

**KWITONGO VILLAGE**

**FEASIBILITY STUDY**

**FOR**

**ESTABLISHMENT OF LUXURIOUS COMMERCIAL**

**RESIDENTIAL APARTMENTS**

## 1.0. EXECUTIVE SUMMARY

### 1.1 Project Concept

The report gives detail on a proposal to develop a high quality and modern luxurious commercial residential apartments consisting seven storey building, each storey consisting 4 apartments of 3 bed rooms.

The project proposes to set up housing estate of fully self-contained apartments with the following:

### 1.2 Location

The project will be located at Plot No.36635 Kunduchi,Kinondoni- Dar es Salaam.

### 1.3 The Sponsors

KWITONGO VILLAGE with registration No. 578145 dated 10<sup>th</sup> July ,2024 a sole proprietor (NTULI DICKSON MWASEMELE) will be sponsoring this project. The company will mobilize the fund to implement the project.

### 1.4 The Company Objectives

The company main business objectives include the following:

- To operate and manage commercial and residential apartments
- To invest in various profitable business

## 1.5 The Legal Status and Formation

KWITONGO VILLAGE with registration No. 578145 dated 10th July ,2024 a sole proprietor (NTULI DICKSON MWASEMELE)

## 1.6 Objective of Study

The purpose of this study is to work out the project viability technically and financially of developing and operating a commercial residential apartments project so that to justify for TIC certificate of incentives.

## 2.0 Project Management and Manpower requirements

The project will under the management of KWITONGO VILLAGE which is sole proprietor. The total number of people who will directly be employed by the project is 15.

## 2.1 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above; KWITONGO VILLAGE came up with a proposal to develop luxurious commercial residential apartments.

It is expected that the construction of luxurious commercial residential apartment will be completed within two years time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good on building materials.

## 2.2 Market and Demand.

Dar es Salaam is still biggest commercial city in Tanzania and East Africa in general, for that case the project is planning to set up best commercial residential apartments in Dar es Salaam so that to try to alleviate, albeit modestly, present situation of the shortage of the luxurious commercial residential houses. Well, situated near to city centre.

Due to nationalization of private commercial buildings and residential houses in 1967, the country witnessed a sudden halt in the construction industry. The present resident houses available in the CITY are by the large as old as over thirty-five years now. Construction of private houses resumed in about fifteen years ago on a small scale brought about by the liberalization policy. This has been carried out by civil servants and parastatal organizations for their

consumption, although some have been forced to rent out in order to service mortgages and other personal financial obligation.

Construction of commercial residential houses started again about nine years ago but in small scale due to unavailability of suitable plots within the city and the well-planned areas. Most of the constructed quality houses replacement of the old residential houses, which means in real terms there has been no increase in number of houses required. To alleviate this situation of severe shortage of quality houses within the city premium areas such as Oyster Bay and Masaki, the investors have to fully utilize the available opportunity at Kunduchi which is the area which is growing so fast due to industries being invested in the area. which created the need of accommodation services

It is therefore paramount that this project is implemented quickly in order to cash on the current trend created and the normal demand of quality accommodation.

This project aims at catering for the requirement of the upper income group, a major portion or about 90% of which would come from the

foreign population working in embassies, United Nations Organizations, Multinational Corporation representatives, employees in externally financed development projects, chief executives and technical advisors of the foreign companies investing in Tanzania, as well as tourists.

### **2.3 Market Strategy**

According to expert, personal selling is the most effective method for marketing packaging accommodation services because the customers and institutions. The project will use marketing agents (Real estate agent) who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use internet and print media for advertising.

### **2.4 Pricing**

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and

- Achieving profitability and liquidity financial performance goals

## 2.5 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

## 3.0 Project Investment Cost

The estimated capital investment cost of the project is US\$ 3,000,000 out of which US\$2,720,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US\$200,000; other cost will be US\$30,000, while working capital is put at US\$50,000.

### KWITONGO VILLAGE COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	2,400,000.00
Machinery & Equipment	70,000.00
Motor Vehicles	50,000.00
Furniture & Fittings	200,000.00
Pre exp	200,000.00
Working Capital	80,000.00
TOTAL	3,000,000.00

## 4.0 Financing Pattern

The project will be financed by equity by 50%

#### 4.1 Projected Project Operating Costs

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

i. **Management fee US \$ 367,500**

The project will engage a real reputable company to run and manage the project and the company will be paid a commission of 35% of total rental income.

ii. **Insurance: US\$20,000**

The project is planning to ensure all apartments; the premium has been budgeted to be US\$20,000 annually

iii. **Depreciation cost US\$127,000**

For the day-to-day depreciation of fixed asset of the project is estimated to cost US\$127,000 annually which straight-line method

iv. **Communication cost US\$10,000**

v. **Maintenance & Repair cost US\$ 20,000**

vi. **Donation US\$8000**

#### 5.0 Aspect of Project Sustainability

The project sponsors having studied market conditions, the infrastructure in Tanzania and being in real estate business for more

than 20 years is convinced that the project will be able to operate undisturbed. The growing of tourism sector and economic activities in Dar es Salaam City gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

## **6.0 Monitoring and Evaluation**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

## **7.0 Financial Analysis**

### **7.1 Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied, it is assumed to be 5% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been

conservatively estimated based on experience of the promoters and trends in the real estate industry.

8 years financial projections have been worked out

## 7.2 Financial Statements:

### 7.3 Projected Rental Revenue

For projection purposes, it is assumed that the economic life of the project is 9 years, and that revenue from apartment business commence from the first year of operation.

#### SCHEDULE 7.3: PROJECTED RENTAL INCOME

	1	2	3	4	5	6	7	8
Revenue	1,050,000	1,134,000	1,224,720	1,322,697	1,428,513	1,542,794	1,666,218	1,799,515

### 7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 9 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US\$ 348,250.00 in first year to US\$ 4,003,148 in the 8 years, refer appendix I

### 7.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in appendix v. They indicate that the project will meet its entire financial obligation, the cash flow in the first year is negative US\$ 475,250 and grow up to US\$ 5,020,303 in 8<sup>th</sup> year, refer appendix II

#### **7.5 Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under appendix III, Net worth of the project increases from US\$ in 3,000,000 the first year of operation to US \$ 5,466,972 in the 8<sup>th</sup> year. Therefore; balance sheets depict a healthy financial

#### **7.6 Projected pay back period**

Total investment is US \$ 3,000,000, cash accumulation in year 5 is US\$. 3,057,258.00 Which is US\$ 57,258 more than of the initial investment costs, the project payback Period is within 5 years, refer appendix IV.

#### **7.7 Projected loan repayments**

The loan borrowed from financial institution is expected to be fully paid within 7 years of projection operation, refer appendix V

#### **7.8 Projected Risks**

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period.

#### 8.0. Economic Aspects

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

- The project is an ideal option for utilization of the recently acquired prime site
- The project will create direct employment for 15 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.
- It will generate substantial revenue to the government in the form of corporate tax paid for 8 years, value added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as managing of real estate

## 9.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: -

### Project Implementation

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	May 2025
2	Construction	August 2025 – August 2028
3	Procurement furniture and other facilities	September 2028
4	Recruitment	November 2028
5	Testing business and in house training	December 2028
6	Commercial operations	January 2029

## 10.0 Conclusion and Recommendations

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

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022.

## KWITONGO VILLAGE PROJECTED INCOME &amp; EXPENDITURE STATEMENT " US \$

	1	2	3	4	5	6	7	8
Revenue	1,050,000.00	1,134,000.00	1,224,720.00	1,322,697.60	1,428,513.41	1,542,794.48	1,666,218.04	1,799,515.48
Operating Expenses:								
Donation	8,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Real Estate Management Fee 35%	367,500.00	396,900.00	428,652.00	462,944.16	499,979.69	539,978.07	583,176.31	629,830.42
Insurance	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Maintenance	20,000.00	22,000.00	24,200.00	26,620.00	29,282.00	32,210.20	35,431.22	38,974.34
Communication	10,000.00	10,500.00	11,025.00	11,576.25	11,576.25	12,155.06	12,762.82	13,400.96
Total Expenses	425,500.00	454,400.00	488,877.00	526,140.41	565,837.94	609,343.33	656,370.35	707,205.72
Profit before Interest and Depre	624,500.00	679,600.00	735,843.00	796,557.19	862,675.47	933,451.15	1,009,847.69	1,092,309.77
Depreciation	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00
Profit before Tax	497,500.00	552,600.00	608,843.00	669,557.19	735,675.47	806,451.15	882,847.69	965,309.77
Tax (30%)	149,250.00	165,780.00	182,652.90	200,867.16	220,702.64	241,935.34	264,854.31	289,592.93
Profit After Tax	348,250.00	386,820.00	426,190.10	468,690.03	514,972.83	564,515.80	617,993.38	675,716.84
Accumulated Profit	348,250.00	735,070.00	1,161,260.10	1,629,950.13	2,144,922.96	2,709,438.76	3,327,432.15	4,003,148.98



## KWITONGO VILLAGE PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5	6	7	8
<b>Fixed Assets</b>	-								
Opening balance	-	2,720,000.00	2,568,000.00	2,264,000.00	2,112,000.00	1,960,000.00	1,960,000.00	1,808,000.00	1,656,000.00
Additions	2,720,000.00	0	0	0	0	0	0	0	0
<b>Total Long-term Assets</b>	<b>2,720,000.00</b>	<b>2,720,000.00</b>	<b>2,568,000.00</b>	<b>2,264,000.00</b>	<b>2,112,000.00</b>	<b>1,960,000.00</b>	<b>1,960,000.00</b>	<b>1,808,000.00</b>	<b>1,656,000.00</b>
Less depreciation	-	152,000.00	152,000.00	152,000.00	152,000.00	152,000.00	152,000.00	152,000.00	152,000.00
<b>Closing balance</b>	<b>2,720,000.00</b>	<b>2,568,000.00</b>	<b>2,416,000.00</b>	<b>2,112,000.00</b>	<b>1,960,000.00</b>	<b>1,808,000.00</b>	<b>1,808,000.00</b>	<b>1,656,000.00</b>	<b>1,504,000.00</b>
Working capital	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00	280,000.00
Accumulated cash	-	(28,300.00)	(14,754.00)	41,700.00	144,475.00	297,255.00	504,015.00	769,044.00	1,648,973.00
<b>Total assets</b>	<b>3,000,000.00</b>	<b>2,819,700.00</b>	<b>2,681,246.00</b>	<b>2,433,700.00</b>	<b>2,384,475.00</b>	<b>2,385,255.00</b>	<b>2,592,015.00</b>	<b>2,705,044.00</b>	<b>3,432,973.00</b>
<b>Financed by</b>									
Equity	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00	900,000.00
Profit	-	371,700.00	785,246.00	1,241,700.00	17,444,475.00	2,297,255.00	2,904,014.00	3,569,043.00	4,296,972.00
<b>Total equity</b>	<b>900,000.00</b>	<b>1,271,700.00</b>	<b>1,685,246.00</b>	<b>2,141,700.00</b>	<b>18,344,475.00</b>	<b>3,197,255.00</b>	<b>3,804,014.00</b>	<b>4,469,043.00</b>	<b>5,196,972.00</b>
Long term loan	2,100,000.00	1,800,000.00	1,500,000.00	1,200,000.00	900,000.00	600,000.00	300,000.00	-	-
<b>Total debts</b>	<b>2,100,000.00</b>	<b>1,800,000.00</b>	<b>1,500,000.00</b>	<b>1,200,000.00</b>	<b>900,000.00</b>	<b>270,000.00</b>	<b>300,000.00</b>	<b>-</b>	<b>270,000.00</b>
<b>Total equity and debts</b>	<b>3,000,000.00</b>	<b>3,071,700.00</b>	<b>3,185,246.00</b>	<b>3,341,700.00</b>	<b>19,244,475.00</b>	<b>3,467,255.00</b>	<b>4,104,014.00</b>	<b>4,469,043.00</b>	<b>5,466,972.00</b>

## KWITONGO VILLAGE PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	371,700.00	152,000.00	523,700.00	523,700.00
2	413,546.00	152,000.00	565,546.00	1,089,246.00
3	456,454.00	152,000.00	608,454.00	1,697,700.00
4	502,779.00	152,000.00	654,779.00	2,352,479.00
5	552,779.00	152,000.00	704,779.00	3,057,258.00
6	606,759.00	152,000.00	758,759.00	3,816,017.00
7	665,029.00	152,000.00	817,029.00	4,633,046.00
8	727,928.00	152,000.00	879,928.00	5,512,974.00

## KWITONGO VILLAGE PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (12%)	Total Amount Paid	Loan Balance
0				2,100,000
1	300,000	252,000	552,000	1,800,000
2	300,000	252,000	552,000	1,500,000
3	300,000	252,000	552,000	1,200,000
4	300,000	252,000	552,000	900,000
5	300,000	252,000	552,000	600,000
6	300,000	252,000	552,000	300,000
7	300,000	252,000	552,000	0
TOTAL	2,100,000	1,764,000	3,864,000	

## KWITONGO VILLAGE COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	2,400,000.00
Machinery & Equipment	70,000.00
Motor Vehicles	50,000.00
Furniture & Fittings	200,000.00
Pre exp	200,000.00
Working Capital	80,000.00
<b>TOTAL</b>	<b>3,000,000.00</b>

APPENDIX VI

NAME OF ASSETS	1	2	3	4	5	6	7	8
Land And Buildings	2,400,000	2,280,000	2,160,000	2,040,000	1,920,000	1,800,000	1,680,000	1,560,000
Machinery, Tools & Equipment	70,000	63,000	56,000	49,000	42,000	35,000	28,000	21,000
Motor Vehicles	50,000	45,000	40,000	35,000	30,000	25,000	20,000	15,000
Furniture & Fixtures	200,000	180,000	160,000	140,000	120,000	100,000	80,000	60,000
<b>Total</b>	<b>2,720,000</b>	<b>2,568,000</b>	<b>2,416,000</b>	<b>2,264,000</b>	<b>2,112,000</b>	<b>1,960,000</b>	<b>1,808,000</b>	<b>1,656,000</b>
<b>DEPRECIATION</b>	<b>2011 USD</b>	<b>2012 USD</b>	<b>2013 USD</b>	<b>2014 USD</b>	<b>2015USD</b>	<b>2013 USD</b>	<b>2014 USD</b>	<b>2015USD</b>
Land and buildings	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Machinery tools & Equipment	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Motor Vehicles	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Furniture & Fixtures	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<b>ANNUAL DEPRECIATION</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>	<b>152,000</b>
<b>CLOSING FIXED ASSETS</b>	<b>2,568,000</b>	<b>2,416,000</b>	<b>2,264,000</b>	<b>2,112,000</b>	<b>1,960,000</b>	<b>1,808,000</b>	<b>1,656,000</b>	<b>1,504,000</b>