

VASUDHA DEVELOPERS LIMITED

FEASIBILITY STUDY

FOR

**THE CONSTRUCTION OF FURNISHED SERVICED APARTMENTS
AT *PLOT NO 40 MSASANI ROAD, OYESTERBAY KINONDONI***

DAR-ES-SALAAM

VASUDHA DEVELOPERS LIMITED

P.O. Box11105

DAR ES SALAAM

FEBRUARY 2025

1.0 EXECUTIVE SUMMARY

1.1 The Project

This study covers the intention of Vasudha Developers Limited to construct /operate furnished residential serviced apartments in Dar-es-Salaam Tanzania. The activities will be geared towards the building residential apartment at **Plot 40, Msasani Road, Oyesterbay, Kinondoni Dar-es salaam**. The buildings will be equipped with up-to-date equipment. Essentially the purpose of the proposed venture is to set up high-quality furnished residential serviced apartments of International Standards to be based in Dar es Salaam. The project promoters, **Vasudha Developers Limited** have vast experience in setting up/operating multiple projects, especially in the sector of commercial building and manufacturing.

1.2 The promoters

The projects are being sponsored by **Vasudha Developers Limited**, a private limited liability company incorporated and registered in Tanzania under Certificate of Incorporation No **169240353 dated 1/10/2023**. **Vasudha Developers Limited** is owned by Tanzanians. The names of the shareholders are as follows:

Shareholder	Shares	Nationality
Mahesh Kumar Raojibhai Patel	60	Tanzanian
Ketan Kumar Vinubhai Patel	40	British

1.3 The Market

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Tanzania's economy continued to recover from the pandemic-induced challenges. Despite that the real estate sector continued to recover from the pandemic shock with residential, Social Security Funds, and commercial property occupancy rates increasing. According to the Financial Stability Report released by the Bank of Tanzania (BoT), the residential property occupancy rate has been rising. The high occupancy rates were attributed to improvements in the business environment, infrastructure, real estate market, and increase in demand. Higher occupancy rates were observed in houses with more bedrooms, which augurs well with the demographic structure of most Tanzanian households.

Furthermore, the rise in residential property rental prices resulted partly from the increase in households' incomes as the economy improved. The demand push from population growth and urbanization also played a part in this. The impact was more felt from the major hinterland cities as the residential property rental prices in Dar es Salaam, the major commercial city of the country remained relatively unchanged in 2023. In 2023, there was also a general increase in occupancy rates of selected major commercial buildings in Dar es Salaam.

1.4 Location

The project will be located at – Plot **40, Msasani Road. Oyesterbay, Kinondoni Dar-es salaam.** The furnished residential serviced apartment complex will be established in phases.

1.5 Project Cost and Financing Plan

The total cost of the project is estimated at **US\$7,628,500** The following is the summary of the capital investment cost estimated:

ITEM	US\$
Fixed Asset	
Land & Civil Works	4,389,300
Equipments	1,023,900
Vehicles	72,900
Furniture and Fittings	1,485,300
Others	257,100
Pre-Operational Expenses	200,000
Sub total	7,428,500
Initial working capital	200,000
GRAND TOTAL	7,682,500

1.6 Financing Plan

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

SOURCE	US \$
EQUITY	7,682,500
Sub total	7,682,500

1.7 Profitability The business as indicated in the projected cash flow is commercially and financially viable. It will earn the company an average revenue of **US\$1.37** million per annum from year 4 before tax profits and depreciation.

1.8 Economic Development Considerations

1.8.1 Employment Creation

The project will create approximately **54 jobs** including **3** expatriates with the capacity to establish employment levels in the later years.

1.8.2 Government revenue

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

1.8.3 Social and Economic Impact

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

1.8.4 Economies of Scale

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

1.9 Conclusion and Recommendations

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

2.0 THE PROJECT

Vasudha Developers Limited intends to to construct /operate furnished residential serviced apartments in Dar-es Salaam Tanzania. The activities will be geared towards the building residential apartment at **Plot 40, Msasani Road. Oyesterbay, Kinondoni Dar-es salaam** . The proposed project development strategy is to construct the furnished apartments in phases to have the project's earnings capacity through constructing several apartments. The project will be a one-of-a-kind development in the heart of Msasani and will provide a level of quality & luxury living standards never before experienced in Dar es Salaam.

.2.1 The Promoters

VASUDHA DEVELOPERS LIMITED. is a private liability company engaged in the Real Estate business. The company was incorporated and registered in Tanzania under **169240353 dated 1/10/2023. Vasudha Developers Limited.** Vasudha Developers Limited is owned by Tanzanians.

Shareholder	Shares	Nationality
Mahesh Kumar Raojibhai Patel	60	Tanzanian
Ketan Kumar Vinubhai Patel	40	British

Vasudha Developers Limited has over 25 years' experience in the market with interests in manufacturing, transport and Commercial and Residential properties and developments. The company's good performance since its incorporation is the result of the shareholders sheer hard work and articulate management dynamism in its several projects.

2.2 SITE AND LOCATION

The company headquarters is based in Dar-es-salaam

Vasudha Developers Limited

P.O. Box 11105

Dar-es-salaam

The projects will be situated at Plot at **Plot 40, Msasani Road, Oyesterbay, Kinondoni Dar-es salaam**. The proposed investment program is expected to take five years.

2.3 SITE EVALUATION

Vasudha Developers Limited contemplates the construction of furnished residential serviced apartments situated at **Plot 40, Msasani Road, Oyesterbay, Kinondoni Dar-es salaam**

2.3.1 ACCESSIBILITY OF THE SITE

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

2.3.2 AUXILIARY SERVICES REQUIREMENT

- **Power Supply System**

An independent transformer will be provided to cater to the whole complex and for emergency power supply, a standby generator will be provided to supply the essential loads in the event of TANESCO power failure. Power distribution through the state will be via underground cables installed with TANESCO requirements.

- **Fire Protection**

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

- **Air conditioning & Ventilation**

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

- **Security**

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

2.3.3 A Parking Space for the Complex

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

2.3.4 Water Supply

- **Source of Water**

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

2.4 Environmental Aspect

The design of the furnished residential serviced apartments complex will be carried out with maximum consideration of environmental impact assessment. The apartments will be designed to receive maximum natural ventilation and light. The project surroundings would be grown with the species of trees to be proposed by the architects.

3.0 THE MARKET

3.1 MARKETING ASPECTS

Tanzania's economy continued to recover from the pandemic-induced challenges and the real estate sector continued to recover from the pandemic shock with residential, Social Security Funds, and commercial property occupancy rates increasing. The high occupancy rates were attributed to improvements in the business environment, infrastructure, real estate market, and increase in demand. Higher occupancy rates were observed in houses with more bedrooms, which augurs well with the demographic structure of most Tanzanian households. Furthermore, the rise in residential property rental prices resulted partly from the increase in households' incomes as the economy improved. The demand push from population growth and urbanization also played a part in this. In 2023, there was also a general increase in occupancy rates of selected major commercial buildings in Dar es Salaam. Despite the increase, rental prices of the commercial properties exhibited mixed trends. Some property owners reduced prices, possibly to increase their customer base and cash flows. The prices are likely to rebound as the economy continues to expand after the pandemic;

3.2 THE REAL ESTATE MARKET IN TANZANIA

Tanzania's real estate has contributed nearly 2.9 trillion Tanzanian shillings (TZS), equivalent to 2 billion U.S. dollars, to Tanzania's Gross Domestic Product (GDP) from the first to the third quarter of 2021. In 2020, the industry's value added to the economy reached roughly 3.7 trillion TZS (1.6 billion U.S. dollars), the highest since 2015. The activity also recorded a growth rate of 4.2 percent in the second quarter of 2023,

compared to a growth of 4.4 percent in the corresponding quarter in 2022. The growth was attributed to increased demand for accommodation especially in urban areas. The real estate market is also expected to reach a value of US\$745.50bn by 2025. Among the various segments, residential real estate dominates the market, with a projected market volume of US\$683.30 billion in the same year. This segment is expected to grow at an annual growth rate of 6.69% (CAGR 2025-2029), resulting in a market volume of US\$965.80bn by 2029. (internet)

When compared globally, it is worth noting that the sector is expected to generate the highest value in the Real Estate market. Tanzania's real estate market is experiencing a surge in demand for luxury beachfront properties due to its stunning coastline (INTERNET).

3.3 SUPPLY

The housing backlog is over three million with an annual production requirement of 200,000 units. Forty percent of this deficit is estimated to be in urban Tanzania. The metropolitan population which is currently 35% of the total population, is expected to grow by a further 15% by 2030. (Ministry of Land)

Dar es Salaam is the main area of office and retail activity with a retail stock of 153,000 sqm. By international standards, the services provided by most of the competitors are not adequate. The formal real sector in Dar es Salaam remains undersupplied presenting investors with an opportunity for growth. There are some buildings like The Benjamin Mkapa Tower, Mafao House-Ilala, Rita Tower, Social Security House, Samora Avenue House, Golden Jubilee Tower, Twin Towers, Victoria House, PSSF Millennium, Tower-I, PSSF Millennium, Tower-II Commercial Complex-Samora, Quality Plaza and International House

Property, etc. However, these are not adequate to satisfy the demand for proper and furnished apartments with modern amenities in the city of Dar-es-Salaam. Considering the location of **VASUDHA DEVELOPERS LIMITED**, and the complimentary nature of the concept, it can be concluded that the overall proposal would not face any serious competition that would threaten its viability and that the facility would be highly sought after by up-market travellers, the business community, and some Tanzanian residents.

3.2 COMPETITION

The same also is for accommodation. Successful implementation of the proposed project will therefore increase the availability of quality accommodation and recreational outlets in Dar es Salaam. Experience from comparable establishments in the area indicates that the well-managed furnished residential serviced apartments are permanently booked with about 80 % & of the patrons 20% being visitors, foreign missions, and international organizations residing in Dar es Salaam.

Vasudha Developers Limited real estate developments are seen as an additional and more affordable outlet within the vicinity of the city center easily accessible with ample parking space, which also provides for the family.

3.4 EXPECTED OCCUPANCY

The target market for **VASUDHA DEVELOPERS LIMITED** furnished apartments are travellers, investors with their expatriate staff, and public and private institutions sending officials for a long stay in Dar-es-salaam, foreign missions, and businessmen. The following factors combine to

suggest that the occupancy Level **of Vasudha Developers Limited Suites** will remain high: -

- i) Demand for quality accommodation and recreation facilities in Dar es Salaam is increasing. Tanzania's residential property market is on the rise due to major infrastructure investments in areas like reliable water supply, building flyovers, a bus rapid transit system, and better roads. These changes are making the city more accessible, which is a big plus for anyone looking to buy a home there. Also, the expansion of the Standard Gauge Railway (SGR). Which connects major regions like Dar es Salaam, Morogoro, and Dodoma, making travel smoother and faster. These infrastructure projects are not just about convenience but they are setting the stage for a gradual increase in property prices. As areas become more developed and accessible, the demand for homes is likely to rise, pushing prices up. For potential buyers, this means that investing in Tanzanian real estate now could be a smart move. as with ongoing improvements and a focus on making cities more liveable, the future of the residential market looks promising.
- ii) Sponsors are willing to engage the reputed agents for exclusive marketing of the buildings.
- iii) The furnished residential serviced apartments will be at a prime location in the heart of Dar es Salaam.
- iv) Since infrastructure for the implementation of the proposed project is in place, the facilities will be competitively priced in comparison with existing individual apartments and recreation centers to be built in future in Dar es Salaam.

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

4.0 MANAGEMENT AND ADMINISTRATION

4.1 MANAGEMENT

The success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with requisite skills shall be available within the country. The estate will be managed by the Estate Complex Board of Directors. This board will operate through the project and will be the Chief Executive of the Estate operations. To streamline the serviced apartment operations, it is proposed to engage two key figures; the Operational officer and the Project Accountant. The project should also employ a qualified electrical technician who is a holder of a full Technician certificate in electrical engineering. He should be capable of operating the electrical installations and maintenance of the same. Based on the proposed organizational structure the project will initially employ a total of **54** persons.

4.2 Security System

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

5.0 IMPLEMENTATION SCHEDULE

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

6.0 ENVIRONMENTAL CONSIDERATIONS

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

7.0 INVESTMENT AND FINANCING

7.1 ASSUMPTIONS

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

6.2 INVESTMENT STRUCTURE

The total initial investment in fixed assets is estimated at US\$ **7,682,500** and the breakdown of which is as follows:

6.2.1 Civil Works

ITEM	US\$
Fixed Asset	
Land & Civil Works	4,389,300
Equipments	1,023,900
Vehicles	72,900
Furniture and Fittings	1,485,300
Others	257,100
Pre-Operational Expenses	200,000
Sub total	7,428,500
Initial working capital	200,000
GRAND TOTAL	7,682,500

The ultimate building to house the project is estimated at a cost of **US\$ 4,389,300**

6.2.2 Machinery and Equipment

Machinery /Equipment needs for the processing unit are estimated at cost of **US\$ 1,023,900**

6.2.3 Vehicles

These are estimated at **US \$ 72,900**

6.2.4 Furniture & Fittings

These are estimated at **US\$ 1,485,300**

6.2.5 Pre-operational

These are estimated at **US\$ 200,000**

6.3 FINANCING PATTERN

The total initial investment of US\$ **7,682,500** shall be financed as follows

SOURCE	US\$
Fixed Asset	
Equity	7,682,500
Total	7,682,500

6.4 OWNER'S EQUITY

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

7.0 OPERATION COSTS

7.1 ASSUMPTIONS

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

7.2 OPERATION COST STRUCTURE

The main items which will constitute the operating costs. The operation cost is estimated to be 45% of the annual total revenue. Some of the operating costs are as hereafter outlined, when the unit will be in full operation.

7.2.1 Operating Expenses

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

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

7.2.3 Energy and Water-Electricity for general lighting/security

7.2.4 Salaries and Wages A total of **54** people will be employed to cater for the overall administrative, financial, security, and cleaning functions of the complex.

7.2.5 Depreciation

Depreciation rates have been calculated as follows:

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

8.0 FINANCIAL AND ECONOMIC ANALYSIS

8.1 ASSUMPTION

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

8.2 PROJECTED INCOME

The project's income at full capacity utilization is estimated to average at **US\$1.37** million per annum.

8.4 PROJECTED CASH FLOWS

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

9.0 CONCLUSION AND RECOMMENDATIONS

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

- The project will contribute towards the expansion of high-class accommodation facilities in Dar es Salaam;
- **VASUDHA DEVELOPERS LIMITED** will provide direct and indirect employment.
- The government will earn substantial revenue from the operation of the project in the form of value-added tax. Furthermore, the project has a high potential to generate revenue for the government in the form of corporation tax.

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

ANNEXURES AND APPENDICES

VASUDHA DEVELOPERS LIMITED

INVESTMENT COST

ITEM	US\$
Fixed Asset	
Land & Civil Works	4,389,300
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VASUDHA DEVELOPERS LIMITED
FINANCING PATTERN

SOURCE	US\$
Fixed Asset	
Equity	7,682,500
Total	7,682,500

VASUDHA DEVELOPERS LIMITED

DEPRECIATION SCHEDULE

US\$

	Value	Rate%	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	4,389,300	4.0	175,572	175,572	175,572	175,572	175,572	175,572	175,572	175,572	175,572	175,572
Machinery and Equipment	1,023,900	12.5	127,988	127,988	127,988	127,988	127,988	127,988	127,988	127,988	-	-
Furniture & Fittings	1,485,300	12.5	59,412	59,412	59,412	59,412	59,412	59,412	59,412	59,412	-	-
Motor Vehicles	72,900	25.0	18,000	18,000	18,000	18,000	18,000	-	-	-	-	-
Pre-operational Expenses	200,000	20.0	40,000	40,000	40,000	40,000	40,000	-	-	-	-	-
Total			420,972	420,972	420,972	420,972	420,972	362,972	362,972	362,972	175,572	175,572

VASUDHA DEVELOPERS LIMITED

PROJECTED INCOME AND EXPENDITURE STATEMENT

USD

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%)	70	80	90	100	100	100	100	100	100	100
Number of Apartments	30	36	40	45	45	45	45	45	45	45
Revenue per annum	9,59,580	1,096,663	1,233,745	1,370,829	1,370,829	1,370,829	1,370,829	1,370,829	1,370,829	1,370,829
Less Operating Cost	431,793	493,498	555,185	616,873	616,873	616,873	616,873	616,873	616,873	616,873
Profit before interest and depreciation	527,787	603,165	678,560	753,956	753,956	753,956	753,956	753,956	753,956	753,956
Less Depreciation	420,972	426,972	420,972	420,972	420,972	362,972	362,972	362,972	175,572	175,572
Sub-total	98,815	182,193	257,528	332,984	332,984	390,984	390,984	390,984	578,384	578,384
Profit before tax	98,815	182,193	257,528	332,984	332,984	390,984	390,984	390,984	578,384	578,384
Tax (30%)	29,645	54,658	77,258	99,895	99,895	117,295	117,295	117,295	173,515	173,515
Profit after tax	69,170	127,535	180,270	233,089	233,089	273,689	273,689	273,689	404,869	404,869
Accumulated Profit	69,170	196,705	376,975	610,064	843,153	1,116,842	1,390,531	1,664,220	2,069,089	2,473,958

VASUDHA DEVELOPERS LIMITED

CASHFLOWS PROJECTION

US\$

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		98,815	182,193	257,528	332,984	332,984	390,984	390,984	390,984	578,384	578,384
Equity	7,682,500	-	-	-	-	-	-	-	-	-	-
Total sources	7,682,500	98,815	182,193	257,528	332,984	332,984	390,984	390,984	390,984	578,384	578,384
Applications											
Capital expenditure	7,682,500	-	-	-	-	-	-	-	-	-	-
Tax		29,645	54,658	77,258	99,895	99,895	117,295	117,295	117,295	173,515	173,515
Sub-Total	7,682,500	29,645	54,658	77,258	99,895	99,895	117,295	117,295	117,295	173,515	173,515
Total Applications	7,682,500	29,645	54,658	77,258	99,895	99,895	117,295	117,295	117,295	173,515	173,515
Net cashflows		69,170	127,535	180,270	233,089	233,089	273,689	273,689	273,689	404,869	404,869