	-129 354 098	-120 876 916	-111 023 169	-99 289 629	-86 440 183	-73 360 153	-60 045 323	-46 491 400	-32 694 009	-18 648 695	-4 350 920

Source: HTI Consulting

Overall Return Analysis

Combined Returns

- The combined returns for the development are positioned at a healthy 12.75% over 10 years and 11.04% over 20 years of operations.
- Payback occurs during the eleventh year of operations (2037 Q2) and the total Project NPV is valued at USD 25,345,398.

Combined Development Returns

Returns based on Tanzania Average Cost of Capital Cap and Discount Rates			
	Hotel Returns	Office and Retail Returns	Total Project Returns
Project IRR 10 Yr	**10.60%**	**16.99%**	**12.75%**
Project IRR 20 Yr	**9.57%**	**14.15%**	**11.04%**
Payback Period	Yr 13 Q1	Yr 8 Q1	Yr 11 Q2
NPV (USD)	13 545 090	15 021 143	25 345 398

Source: HTI Consulting

- Overall returns are aligned to a financially feasible project however efforts should be placed to lower development cost, without compromising on the quality of the development. This is primarily the case for the hotel component as per sqm costs associated with the commercial tower are seen as reasonable and lower than benchmarks achieved in Dar es Salaam. With that being said, the hotel development costs will ultimately hinge of the operator chosen to manage the development as some operators are more strict than others in terms of design standards and approved suppliers.

Yield Analysis

- Overall the Project achieves a first year yield of 6.6% which grows steadily to 11.1% by the tenth year.

Cash Flows and Project Yields for the Overall Development (2027 – 2036)

Base Revenue

EBITDA (000s)	Development costs (000s)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Cash Flows	43 118	2 828	3 287	3 914	4 286	4 363	4 441	4 521	4 602	4 685	4 769
Yields		*6,6%*	*7,6%*	*9,1%*	*9,9%*	*10,1%*	*10,3%*	*10,5%*	*10,7%*	*10,9%*	*11,1%*

Source: HTI Consulting

Total Project Sensitivity Analysis

Internal Rate of Return

- In order to test the volatility of the returns on the project, we ran a sensitivity analysis on 2 variables: **Development Cost and Total Gross Revenue.**
- The development cost figures used as a base are based on total construction cost for the project.

Revenue & Development Cost Sensitivity

10 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	12,95%	13,15%	13,65%	14,45%	15,35%
Revenue + 5%	12,25%	12,65%	13,55%	13,95%	14,85%
Base Revenue	11,45%	11,95%	12,75%	13,45%	14,15%
Revenue - 5%	10,65%	11,25%	11,95%	12,65%	13,35%
Revenue - 10%	9,85%	10,45%	11,05%	11,75%	12,45%

Source: HTI Consulting

20 Year Project IRR

	Development cost				
	110%	105%	100%	95%	90%
Revenue + 10%	11,14%	11,74%	12,34%	12,94%	13,54%
Revenue + 5%	10,54%	11,14%	11,84%	12,44%	13,14%
Base Revenue	10,04%	10,44%	11,04%	11,64%	12,14%
Revenue - 5%	9,24%	9,74%	10,34%	10,94%	11,44%
Revenue - 10%	8,54%	9,04%	9,64%	10,14%	10,64%

Hotel 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-6,1	-10,7	-13,5	1,3	1,7	2,2	2,5	2,6	2,6	2,7	2,7	2,8	2,8	2,9	3,0	3,0	3,1	3,1	3,2	3,3	3,3	3,4	3,5
Cumulative Cashflows (USD million)	-6,1	-16,7	-30,2	-28,9	-27,2	-25,0	-22,5	-19,9	-17,3	-14,6	-11,9	-9,1	-6,3	-3,4	-0,4	2,6	5,7	8,8	12,0	15,3	18,6	22,0	25,5

Payback during Yr 13 Q1 (USD 2,6 million cumulative cashflow)

Office and Retail 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-2,6	-6,4	-3,8	1,5	1,6	1,7	1,8	1,8	1,8	1,8	1,9	1,9	1,9	2,0	2,0	2,0	2,0	2,1	2,1	2,1	2,2	2,2	2,2
Cumulative Cashflows (USD million)	-2,6	-9,0	-12,9	-11,4	-9,8	-8,1	-6,3	-4,5	-2,7	-0,9	1,0	2,9	4,8	6,8	8,7	10,7	12,8	14,9	17,0	19,1	21,3	23,5	25,7

Payback during Yr 8 Q1 (USD 1 million cumulative cashflow)

Combined 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (USD million)	-8,7	-17,0	-17,3	2,8	3,3	3,9	4,3	4,4	4,4	4,5	4,6	4,7	4,8	4,9	4,9	5,0	5,1	5,2	5,3	5,4	5,5	5,6	5,7
Cumulative Cashflows (USD million)	-8,7	-25,8	-43,1	-40,3	-37,0	-33,1	-28,8	-24,5	-20,0	-15,5	-10,9	-6,2	-1,5	3,4	8,3	13,4	18,5	23,7	29,0	34,4	39,9	45,5	51,2

Payback during Yr 11 Q2 (USD 3,4 million cumulative cashflow)

Local Currency (1 USD = TZS 3000)

Hotel 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-18,3	-32,0	-40,5	4,0	5,1	6,7	7,6	7,7	7,9	8,0	8,2	8,4	8,5	8,7	8,9	9,0	9,2	9,4	9,6	9,8	10,0	10,2	10,4
Cumulative Cashflows (TZS billion)	-18,3	-50,2	-90,7	-86,8	-81,7	-75,0	-67,4	-59,7	-51,9	-43,8	-35,6	-27,3	-18,8	-10,1	-1,2	7,9	17,1	26,5	36,1	45,9	55,9	66,1	76,4

Payback during Yr 13 Q1 (TZS 7,9 billion cumulative cashflow)

Office and Retail 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-7,9	-19,2	-11,5	4,5	4,8	5,1	5,3	5,4	5,4	5,5	5,6	5,7	5,8	5,9	5,9	6,0	6,1	6,2	6,3	6,4	6,5	6,6	6,7
Cumulative Cashflows (TZS billion)	-7,9	-27,1	-38,6	-34,1	-29,3	-24,3	-19,0	-13,6	-8,2	-2,7	2,9	8,6	14,4	20,3	26,2	32,2	38,4	44,6	50,9	57,3	63,8	70,4	77,1

Payback during Yr 8 Q1 (TZS 2,9 billion cumulative cashflow)

Combined 20 Year Cashflow Generation

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Free Cashflows (TZS billion)	-26,2	-51,1	-52,0	8,5	9,9	11,7	12,8	13,1	13,3	13,6	13,8	14,0	14,3	14,6	14,8	15,1	15,4	15,6	15,9	16,2	16,5	16,8	17,1
Cumulative Cashflows (TZS billion)	-26,2	-77,3	-129,4	-120,9	-111,0	-99,3	-86,4	-73,4	-60,0	-46,5	-32,7	-18,6	-4,4	10,2	25,0	40,1	55,5	71,1	87,0	103,2	119,7	136,5	153,6

Payback during Yr 11 Q2 (TZS 10,2 billion cumulative cashflow)

Overall Viability

Conclusion

- Based on demand and supply fundamentals, coupled with financial projections and the balance of development costs the **proposed mixed use development is seen as financially viable with an overall Project IRR of 12.75% achieved.** An overview of key components that have led to the financial viable outcome are shown below.

Combined Returns

- **Total Development Cost: USD 43 million / TZS 129 billion**
- **Project IRR: 12.75% is representative of a financially viable and healthy project**
- **Project Payback occurs within the 11th year of operations**
- **Yields: 6.6% - 11.1%**

General Market Conditions

- Economic outlook for the Tanzania is positive with long term GDP growth of 6% projected
- Airport arrivals to Dodoma have increased by a CAGR of 37% since 2017
- Dodoma hotel market occupancies are at a healthy 66%, showing near full post Covid recovery
- The lack of quality hotel supply in Dodoma provides a market gap for the hotel to capitalize as currently the corporate market is underserved
- The relocation of several government departments will stimulate demand for commercial office stock in Dodoma. The majority of stock under development is owner/occupier space therefore demand for rental stock is anticipated to be strong in the medium term

Hotel

- 120 key upscale hotel, positioning will compete more effectively with supply in Dar es Salaam and offer a rate structure that aligns with demand generator feedback
- As the market matures, there could be the possibility of repositioning the hotel at a higher level (i.e. upper upscale / 5 star)
- Rack rates start at USD 165 – USD 1,100 for a presidential suite
- Current term ADR = USD 126
- First Year ADR = USD 140
- Stabilized occupancy = 63%
- GOP margins = 33% - 37%
- EBITDA margins = 26% - 27%
- **Hotel Development Costs: USD 30,3 million (USD 252,059 per key)**
- **Hotel Project IRR: 10.60%% is representative of a financially viable hotel project**
- **Yields: 4.4% - 9.4%** (brought down by higher development costs associated with an international brand)

Office and Retail

- 2,000 sqm of tenanted office stock and 2,000 sqm of convenience style retail to compliment the mixed use nature of the development
- Office rental rate: USD 15 per sqm per month
- Average retail rental rate: USD 17 per sqm per month
- Operating expenses: 15% - 20%
- Stabilized occupancy: 90% - 95%
- **Development costs: USD 12,8 million (USD 820 per sqm)**
- **Office and Retail IRR: 16.99% which represents strong returns can be achieved within this component**
- **Yields: 11.6% - 15.0% are above average yields achieved in Tanzania for commercial and retail stock**

Combined Financial Returns and Conclusion

Development SWOT

Strengths

- Positive economic outlook for the Tanzania with bold infrastructure projects and progress in the oil and gas sector
- Convenient location within proximity to government city
- Land size is adequate and allows for a more spacious development
- Prominent location for a mixed-use development
- Unique concept which will stand out compared within the market
- Attractive F&B outlets which will stimulate transient covers
- Strength of Owner and network/reach within the government sector

Opportunities

- Dodoma is in a period of infrastructure development and growth, opportune moment to capitalise through a mixed-use development
- Underserved hotel and retail market in Dodoma
- Dodoma losing hotel usage to Dar es Salaam as a result of the poorer quality of supply within the market
- Hotel market has recovered from pandemic and occupancy performance is above 65%
- Lack of quality hotels in the market
- International operators are interested in entering the market
- Inclusion of international operator will create stronger awareness of the hotel and position the development a superior level to current supply
- Lack of retail developments in surrounding area
- Job creation and employment development

Weaknesses

- Hotel demand and business travel is dependent on government travel
- Hotel rate discounting is strong within government and conference markets
- Dodoma hotels compete indirectly with Dar es Salaam market
- No leisure demand in Dodoma to aid in maximising occupancy
- Flight connectivity between Dodoma and Dar es Salaam is strong, resulting is more day transit business than overnight stays
- International demand is linked with government activity in Dodoma
- Office developments are primarily owner / occupier facilities therefore availability of corporate tenants is not guaranteed
- Higher construction costs anticipated in Dodoma compared with Dar es Salaam

Threats

- Pandemics and other disasters
- Cut in government conference and travel expenditure would weaken demand for the development
- Weakened returns if development costs exceed viable levels
- Weakened returns if Dodoma Master Plan vision is not realised

Source: HTI Consulting

Project Risk Analysis and Mitigation Actions

- Based on the aforementioned Project weaknesses and threats, a Risk and Mitigation table has been provided.

	Risk Description	Risk Level	Mitigation Actions
Market Risk	Overestimation of demand and concept misalignment with market conditions	Low to medium	• Conduct Market Feasibility to outline demand levels for various asset class development in Dodoma and provide guidance on appropriate concept and positioning to follow
	Reliance on government business to stimulate hotel demand in Dodoma	Medium	• Focus on demand diversification within mixed – use development (multi-purpose spaces, informal meeting spaces, modern retail, etc.). Grow domestic demand and weekend leisure demand for the hotel
	Rate discounting amongst key demand generators	Medium	• Target international corporate demand which is less rate sensitive that local corporates and conference market
	Dar es Salaam to remain an indirect competitor	Medium	• Contract with professional hotel operator to ensure quality of service and product aligns to corporate hotels in Dar es Salaam. This will encourage more business people to overnight in Dodoma rather than commute back to Dar es Salaam
	Office developments are primarily owner occupier facilities therefore availability of corporate tenants is not guaranteed	Low	• Tenanted office stock to remain below 5,000 sqm to ensure uptake is strong. Target medium sized corporates and NSSF auxiliary service providers to create complementary office services within the development
	Estimated development costs based on market benchmarks	Low to medium	• Undertake professional cost analysis based on proposed concept and positioning outlined in Feasibility analysis
Construction Risk	ESG compliance may be required given the nature of the Owner (pension fund)	Low	• Incorporate Green Building technologies
	Development cost overruns	Medium to High	• Ensure an experienced Project Manager is on boarding from the beginning to handle all construction contracts and on boarding of professional teams • On boarding of established Contractor with experience in delivery mixed-use developments in required timeline • Where possible utilize fixed-fee contractor and milestone based contracts with penalty for delays to work done
	Failure to meet Technical standards of Hotel Operator	Medium	• On boarding of Hotel Operator at early stages of concept development to ensure design drawings and construction components align with Brand Standards
	Construction delays	Medium to High	• Ensure an experienced Project Manager to monitor all construction and development activity, timelines and procurement processes • Undertake regular site visits and development update meetings

Project Risk Analysis and Mitigation Actions

	Risk Description	Risk Level	Mitigation Actions
Operational Risk	Inability to attract and retain skilled staff	Low	• Ensure Hotel Operator undertakes a comprehensive training program for staff
Operational Risk	Poor service quality damaging brand reputation	Low	• Contract professional management to operator Hotel component and outsource property management of Office and Retail to appropriate firm
Operational Risk	Operational inefficiencies	Low to Medium	• Contract with Property Management firm to operate other components of the development and ensure appropriate implementation of a Property Management System (PMS) for efficiency across the development
Operational Risk	Pandemic and other disasters	Low to Medium	• Ensure Force Majeure clause is present in Hotel Management Agreement and other Property Management Agreements to protect Owner against "act of god" events
Operational Risk	Drop in government conference demand or travel expenditure would weaken demand for the development	Medium	• Ensure Hotel Operators actively markets hotel to a diverse market mix to ensure reliance on one market segment is not apparent
Financial Risk	Pricing fluctuations with Hotel component as hotel revenues are not fixed and fluctuate based on market conditions	Medium	• Include performance clauses in Hotel Management Agreement • Contract office tenants on a triple net lease basis
Financial Risk	Exchange rate fluctuations which can affect revenue and cost management – primarily with Hotel component when Operator Fee's are paid in USD currency	Medium to High	• Provide rental discounts for leases paid in foreign currency • Establish a contingency fund and monitor working capital
Financial Risk	Weakened returns if development costs exceed viable levels	Medium	• Contract a professional Project Manager to monitor all construction activity and costing
Financial Risk	Weakened returns if Dodoma Master Plan vision is not realized	Medium	• Hold regular meetings and workshops with Dodoma City Council to evaluate greater development progress within Dodoma
Legal and Compliance Risk	Land title disputes	Low	• Perform legal due diligence on land ownership and development rights on the assigned site
Legal and Compliance Risk	Non-compliance with Hotel brand standards	Low	• Monitor compliance with brand guidelines
Legal and Compliance Risk	Litigations from contractors or tenants	Medium	• Include dispute resolution clauses in contracts