

Tanzania Market Update

H2 2020



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Key Highlights

The Central Bank has highlighted that Tanzania's economy demonstrated satisfactory performance, amidst negative impact of COVID-19 on some sectors that were exposed to external shocks.

During the first three quarters of 2020, growth averaged 4.7% compared to 7.3% in the previous year and 6.9 % in 2018.

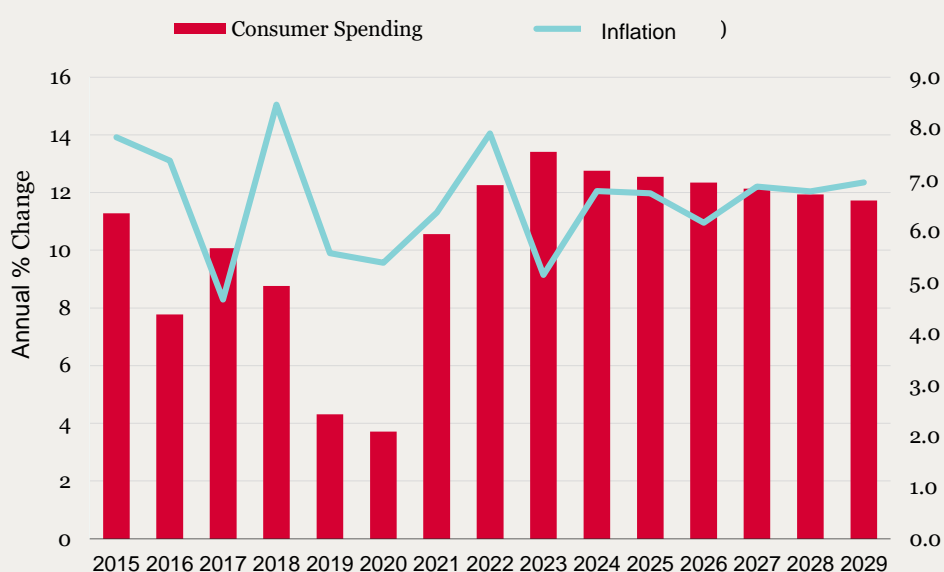
Inflation remained low in the fourth quarter of 2020 at 3.1%.

Dar es Salaam's prime office rents were recorded at US\$15 during the period under review.

Dodoma's prime office rents were recorded at between US\$ 12 and US\$ 14 during the period under review.

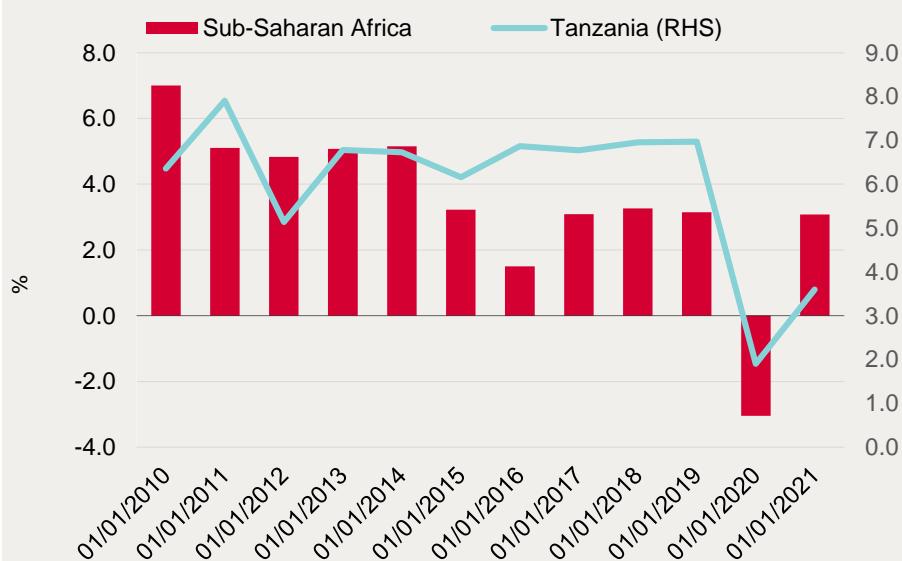
The residential sector is expected to remain subdued in 2021

Inflation Rate, Total Consumer Spending



Source: IMF, Knight Frank Research

IMF AFRREO, Estimate, Constant Prices, Change P/P



Source: Knight Frank Research, Macrobond

Macro-Economic Analysis

Economic growth declined during the last quarter of the year compared to a year earlier according to Bank of Tanzania(BOT). This slowdown in growth was attributed to the impact of COVID-19 on the economy . However, despite this decline, Tanzania continues to feature amongst the top ten fastest growing countries in the continent.

Further, according to the BOT, inflation remained low in the fourth quarter of 2020, bolstered by subdued prices of both food and non-food consumer goods and services.

Specifically, headline inflation was recorded at 3.1% compared to 3.7% a year earlier.

This rate was within the target range of between 3% and 5% for 2020/21 across the regional (EAC and SADC) convergence benchmarks..

Office Market

Dar es Salaam's office market continues to be over supplied. Further, as a result of the pandemic, demand for prime office space declined following on measures adopted by most corporate institutions predominantly financial institutions to limit the spread of pandemic.

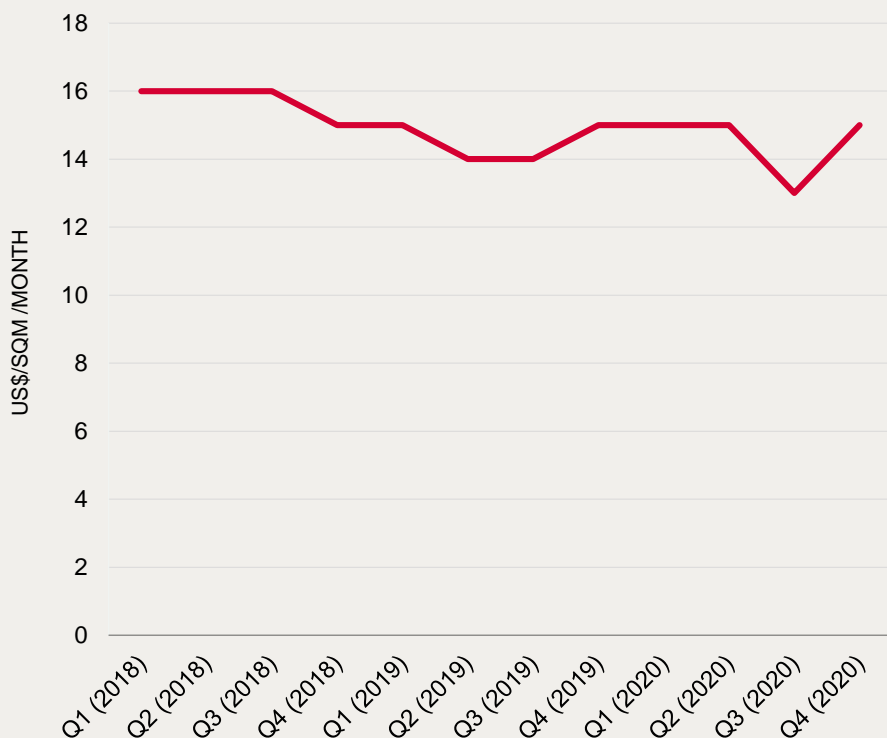
Notably, as a result of the pandemic, some of the banks in the market have shifted a large portion of their corporate activities online, making use of software such as: Microsoft Teams; Skype; Zoom and Video Conferences to hold their virtual meetings and conferences. This trend is anticipated to remain rife even after the pandemic.

In the period under review, prime office rents were recorded at US\$15 despite concession requests from tenants.

On the other hand, Dodoma's office market continued to be vibrant during the period under review with occupancy rates averaging above 90% as a result of government institutions occupying majority of the buildings. Further prime office rents were recorded at between US\$12 and US\$14 during the period under review.

In the medium to long term, we anticipate Dodoma's office market will be oversupplied due to completion of several government's projects currently in the pipeline and government's preference towards owner occupier arrangement.

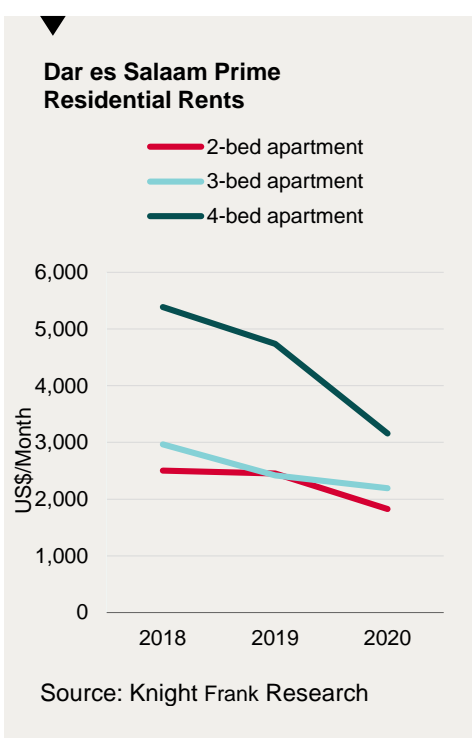
Dar es Salaam Prime Office Rents



Source: Knight Frank Research

Residential Market

Dar es Salaam's prime residential market was already subdued pre-pandemic, with the pandemic period resulting in a further decline in rents due to subdued demand. This was attributed to the flight by expatriates from the country, oversupply of prime residential developments and the general impact of the pandemic on household income.



Retail Market

The formal retail sector in Tanzania remains undersupplied. However, there has been increased interest from international retailers due to the growing prospects in the sector with some of the major retail brands debuting in the market. These have included Home, KFC, Subway, Game and Mr. Price.

During the period under review, the sector suffered significant setback

due to supply chain disruptions and decline in household income as a result of the pandemic. Average prime retail rents declined to US\$13 per square metre per month during the period under review from US\$ 17 per square metre per month in 2019.

Zanzibar has continued to lead as the emerging market for the formal retail premises in Tanzania with Michenzani Mall as their flagship mall that opened in October 2020.

Select Retail Development Pipeline Projects

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

Industrial Market

Over the past five years the industrial sector has continued to grow as a result of government led initiatives in the manufacturing, processing and assembling industries. In the period under review, a total of 8,477 new industries of large, medium and small categories were established according to Bank of Tanzania.

This growth has led to increase in the supply of locally manufactured goods. However, Dar es Salaam's industrial market has remained subdued in light of this

prospective growth. Rents have continued to vary depending on location, size and facilities available such as Generators, AC with designated industrial areas attaining higher rates compared to other areas.

Overall, in the period under review industrial rents on average ranged between US\$1 and US\$8 per sqm per month.

Outlook H1 2021

Macro-Economic

The central bank projects that the economy's will grow by 6% on average in 2021.

Office Market

Dar es Salaam's office market is anticipated to remain a tenant's market with increased requests for lease concessions.

However, Dodoma's office market is anticipated to remain stable in the short term but expected to be subdued in the long term due to the Government's initiatives to shift to owner occupied buildings

Residential Market

Although, we anticipate the market to remain subdued there has been an increase in demand for prime properties.

Retail Market

The sector is anticipated to record increased international retailers interest in 2021 due to the growing opportunities in the sector.

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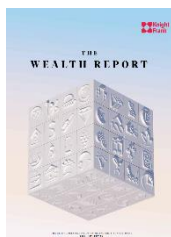
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