

# Tanzania Market Update

2019

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## Key Insights

GDP growth in 2019 was recorded at 6.8%

2019 inflation declined to 3.4% from 3.5%

Tanzania's real estate sector recorded a 4.5% growth rate

There was an increase in demand for prime industrial property

Affordable housing demand continues to persist

There was an increase in prime residential property demand

There was an increase in demand in the hospitality sector

## 2019 Macro Economic Update

Tanzania's economy recorded a relatively strong performance with an average GDP growth of 7% over the past two years. The National Bureau of Statistics (NBS), 2019, reveal that prices increased to TZS 28.9 trillion from 26.8 trillion in the corresponding quarter of 2018 equivalent to a growth of 6.8 percent.

This growth is largely attributable to increased spend in infrastructure notably construction which grew by 19.6%, mining and quarrying 17.2%, information and communication 10.3% and water 10%.

The tourism sector recorded a 10% increase in arrivals in the past year leading to an increasing demand in the hospitality sector

# Office Market Review–Q4 2019

The prime office market in Dar es Salaam is centered around the traditional CBD and towards the north on Ali Hassan Mwinyi Road and Msasani Peninsula.

The general office market remains subdued with rental rates and property values recording a decline over the past year.

On average, rents were recorded at US\$12 in 2019 from US\$16 in 2018

There was an increase in demand for Grade A offices owing to the increase in multinationals and rising trend towards market sophistication.

Grade A office rents were recorded on average at US\$17 per square meter per month. These are however expected to decline as landlords make concessions towards tenant retention.

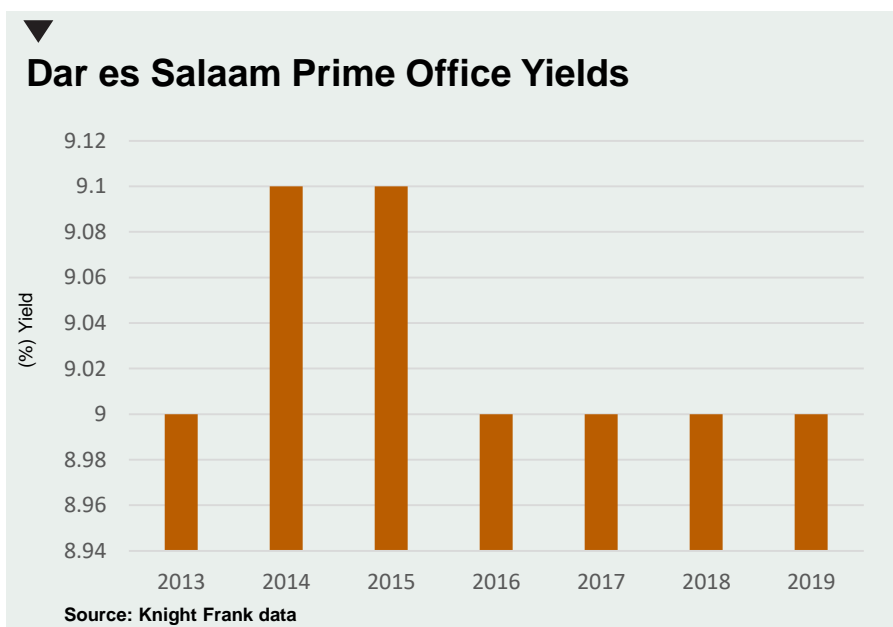
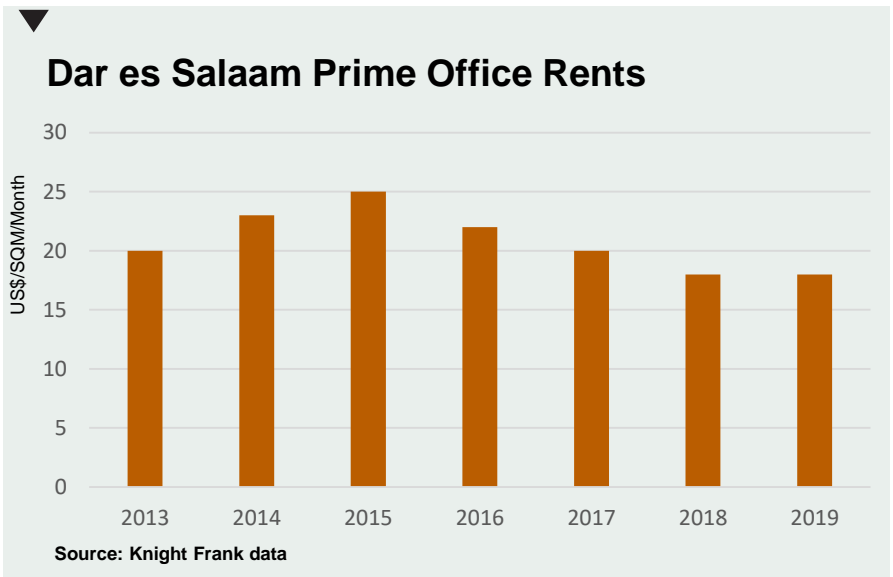
## Key trends

Office rents declined due to an oversupply of new spaces in the market.

Between 2013 and 2019, yields remained stable at 9% on average

Global trends on sustainability and flexible space have continued to feature in the market

With the increasing demand for institutional grade real estate, Tanzania's office market is expected to see a significant increase in supply in Grade A office space



# Residential Market Review–H2 2019

## Dar es Salaam

Dar es Salaam continues to rank as one of the most populous cities in East Africa at a population of six million people. The prime residential location is centered around the CBD, north of Salendar vridge, across the entire Msasani Peninsula, Oyster Bay, Masaki and Mbezi to the north.

The prime residential market has however remained subdued leading to minimal transactions in the market. Rental rates for three bed room duplex apartments recorded a 21% decline over the past two years.

## Dodoma

Dodoma continues to be an emerging market for residential properties following the government's decision to relocate to Dodoma.

An increase in prime residential demand was also recorded owing to the growing expatriate community. Rental rates were recorded at between US\$2,500 to US\$3,000 per month on average

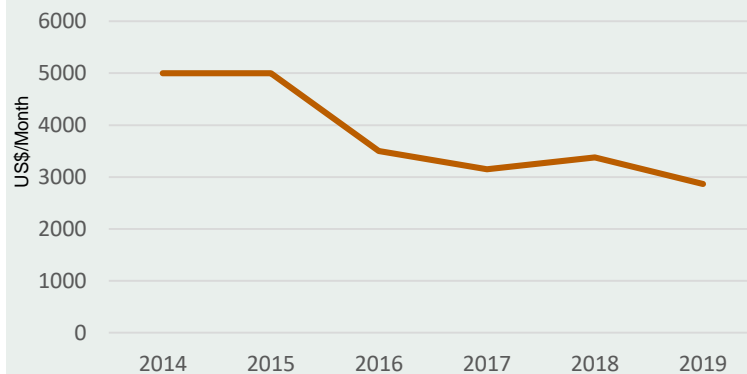
### Key trends

An increased supply of residential units onto the market together with slower demand has led to a softening of the market and a reduction in rental levels.

Affordable housing demand continues to persist with annual demand estimated at 200,000 housing units per annum and an existing housing backlog of 3,000,000 million housing units

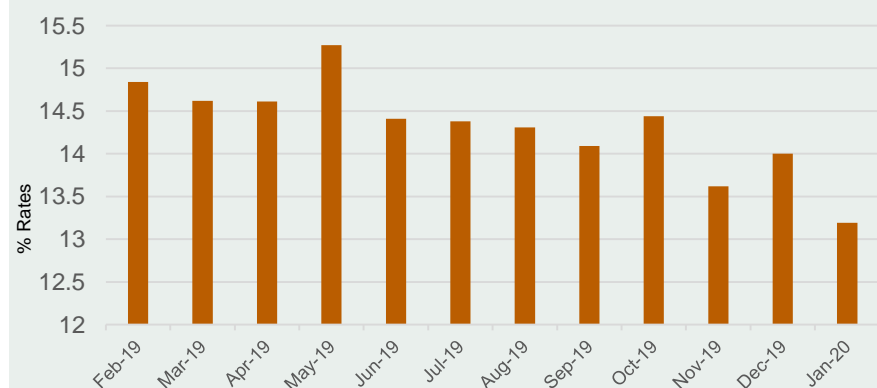
Tanzania Mortgage interest rates currently range from 15% to 19%, down from 22% to 24% in 2010 and have led to an increase in mortgage uptake.

### Dar es Salaam Prime Residential Rents



Source: Knight Frank

### Tanzania Bank Lending Rates



Source: TradingEconomics.com, Bank of Tanzania

# Retail Market Review- H2 2019

The formal retail sector in Dar es Salaam remains undersupplied presenting investors with an opportunity for growth.

Due to the limited number of shopping malls, international and local retailers have had to trade out of small shopping centers and mixed use buildings with a retail component.

There has been an increase in interest from international retailers due to the growing opportunities in the sector.

Some of the retail brands that have debuted in the market include KFC, Subway, Game, Mr Price, Baby Shop, Miniso, Food Lovers market .

Furthermore, Carrefour Supermarket is also set to debut into the market by opening several branches in the country.

## Key Trends

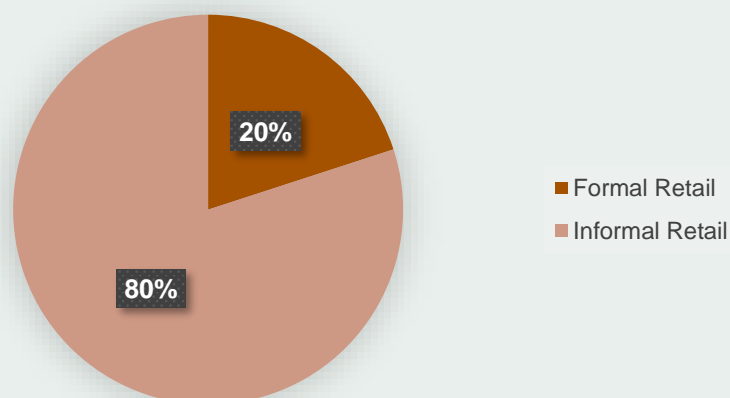
There are opportunities to develop formal and smaller retail centres in expanding towns and neighbourhood locations.

The retail market still principally revolves around small downtown specialist shops in National Housing Corporation buildings.

The informal retail market continues to dominate the market in the form of on-street sales in ad hoc temporary pavements locally known as 'Wamachinga'

Tanzania's online retail platform remains at its nascent stages with the recent exit by Jumia indicating that the sector is yet to develop.

## Retail Market Distribution



Source: Knight Frank

## Dar es Salaam Retail Development Pipeline

Name	Location	Proposed sqm
<b>Dar City Shopping Centre</b>	Corner of Bagamoyo Road and Mwai Kibaki Road	45,500
<b>Peninsula Plaza</b>	Masaki, Along Haile Sellasie Road	31,000
<b>Mak Shopping Centre</b>	Off Tarmacked Sala Road, Mbezi Beach Area	15,000
<b>The Mall at Mbezi</b>	Mbezi Beach Area, Along Bagamoyo Road	15,300-Phase I

Source: Knight Frank

# Industrial Market Review- H2 2019

The industrial market witnessed considerable redevelopment of various industrial properties especially along Nyerere Road. This was mainly in response to high demand for good quality storage space due to increased investment and trading activities in Dar es Salaam.

However, demand subdued owing to an oversupply in developments leading to rising vacancies.

Nyerere Road industrial area is considered the prime industrial area in Dar es Salaam. Prime warehouse rents in this area previously ranged between US\$5 to US\$9 per square metre per month.

However, due to the over supply of industrial properties in the market and ongoing developments, we have observed a drop of the rental rates owing to the low absorption rate.

## Key Trends

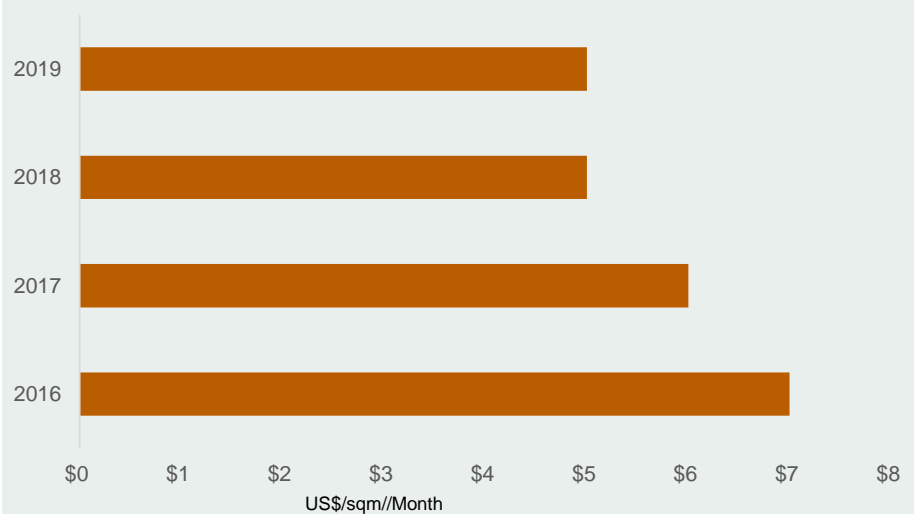
Prime warehouses recorded a 22% decline in rents over the past year to \$US3.5 per square metre per month

There was an increase in demand for prime industrial property in line with the global trend towards market sophistication and sustainability.

Recent discoveries of natural gas offshore and a broad number of planned infrastructure projects are expected to lead to increased demand in the industrial sector.

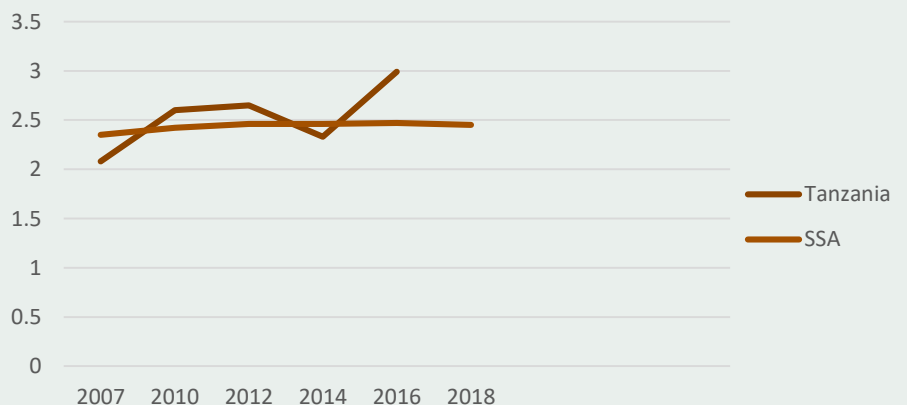
The Logistics Performance Index shows that Tanzania's overall logistics ranking has shown significant improvement over the past few years. From an overall global ranking of 137th in 2007, it was lastly ranked 61st out of 155 countries.

## Dar es Salaam Prime Industrial Rents



Source: Knight Frank

## Tanzania Logistics Performance Index



Source: World Bank

# Tanzania Real Estate Market Outlook 2020

## Macroeconomic Outlook

Tanzania's economic growth is projected to be broadly stable at 6.4% in 2020 and 6.6% in 2021, according to the Africa Development Bank.

Tanzania has continued to be lauded as one of Africa's fastest growing economies at an average GDP growth rate of 7%.

This shows the ability of the economy to support various business opportunities should investors chose to venture in the same, real estate being one of the opportunities. Based on the above figures the economy is more capable now that it was in 2018.

## Office Market

Although office market rents have declined by 25% over the past year, demand for Grade A offices has continued to increase with the rising number of multinationals in the country.

This trend is expected to continue in 2020.

## Residential Market

The cities of Dar es Salaam and Dodoma recorded increased demand of both affordable housing and prime residential houses.

We expect that prime residential demand will continue to increase due to the increase in Multinationals in Tanzania.

Affordable housing backlog has been estimated at three million units and is

expected to continue to grow annually. Through the enactment of the Tanzania Mortgage Refinancing Company, housing affordability is expected to increase to allow for absorption of new supply in the market.

## Retail Market

The retail market remains relatively undersupplied with a significant potential for growth. Consumer spending is expected to grow as the middle class numbers increased and the economy continues to grow.

## Industrial Market

There has been a surge in demand for prime industrial spaces amenities attributed to increased investment, improved infrastructure developments and trading activities in Dar es Salaam

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