

KIGOMA HILLTOP HOTEL LIMITED

FEASIBILITY STUDY

FOR THE

CONSTRUCTION OF A WAREHOUSE IN KIGOMA

**KIGOMA HILLTOP HOTEL LIMITED
P.O. Box 1160
Kigoma**

July 2025

1.0 EXECUTIVE SUMMARY BACKGROUND

This study involves building a warehouse facility in KIGOMA for rental and own use. The warehouse will be constructed with modern equipment. It will serve their own needs, and some space will be leased later to various investors or companies seeking warehouse space. Warehousing facilities are valuable tools for attracting investment, promoting technological learning and innovation, and creating jobs. Once completed, this warehouse will attract diverse businesses, leading to more jobs and an expanded tax base. It will also provide a space where local and international firms can interact.

1.2 THE PROJECT

This report is for Kigoma Hilltop Hotel Limited, which intends to construct a warehouse in Kigoma Region. The warehouse will be for its use, and some space will be rented out. The proposed Project will be constructed in an area which is estimated to be **5000 sq.** meters. The warehouse to be built will be equipped with up-to-date equipment and will be supported by a well-constructed yard with well-managed security.

1.3 THE PROMOTERS

Kigoma Hilltop Hotel Limited is a sponsor of this project, and its shareholders/directors have several years of experience in initiating and managing different types of projects. The shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
Mohsin Abdullah Lalji	Tanzanian	89.44
Fatemazehra Mohsin Lalji	Tanzanian	10.51
Hitesh Pravin Lodhia	Tanzanian	0.05

1.4 MARKETING

The government of Tanzania is promoting various economic activities of which will drive it towards a middle-income economy with the aim of job creation and economic growth. Tanzania's real estate sector continued to recover from the pandemic-induced challenges at the past 2 years with commercial property occupancy rate increasing, reflecting the recovery of businesses from the pandemic such as the COVID-19 pandemic and relocation of Government offices to Dodoma," resulting in a trend of tenants affected. Kigoma Hilltop Hotel Limited's marketing objective as a fully serviced warehousing facility is to appeal to potential private sector investors and the whole country as a desirable location in which to invest via either business establishment or relocation. Kigoma Hilltop Hotel Limited will put in place a marketing strategy which will be comprehensive, cohesive, and cooperative to external and internal marketing, and also targeting both inward investment from business prospects outside the country, and internal investment from existing businesses, stakeholders, and allies within the area.

1.5 LOCATIONS AND SITE

The warehouse will be located **at Plot No. 1960, Bangwe Kigoma/Ujiji Municipality**

1.6 MANPOWER AND TRAINING PROGRAM

The whole project intends to employ **13** people. This again has been derived taking into account the types of activities that are intended to be undertaken.

1.7 IMPLEMENTATION SCHEDULE

It is estimated that the project will take about 3 years for the whole Project to be completed once the decision for implementation has been reached.

1.7 INVESTMENT STRUCTURE

The total initial investment in fixed assets and working capital is estimated at **USD 917,000** The breakdown of which are as follows:

ITEM	US\$
Fixed Asset	
Land & building	700,000
Machinery and Equipment	70,000
Vehicles	102,000
Furniture and Fittings	45,000
Pre-Operational Expenses	-
Others	-
Sub total	917,000
initial working capital	-
GRAND TOTAL	917,000

1.8 FINANCING PATTERN

The total initial investment of **US \$ 917,000** will be financed from various shareholders as local equity .

SOURCE	US \$
Fixed Assets	
Equity	917,000
Total Financing	917,000

1.9 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\$ 0.165 million** annually from year 4 before tax profits and depreciation.

1.10 Economic Development Considerations

1.10.1 Employment Creation

The project will create approximately 13 jobs with the capacity to establish the employment levels in the later years upon.

1.10.2 Government revenue

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

1.10.3 Social and Economic Impact

The proposed project will increase the provision of high-quality warehousing facilities in the country and will result in increased healthy competition among real estate companies.

1.11.4 Economies of Scale

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

1.11 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

2.1 PROJECT DESCRIPTION

Kigoma Hilltop Hotel Limited Intends to construct a warehouse in the Kigoma region. The warehouse will be constructed with modern equipment. The warehouse will be for their use, and some space will be leased at later stages to various investors/companies who will be carrying out various activities in Tanzania. The proposed warehouse will be built in an area that is estimated to be **5,000 square meters**. The warehouse will comprise pre-fabricated structures and also other important building materials such as cement, iron bars, windows etc. windows, doors, electrical and plumbing fixtures, ironmongery, glazing, and ceiling. A wide inlet/entrance will be provided to facilitate the smooth passage of vehicles. Security will be of prime importance surveillance cameras and access control will be installed. The envisaged project site will be easily accessible and can be easily reached through the tarmac road. The warehouse will also consist of the following:

2.1.2 Power Supply System

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

2.1.3 Fire Protection

It is proposed to provide a fire detection and firefighting system with consists of automatic and manual detection devices, alarm and communication system, whereas the firefighting system will feature

portable extinguishers, hose reels, wet and dry risers, and an automatic sprinkler system.

2.1.4 Air Conditioning & Ventilation

An individual/separate air conditioning system, mainly split units and window type, is proposed for the complex

2.1.5 Water Supply

The source of water for the proposed complex will be from the nearest main supply line serving the area. There will be a Provision for both group and overhead storage tanks to boost the water pressure and for availability whenever the pipes go dry. The tank's capacity will depend on the number of users, which will be determined by the design concept and scheme.

2.1.6 Sewerage System

Waste and foul water will be collected from each building through UPVCP pipes of different sizes.

2.1.7 Machinery/Equipment

These will be in the form of air conditioners, ceiling fans, warehouse, complete steel structure facilities, and various warehousing equipment.

2.1.8 Furniture and Fittings

These will comprise of sofa sets, office chairs and tables, curtains, etc. Such furnishing with proper interior finishing touches will make the warehouse for rent assume an acceptable international standard.

3.0 SITE AND LOCATION

M/S Kigoma Hilltop Hotel Limited contemplates the construction of a modern warehouse for own use and also leasing. The warehouse will be located at **Plot No. 1960, Bangwe Kigoma/Ujiji Municipality**

4.0 ENVIRONMENTAL CONSIDERATIONS

The design of the warehouse complex will be carried out with maximum consideration of the environmental impact assessment. The building will be designed to receive maximum natural ventilation and light. Mechanical ventilation should be an alternative only in the absence of a natural one. Another area where the environmental impact has to be considered is at the project surroundings, whereby the already grown trees should be retained and included in the landscaping as part of the species of trees to be proposed by the architects. Also, environmental considerations shall be given priority during landscaping so that maximum protection of soil erosion is observed.

5.0 MARKET ANALYSIS

5.1 Introduction

There is a high demand for warehouse and logistics operations to meet the needs of local and international businesses. Warehouse operations in Tanzania vary significantly in size and complexity. Some warehouses are small and focus on the storage of goods and materials, while larger warehouses take on a more complex role. Warehousing and its related facilities are crucial in supply chain management, offering benefits beyond just storing goods. With strategic placement and efficient inventory management systems, warehousing helps businesses reduce transportation costs, improve delivery times, and ensure accurate shipments.

5.2 THE MARKET

5.2.1 The project will be designed to meet warehousing demand in the Kigoma region, which will increase the inflow of commercial activities due to the intention of the government to construct the SGR railway up to Kigoma from Tabora, and also the government's efforts to improve various infrastructure in Kigoma. The huge market that exists in the DRC Congo and other southern countries may also influence the demand for such facilities.

5.2.2 The target market for M/S Kigoma Hilltop Hotel Limited includes various types of businesses. Like any property development in the world, the proposed project faces the risk of low occupancy in the initial months; however, extensive marketing, sales promotion and direct contract will mitigate this with potential clients. It is therefore reasonable to conclude that M/S Kigoma Hilltop Hotel Limited warehouse facility will not face any marketing problems due its location. However, the evaluation assumes a

conservative occupancy level of 50% during the first year rising to 60% during the second year and a maximum of 80% by the third and 100% in the fourth year for planning and contingency purposes.

5.2.3 CURRENT SUPPLY

The supply of warehouses for leasing is affected by three main factors namely availability of surveyed plots, availability of masons and lack of a well development real warehouse industry in Tanzania. The Government controls the delivery system of urban plots and are delivered without development of infrastructure and utilities making newly surveyed plots long and cumbersome process.

The number of warehouses is very low due to limited resource as the Ministry of Lands and Human Settlements Development can supply very few plots and the local business community is also unable to implement large warehouse projects for leasing or outright sale due to the absence of finance institutions at a time as interest rate for loans from existing commercial banks are exorbitantly high. Up to now it is only the publicly owned pension funds (NSSF and NPF) that have been constructing buildings for hire at a large scale. However, these also have their financial limitations and at times they may have other priority project to implement other than real warehouse development.

5.2.4 COMPETITION

There is very few up to date warehousing facilities in Kigoma. This situation limits supply of modern warehouse for hire or outright purchase. On the whole, the supply of warehouse for leasing faces little competition especially in the planned prime areas where no empty plots for development of new modern warehouse units. The high cost of purchasing an old building, demolishing it and construction modern and

warehouse put off many would be investors. Furthermore, since the warehouse business in Tanzania is still young, participants are few and therefore competition is low.

By international standards the services provided by most of the competitors are not adequate. Successful implementation of the proposed project will therefore increase the availability of quality warehousing facilities in Kigoma. Experience from comparable establishments in the area indicate that the warehousing is inadequate and hence there will not face any competition. M/S Kigoma Hilltop Hotel Limited is seen as an additional and more affordable outlet in Kigoma.

5.2.3 Conclusion

Considering the location of M/S Kigoma Hilltop Hotel 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 by the business community in Tanzania.

6.0 MANPOWER REQUIREMENTS AND ORGANISATION

6.1. MANAGEMENT

The success of a venture of this kind depends on the competence of the personnel recruited to manage. It is envisaged that the proposed manpower structure would give an effective control of the activities. Board of Directors will manage the warehouse. This board will operate through the project director who would be the Chief Executive of the warehouse's operations.

In Order to streamline the warehouse operations, it is proposed to engage two key figures; Operational officer and the Project Accountant. These two along with the Project Manager will form the central operational core that will ensure the success of the project

6.2 MANPOWER REQUIREMENTS

Based on the proposed organization structure the project will initially employ a total of 13 people. All new staff would be recruited at least one month before the warehouse operations are commenced

7.0. IMPLEMENTATION SCHEDULE

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisition of machinery and equipment, recruitment of qualified personnel and other factors has been looked into.

7.1.2 Construction of the warehouse

This undertaking will require a period of three years.

7.1.3 Ordering of Steel Structures, Machineries and Equipment's

Timely ordering will have to be executed to match the rate of development of the warehouse.

7.1.4 Plot Development Undertakings

These will comprise of activities such as plot clearing. The carrying out construction of drainage channels etc.

7.1.5 Construction of Building/related civil Works

The construction of buildings for the various purposes. These will be done in phases

7.1.6 Installation of Machinery/Equipment/Furniture

Once the buildings are constructed and then will follow the installation of machinery/equipment/furniture and fittings upon arrival at the project site.

7.1.7 Commercial leasing

These will be done as and when the warehouse is completed.

8.0 INVESTMENT AND FINANCING

8.1 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
- Re-investment in vehicles shall be done after every four years.

8.2 INVESTMENT STRUCTURE

The total initial investment in fixed assets is estimated at **US\$ 917,000** and whose breakdown of which is as follows;

ITEM	US\$
Fixed Asset	
Land & building	700,000
Machinery and Equipment	70,000
Vehicles	102,000
Furniture and Fittings	45,000
Pre-Operational Expenses	-
Others	-
Sub total	917,000
initial working capital	-
GRAND TOTAL	917,000

8.2.1 Civil Works

The ultimate building to house the project is estimated at a cost of **US\$ 700,000**

8.2.2 Machinery and Equipment

Machinery /Equipment needs for the processing unit are estimated at cost of US\$ 70,000

8.2.3 Vehicles

These are estimated at US \$102,000

8.2.4 Furniture & Fittings

These are estimated at US\$ 45,000

8.3 FINANCING PATTERN

The total initial investment of US\$ **US\$ 917,000** shall be financed by equity contribution.

SOURCE	US \$
Fixed Assets	917,000
Equity	
Total Financing	917,000

9 .0 OPERATION COSTS

9.1. ASSUMPTIONS

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

9.2 OPERATION COST STRUCTURE

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

9.2.1 Repairs and Maintenance

General repairs and maintenance costs for building and civil works vehicle and equipment are going to be undertaken by the land lord

9.2.2 Energy and Water

Electricity for general lighting/security will be used

10.2.4 Salaries and Wages

A total of **13** people will be employed to cater for the overall, construction, administrative, financial, security and cleaning functions of the complex.

9.2.3 Depreciation

Depreciation rates have been calculated as follows:

Land, Building and Civil Works	5% Straight line
Vehicle	25% Straight line
Pre-operational Expenses	20% Straight line
Equipment	12.5 % Straight line

9.2.4 Corporation tax is charged at 30% on profits before tax.

FINANCIAL AND ECONOMIC ANALYSIS

10.1. ASSUMPTION

- The prices of inputs and outputs 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 50%, 60%, 80 % and 100% for years 1-4 and onwards to year 10 respectively.
- The operation costs are assumed to be **20%** of the total revenue.

10.2 INCOME

The project's income at full capacity utilization is estimated to average at **US\$ 0.165 m** per Year as presented in the income statement.

10.3 PROJECTED CASH FLOWS

The project has a positive net cash flow from year of operation to the tenth year when the long-term loan will have been paid in full.

10.4 FINANCIAL REVIEW

The Financial review of the project demonstrates that: -

The project is profitable

The liquidity position of the project is sound and that it should be able to meet its loan commitment easily;

11.0.CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the Kigoma Hilltop Hotel Limited project aimed at establishing warehouse is financially viable and commercially attractive. From a national point of view, the timely implementation of the project will lead to following economic benefits: -

- The project will contribute towards the establishment of high-class warehousing facilities in Kigoma
- Kigoma Hilltop Hotel Limited will provide indirect employment;
- The government will earn substantial revenue from the operation of the project in the form of value added tax.
- Costs are reduced through economies of scale in the provision of common services and facilities.

This study recommends timely implementation of the project proposal.

ANNEXTURES AND APPENDICES

KIGOMA HILLTOP HOTEL LIMITED

INVESTMENT COST

ITEM	US\$
Fixed Asset	
Land & building	700,000
Machinery and Equipment	70,000
Vehicles	102,000
Furniture and Fittings	45,000
Pre-Operational Expenses	-
Others	-
Sub total	917,000
initial working capital	-
GRAND TOTAL	917,000

KIGOMA HILLTOP HOTEL LIMITED FINANCING PLAN

SOURCE	US \$
Fixed Asset	
Equity	917, 000
Total Financing	917, 000

KIGOMA HILLTOP HOTEL LIMITED

DEPRECIATION SCHEDULE US\$

	Value	Rate %	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	700,000	5	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Machinery and Equipment	70000	12.5	8,750	8,750	8,750	8,750	8,750	8,750	8,750	8,750	-	-
Vehicles	102,000	25	25,500	25,500	25,500	25,500						
Furniture & fittings	45,000	12.5	5625	5625	5625	5625	5625	5625	5625	5625	-	-
Total			74,375	74,375	74,375	74,375	49,375	49,375	49,375	49,375	35,000	35,000

KIGOMA HILLTOP HOTEL LIMITED
PROJECTED INCOME AND EXPENDITURE STATEMENT

USD

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%)	50	60	80	100						
Income	82,500	99,000	132,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000
Less Operating Cost	16,500	19,800	26,400	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Profit before interest and depreciation	66,000	79,200	105,600	161,700	161,700	161,700	161,700	161,700	161,700	161,700
Depreciation	74,375	74,375	74,375	74,375	49,375	49,375	49,375	49,375	35,000	35,000
Sub-total	(8,375)	4,825	31,225	87,325	87,325	112,325	112,325	112,325	126,700	126,700
Profit before tax	(8,375)	4,825	31,225	87,325	87,325	112,325	112,325	112,325	126,700	126,700
Tax (30%)	-	1,448	9,368	26,198	26,198	33,698	33,698	33,698	38,010	38,010
Profit after tax	(8,375)	3,377	21,857	61,127	61,127	78,627	78,627	78,627	88,690	88,690
Accumulated Profit	(8,375)	(4998)	16,859	77,986	139,113	217,740	296,367	374,994	463,684	552,374

KIGOMA HILLTOP HOTEL LIMITED

CASHFLOWS PROJECTION

US\$

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		66,000	79,200	105,600	161,700	161,700	161,700	161,700	161,700	161,700	161,700
Equity	917,000	-	-	-	-	-	-	-	-	-	-
Total sources	917,000	66,000	79,200	105,600	161,700	161,700	161,700	161,700	161,700	161,700	161,700
Applications											
Capital expenditure	917,000	-	-	-	-	-	-	-	-	-	-
Tax		-	1,448	9,368	26,198	26,198	33,698	33,698	33,698	38,010	38,010
Sub-Total	917,000	-	1,448	9,368	26,198	26,198	33,698	33,698	33,698	38,010	38,010
Total Applications	917,000	-	1,448	9,368	26,198	26,198	33,698	33,698	33,698	38,010	38,010
Net cash flows		66,000	77,752	96,232	135,502	135,502	128,002	128,002	128,002	123,690	123,690