Impact of Real Estate Investment Towards Economic Development Opportunities in Tanzania

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ABSTRACT

The Tanzanian housing sector's fast-growing demand is mainly driven by the fast-growing Tanzanian population which is estimates to be 53.47 million and that is expected to more than double by 2050 while increasing its growth rate from the current 1.56 million per year to 2.98 million per year in 2025 according to the United Nations (UN). This study employed both the quantitative and qualitative approaches were used using primary data and secondary data for this study. The study findings recommend reforms flexibility and improvement on laws especially land ownership which findings of this study show that the real estate marketing and investment has a great potential for growth in Dodoma and is strategically positioned to fill up this gap on demand for facilities such as housing and accommodation, commercial offices, hotels, guest houses, lodges, etc. The potential for growth of real estate marketing and investment also comes with a greater and wide range of job opportunities under economic circumstances for people in agriculture, service sectors, traders, and manufacturing subsectors thus contribute to the economic growth of the region and the country. In relation to the technical nature of the real estate business especially the marketing and investment components, the study recommends that pro-active measures are needed to inject professionalism in the sector and the need for implementation of real estate management systems.

Keywords: Economic Development; Real Estate Investment; Real Estate Opportunities; Dodoma - Tanzania

1. Background of the study

Real estate market is one of the precise essential factors for country's economy. It is a remarkable field of exploration both at macro and micro levels. On the macro level, the real estate market is closely connected with financial and real sector of economic development; while micro level real estate market is viewed as the framework of consumer behaviour analysis (Wang, 2003). In developed countries, real estate is used for investment portfolio diversification, with closer connection with the stock market, and investment portfolio information. It was observed that real estate market conditions make important contribution to the micro and macro level economies with general economic cycle that enable analysis to find out its contribution to the economic development (Case, et al. 2001).

Real Estate in Dar es Salaam, Tanzania's commercial capital and Africa's fastest growing city, has a current population of about 4.3 million which is expected to quintuple to about 20 million by 2050. Housing price per square metre averages USD 1,200 in Dar Es Salaam versus USD 1,235 in Nairobi, Kenya while the rent of one-bedroom apartment in the city center is around USD 775.3 a month in Dar es Salaam versus USD 444.5 a month in Nairobi. The concept of absolute ownership of land is not recognized in Tanzania, where people have however the right to use and occupy the land in accordance with the approved use. Foreign companies and individuals wishing to have rights to occupy and use land can only do so by acquiring derivative rights, applying to the Tanzania Investment Centre (TIC) or to landowners who have been granted right of occupancy.

According to Huang and Wang (2004), Glascocla, et al. (2002) and Hilbers et al. (2001) macro factors that influence real estate market include: economic growth, population growth, income level and interest rate. The Tanzania real estate report (2008); ascertains that over ten recent years, the Tanzania real estate sector has not made significant contributions to the Gross Domestic Product (GDP). The recent and planned projects development encourages the government of Tanzania to remain optimist that real estate will contribute to the country of economic sector and creation of investment opportunities to up lift the income and social welfare of the people.

The markets for investors in the real estate sector include: opportunities for the development of retail, office building, multi-family properties including students housing properties, distribution and warehouses facilities, lodging properties, medical office building and healthcare related facilities and triple-net single use properties (Knight, 2008).

Besides to this development; the pending passage of legislation that would govern estate agencies, that already amended by the Land Act and the Court of Tanzania to arbitrate the land disputes and plans to institutionalize housing financing. Further the report ascertains that the government continues hoping that the real estate sector in Tanzania will begin to actively contribute to the GDP growth, and it has taken several steps towards regulating the sector and the outlook remains promising. The development in construction services as well as increases in the overall population growth of the country have created a demand for real estate and the sector is therefore primed for investment (Tanzania Real Estate Report, 2008).

In Tanzania rental market practice is pro-landlord however, rents are freely determined. According to the Tanzania Real Estate Report (2008) advance payments can reach up to 6 months or one year, although the legal limit is only two months. Because the formal legal environment process can take years or decades to conclude, landlords often resorts to intimidation, threats and violence to evict tenants. Above that, access to land is complex and investors regularly encounter delays and non-transparent bureaucracy when attempting to purchase property and register title deeds (Denise, 2008). On the other hand, the demand for construction materials is increasing forcing the government to allow importation of these products and in some cases to waive duties on the importation of capital goods. For example, cement and steel materials are imported at low prices from China, Dubai and India (Denise 2008). There is a steadily increasing supply of townhouses, business premises and apartments in urban areas in Tanzania that put the real estate sub-sector under tremendous pressure (Knight-Frank, 2008).

Real estate market and investment is an interesting field both at macro and micro levels. However, this development is faced with a number of challenges such as land disputes. According to the Chairman and Chief Executive Officer of Inter-Capital Group report (2012), most of the lands in the country do not have value for real estate investment because they lack accessibility, which make difficult to surveyors to determine land's value for investment for consideration by the real estate development. This was observed that real estate investment needs long term planning. Lack of unity in pricing in Tanzania is another obstacle to the development of real estate marketing sector. Currently the land value is overpriced, where half an area sells at about US$ 1000 (Exchange rate US$ is equivalent to Tsh 2,220 at 17^{th} December, 2016. Therefore, there is a need to analyze factors and challenges facing real estate marketing and investment hindering the economic development of the urban Tanzania. Denote to the above analysis; it was observed that real estate marketing faced challenges to prosper in Tanzania; such as the issues of land registration and acquisition, infrastructures, and patterns demographic growth.
This study will investigate the impact of real estate investment on economic development opportunities in Tanzania.

The study findings contribute and provide good understanding and knowledge to real estate stakeholders, policy makers and other practitioners for real estate marketing and investment opportunities in Tanzania. It provides useful and accessible information for the scholars for real estate development in Tanzania. It helps scholars to addressing the identified challenges and access the possible opportunities within the real estate market and investment issues. To real estate investors, it facilitates and help them to understand challenges and how to manage real estate investment in Tanzania. The findings proposal an output to policy makers of the local government organs on issues related to real estate development from the individual level, company level, corporate to public real estate management in business process. Having investigated the problem from individuals at the grassroots level, the results will be useful in addressing social and economic development from real estate market and investment. The findings enable the researcher to recommend the manners in which local real estate's agents, brokers and consumers and offer to them chance to compete and get more profit leading to economic development of rural- urban areas in Tanzania.

2. Material and Methods

Knight (2005) show that there are marked differences in the stages of real estate investment between the various countries as well as the attractiveness of real estate investment opportunities particularly for institutional investors vary from country to country. Evidence also shows that the degree of maturity of a country's real estate market in Africa seems to be strongly correlated with the size of the international participants and the business community in the real estate market in question. International participants in this sense comprise both citizens who are normally resident in the West or expatriates in African countries. For example, in Zimbabwe the significant growth in the residential housing facilities over the last 3 years was affected by with rental rates rising above inflation. This also demonstrates a clear symbiotic relationship between real estate markets and economic performance.

According to Grubb and Ellis, (2004), economies that are relatively well performing with serious business opportunities and sufficient guaranteed security for expatriates are likely to be comparatively attractive to expatriates and mature faster. It also shows that though the indigenes of Africa represent a considerable segment of the population, they are effectively priced out of real estate markets. It is possible to attribute this situation in which international participants and businesspersons drive the progress of property markets in these economies to two main factors. Firstly, both the supply and demand for developed urban properties in general entails significant front end capital investment. But considering the generally low levels of prosperity in African population (with about 45% living on US$1.00 a day) many will be unable to meet this kind of investment from their own means. As in the western economies, in situations like this a strong mortgage market provides good relief. However, in sub-Saharan Africa, with the exception of few countries such as South Africa, Uganda and Kenya with a fairly well developed mortgage markets most of the countries are characterized by very weak and ill developed financial and mortgage markets. Most of these countries are faced with high mortgage rates, making it very expensive to borrow for property development. Even in the case of Zambia, the mortgage market is said to have disappeared altogether (Grubb and Ellis et al., 2003).

As a result, the majority of Africans tend to rely on funds from informal credit, remittances, personal savings, rotating credit associations, social clubs and institutions (Rakodi, 2005) to buy a house or raw land to construct their own houses incrementally. Osondu and Middleton (2004) estimates for instance that in Enugu, Nigeria about 78 percent of housing stock is built by the owners directly and of this only 35 percent had access to formal institutional credit. The comparatively long gestation period of property development particularly when funded this way means that in the end, given the time value of money, the real costs of construction tends to be higher than it would normally have been. This is contrary to what is expected of a poor country where money is difficult to come by. Most of these indigenes invest in such real estate for their use and occupation rather than for direct investment returns but in the end are often unable to complete for the purpose.

There is across the countries of Africa a relatively small crop of residential and even smaller commercial property development businesses to meet the commercial demand for residential houses primarily by the international participants, business class and private sector employees. In Ghana this led in 1988 to the establishment of the Ghana Real Estate Developers Association (GREDA) as the umbrella body for these businesses. Presently GREDA has 400 real estate development companies, 350 of which are in Accra, Ghana producing houses for the teeming commercial demand. By 1998 GREDA member companies have together developed and sold some 11,934 1-4 bedroom residential houses at prices ranging from US$30,000 (Exchange rate US$ is equivalent to Tsh 1,620 at 25th October, 2013) to US$390,000. The Home Finance Company (HFC) has also been created to provide the mortgage market required to drive the efficient functioning of these residential markets alongside the traditional banking and credit institutions. But the high inflation linked interest rate charges imposed by these financing institutions has meant that shortage of affordable formal credit for commercial estate development and mortgages remain high. This appears to have slowed down investments in commercial investment in real estate development judging from the agitations of the market, thereby producing stagnation in these markets.

To date, the relatively small class of residential estate development companies in these countries rely on funds usually obtained from a combination of sources ranging from bank credit, informal credits, personal savings or inheritance. As a consequence, there is a wide variation in the proportion of residents in respective countries who are able to achieve home ownership. This depends on their personal circumstances and hindrances posed by government policies (Grubb & Ellis, 2004). UNCHS/World Bank (2003) suggests that the number of residents who achieve home ownership varies from around two-thirds in Tunis, Johannesburg, Ibadan, and Dakar to under half in Algiers, Rabat, and Harare, one third in Lilongwe and Cairo, little more than a quarter in Dar es Salaam, Nairobi, and Accra, and only one-fifth in Abidjan. At such rates, it will take several decades for many of these markets to attain internationally efficient performance levels. Those who cannot afford to own houses, as is the case everywhere, rent to meet their housing needs Nyangarika et al., (2020b).

Since Tanzania achieved independence in 1961 the population has grown from 12,313,000 persons in the first post-independence census in 1967 to 34,569,000 persons counted in the recent census held in August 2012. From 1980 to 1997, the urban population grew at a rate of about 10 percent per annum. Around 36 percent of the total population of 34,569,000 is currently living in urban areas, if population living in townships and trade centers is included. Dar-es-Salaam alone, the largest urban area in the country, is said to receive between 100,000 to 300,000 people a year. Here, land is informally acquired and in most cases it carries no legal evidence of ownership. Studies by the Ministry of Lands and Human Settlements Development have shown that about 80% of people in urban areas live in unplanned settlements. Much of the land in urban areas of Tanzania is obtained from the informal sector and has no legal documents (Kironde, 2003). Over the period from 1967 to 2002 the population has doubled every 20 years and the average rate of growth of the population has been 2.9 percent per year (Tanzania, 2003). Urban Tanzania is said to experience population growth of 30%.

Current studies indicate that about 32% of such dwellings could be classified as being in bad condition, 51% in fair condition and 17% to be in good condition. Lack of appropriate policies on housing development could have contributed to overcrowding in housing and poor housing conditions. Among them are those, which concern the acquisition of building plots, land title, building permit, housing credit facilities and the operation of the main stakeholders in housing development in the country. The process of acquiring a building plot and a building permit takes very long time and in most times it is discouraging. Similarly getting a title is costly and tiresome. Land title is necessary for mortgaging in order to get credit facilities for housing development. There are no formal housing credit facilities for housing in the country and main actors in housing development have not been playing their roles as expected (Seleki, 2006) and Nyangarika et al., (2020a).

According to Machira (2011), currently investments in office buildings form the bulk of real estate works in the country, and industry players say large opportunities also exist in the areas of retail, industrial and residential houses construction. But the experts have also cautioned that for the overall industry to prosper, a number of challenges need to be tacked, among them the issues of land registration and acquisition. Inter capital Group says that, for example, most of the lands in the country do not have value for real estate investment because they lack accessibility, and the issue needs to be addressed in order to attract more real estate investors. Most of the land in Tanzania is not surveyed, making it difficult to determine its value for investment, especially in real estate development (The Citizen, April 2, 2011).

Experts such as Mgwabati, (2011), Nehemia (2007) and Ngowi (2010) indicate that ongoing dynamics of urban oriented development in Tanzania is likely to reinvigorate and sustain investors' interests in real estate works in a foreseeable future, but the right policies and institutions are needed to enable the sub-sector to realize its huge potential. Currently, investments in office buildings from the bulk of real estate works in the country and industry players say large opportunities also exist in the areas of retail, industrial and residential houses construction. However, experts have commented that for the real estate market to prosper, a number of challenges need to be tackled, among them is the issue of land registration and acquisition, land survey, land and property price in the major cities like Dar es Salaam, population growth and the involvement of brokers in the market. Tanzania like many other countries in Africa in the past decade has made significant progress in undertaking significant structural reforms. Several state-owned enterprises have been privatized and basic infrastructures and capital markets have been established. This has also successfully implemented macroeconomic, political, and institutional reforms, but there are many that have yet to create the necessary conditions for fostering economic growth and investment. The country has extremely diverse resources, many of which remain unexploited.

Real estates have a bankable demand for credit, savings and insurance services. Insurance and access to income – smoothing financial services can contribute significantly to the rapid growth of the real estates while savings and credit facilities can help to make lump sum investments affordable and allocate resources to potential investments with the highest returns. Indeed, the central role that the financial systems play in most economic activities makes them an essential component of economic development. Yet the real estate developments have largely been neglected by the formal financial intermediaries. This neglect stems from distorted macroeconomic, sectoral policies, lack of economic and political power to boost entrepreneurship. However, empirical evidence reveals that financial services when properly targeted and implemented makes a remarkable contribution in the achievement of economic growth, inclusion and participation of all members of the rural population in economic development and in reducing the vulnerability of the rural poor to economic, physical and natural vagaries and shocks (Kloeppinger- Todd Renate, 2004).

The rental markets in Africa have developed its own sophistication that have no analogy in western economies. Owing to pervasive inflation and possibly insidious landlord and tenant policies, landlords in the rental markets tend to demand key money or several months or years rent in advance on entry to offset subsequent decline in real rents (Rakodi, 2005). Those who cannot afford to honor these payments are then shunted to the slums where rental conditions are less onerous. Presently, apart from these forces that have clearly forced some segments of the populace out of the real estate markets and hence seem to have kept investment levels low, intrusive government interventions in these real estate markets have also alienated some more from these markets. These policy-alienated actors may even include prospective institutional and commercial investors thereby slowing down the performance of the market. How this has come about could be understood from the origins of the policies.

It is common knowledge that policies, whether real estate or others, are the outcome of the political processes of respective nations. Whether or not these policy outcomes would lead to the creation of the requisite environment for real estate investment depends largely on the aptness of the ends and design of the policies. This section discusses the political relationship between government and opposition in colonial and postcolonial African regimes and the impact of the relationships on the ownership, control and distribution of land. Persistently, the African political processes that have given birth to the present regime of real estate policies have been characterized by the concentration of power in the hands of a minority in power, either through invasion, as in the colonial era, the creation of one party states, military interventions and despotism in the emergent democracies. This often monopolized political environment has tended to define policy ends generally much more narrowly than efficiency demands. This is because the monopolizations of the policy environment ultimately gave African governments a free hand to pursue, as it would to any rational monopolists, their private interest, values and ideological ends rather than the general good of the nations they govern.

This monopolization of policy environment largely dictated the mass of policies they design (Schtaz, 2002). This can be derived from the fact that the "economy did not occupy the center of attention of the political decision makers". Secondly, as Rimmer cited by Killick (2002, p.51) avers, these governments pursued policies which ensured "first, the enrichment of the government itself, (i.e. the ruler, Ministers, party leaders, top civil servants, and possibly numerous subordinate ranks of the public)". The result of this is that the allocation of the resources that these policies affect, including real estate, became dictated not by economic considerations (which would have driven the growth of these markets) but by the mercies of those in charge. They are able to prevent some from gaining access whilst opening access to real estate resources to others, at their discretion. As a result, in most cases the prime beneficiaries of these policies tend to be the minority individuals and private firms favoured by the government of the day and their bureaucratic apparatus (Glickman, 2002). Indeed, those in favourable position enter into an ongoing cycle of regular social and political bargaining or negotiation in which a wide variety of resources can be drawn upon to establish advantage and authority (Chauveau, 2007). As far as the real estate sector is concerned, this is a process that is rooted in the colonial era and still flourishing today.

3. Methods

This study used a descriptive based research that analyzed impact of real estate investment towards economic development opportunities in Tanzania, this study employed both analytical and descriptive approaches for result discussions. The study will be carried out in Dodoma, Tanzania. The population of this study comprises of all real estate in public and private sectors such as brokers, management, investors, real estate company. Municipality. The primary research subjects shall be individuals i.e. entrepreneurs and investors who would intend to develop real estate. The study proposes a sample frame of not less than 100 people to be interviewed within Dodoma municipality to represent the business community in the city. The secondary subjects were the government and its various organs and agencies as Tanzania forms the research area of the study. Information was collected on how this government and its mechanisms influence the real estate development process. Additionally, considerations were given to the private sector such as entities that provide banking services, legal services, designing & construction services etc.

4. Results

Figure 4.1 presents the finding on respondent's perception on the opportunities for the development as challenge to real estate marketing and investment in urban areas of Dodoma. It is clear that majority of the respondents over (56%) were not fully convinced the existence of opportunities for the development could be an impediment to real estate marketing and investment Figure 4.1. This comprised of 36% who hardly ever (seldom) recognized the opportunities followed respondents who were equally non-committal and indicated sometimes (20%) depicting that from time to time such opportunities would arise. A small proportion of the respondents (15%) was observed to be certain and indicated frequently (7%) and always (8%) implying that the lack of opportunities for development is a serious impediment to the marketing and investment of real estates in Dodoma.

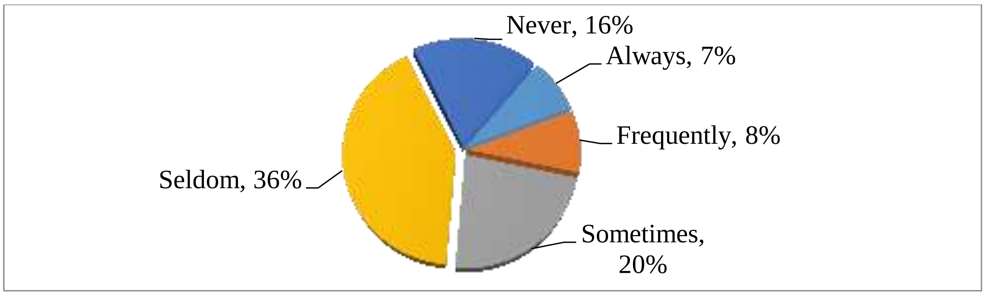

Figure 4.1: Opportunity for development

The study revealed that land is still a big issue in Dodoma region of Tanzania. According to the finding presented in Table 4.1, land acquisition is always a big challenge as perceived by 16% respondents. In the same vein 15% respondents reported that land acquisition in is a frequent challenge while the majority (38% respondents) perceived it as a challenge from time to time (sometimes). Another 20% respondents and 8% respondents perceived land acquisition not to be such a serious challenge as indicated by seldom and never respectively.

Table 4.1: Land Acquisition and Registration

Distribution	Assessment Scale				
	Always	*Frequently*	*Sometimes*	*Seldom*	*Never*
Land Registration	69%	17%	9%	7%	1%
Land acquisition	16%	15%	38%	20%	8%

Moreover, investors who managed to acquire land still faced difficulties in getting land registration and subsequent award of title deeds. Without the title deeds prospects of developing the land the desire to invest in real estate are frustrated especially for investors who seek financial support from banks. According to the study, about 69% respondents always perceived land registration as a threat to the development. Another 17% indicated it as a frequent impediment while 9% respondents were neutral (sometimes). In the same Table 4.1, 7% respondents perceived land registration to hardly ever pose a challenge to economic development of Dodoma city.

The above findings conform to the available literature such as Selekei (2006) who purports that land titles are necessary for mortgaging in order to get credit facilities for real estate development. Available literature further confirms that land issues in Tanzania appears to be vague with key unsettled issues pertaining to rights of ownership which is publicly owned and remains vested on the head of state (president) as trustee and allocated on 33, 66, or 99 year leases. Given the fact that real estate is long term investments, such ambiguous rights of ownership seem to discourage and scare investors. Moreover, there exists bureaucratic procedures in the acquisition and registration process which only favour the well offer (rich) and politically connect people to have access to land. Since development issues take the form of long term investments, such unclear ownership terms seem to discourage and scare the investors. This frustrates innovations and investments prospects in the real estate industry since investment cannot have long term business commitments which could lead to sustainable development.

As can be seen in Figure 4.2, one of the devastating challenges in real estate marketing and development is limited accessibility and communication. In particular, 7% respondents indicated that issues of accessibility and communication always pose a big challenge. This is followed by 13% respondents who indicated the variable as a frequent impediment in the real estate marketing process and another 29% who indicate for some time depicting it as an occasional challenge. On the opposite end of the spectrum, 30% respondents perceived accessibility and communication as seldom implying that it is rarely an issue while 16% respondents were certainly sure that accessibility and communication in never a challenge.

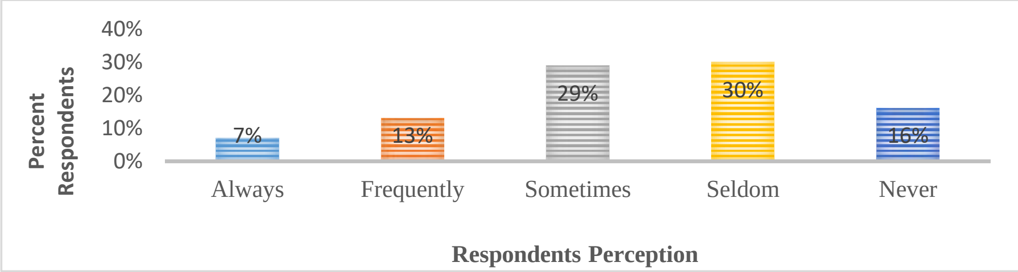

Figure 2: Accessibility and Communication

The above observations by the researcher conformed with the dissenting opinion presented by various empirical studies in as far as accessibility and communication is concern. In fact, Dodoma region in one of the fast developing region in Tanzania and aspects of access and communication are well developed with good road networks and highly development communication infrastructure.

Since retail as a marketing process provides the connection between consumers and manufacture while price variation reflects the degree or change in prices the study considered the two parameters as the building blocks in success real estate investments. Thus this section sought to investigate from primary source the perception of respondents on the potential challenges posed by the two variables in the marketing and investment. Results are displayed in Figure 4.3.

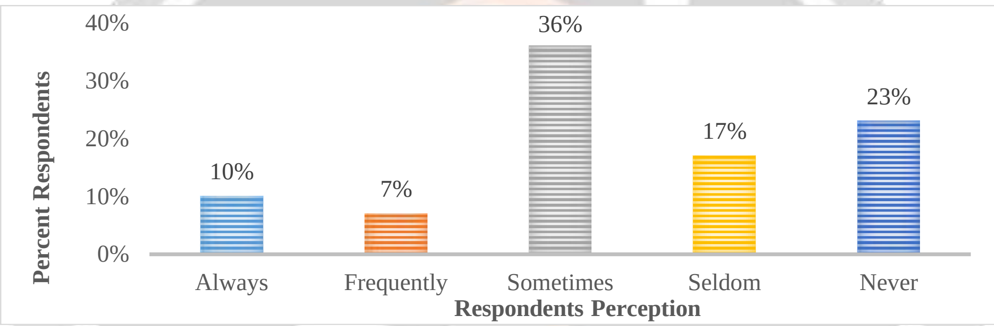

Figure 4.3: Retail marketing and pricing variation

From Figure 4.4 a moderate proportion of 53% respondents were in agreement that retail marketing and price variation have significant effect on the real estate marketing and investment in Dodoma municipality. In fact, 10% respondents mentioned retail marketing and price variation as challenge which always affects the sector. Another 7% indicated frequently effects while 36% respondents indicated for occasional effects (sometimes). However, about 40% of the respondents had a dissenting opinion portraying the retail marketing and pricing variations to have insignificant effect on the real estate marketing and investment. This comprised of those who indicated the attributes as seldom (17% respondents) and never (23% respondents). The dissenting views seemed to be pegged on the current growth and development of Dodoma city with a corollary high demand for real estate property for housing and accommodation, commercial building, hotels and other service related property facilities.

The findings were noted to be in line with the issues raised by Genesove and Mayer (1997) that real estate owners with higher loan-to-value ratios tend to set high prices for their property and receive higher prices than properties with lower loan-to-value ratios. The ever changing population structure over time in Dodoma is perceived to have a serious effect on real estate service delivery process. According to the 2012 national census, the Dodoma Region had a population of 1,694,310 raising from a mere half a million people in the period 2006. With this trend of growth in population it is evident that there is a subsequent rising in demand for real estate development. Study on effects of population on real estate marketing and investment showed varied perception as shown in Figure 4.4.

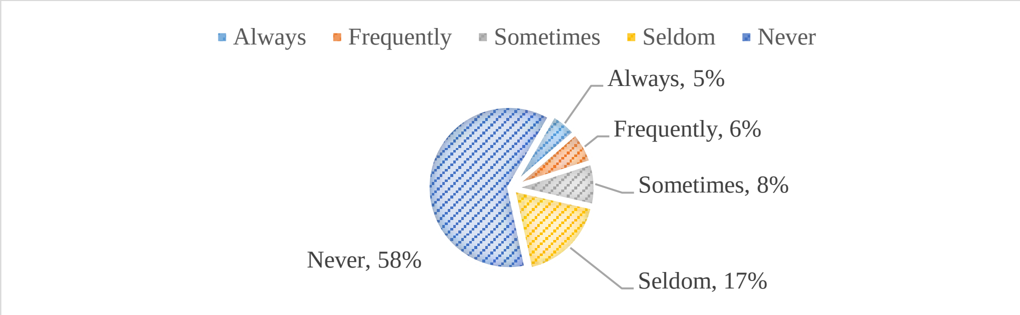

Figure 4.4: Population growth

From the figure it is exhibited that high proportion of respondents never (58%) considers population growth as a challenge. If anything the growth in population is one of the motivating factors that have led the current state of urbanization witnessed in Dodoma. This was followed by respondents who indicated seldom (17%) depicting a tailored perception in support of population growth as a factor with potential of stimulating rapid marketing and investment in the sector. Nevertheless, a small proportion of 19% seemed to be in agreement with the proposition linking population growth as a challenge and not opportunity for marketing real estates. This comprised of those who indicated sometimes (8%), frequently (6%) and always (5%).

From the foregoing, it is clear that there is strong relationship between population growth and the real estate development. The findings are in support of the available literature by Nehemia (2007) which showed that population is one the driving factors in the Tanzania Real Estate Investment Opportunities. He alluded support factors in linking population to good prospects of real estate marketing and investments include the development of Dodoma as the headquarters of East African Community (EAC) and the famous United Nations organization i.e. International Court Tribunal of Rwanda (ICTR). The city plays hosts to several international, non-governmental and government organizations all which place Dodoma strategically to benefit from real estate products and services. In another category of challenges, the study examined the respondent's perception in relation to effects three interrelated parameters namely Interest rates, Government regulatory frameworks (Policies) and the general economic growth of the region. Results are featured in Figure 4.5.

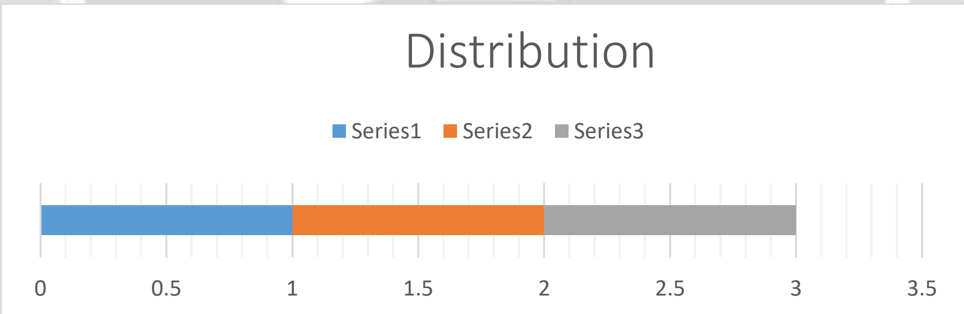

Figure 4.5 : Interest Rates, Government Policies and Economic Growth

From the results in Figure 4.5, about less than 10% respondents perceived the interest rates as posing serious challenges in the sector. This included those who mentioned never (2%) and seldom (3%) while another 9% respondents indicated for sometimes implying the effects are occasional. It was not surprising to realize that a high proportion of over 80% respondents agreed with the proposition thus suggesting that interest rates have serious effect on real estate marketing and investment. In particular, 60% respondents expressed with certainty (always) that there are interest rates poses a serious challenge while 21% indicated frequently giving a picture of a regular occurrence. Despite the dissenting views, it is common knowledge that high levels of inflation cause many distortions in the economy thus hurts entrepreneurs who depend on fixed income to finance their businesses. As far as real estate is concerned, interest rates erode the value of the investor's savings as well as that of the bank's loans. The uncertainty associated with interest rates increases the risk associated with investment in real estate markets. In Dodoma, commercial bank interest rates on loans average between 18-30 percent which is high. The rates have a great potential in reducing economic growth because the economy needs a certain level of savings to finance investments. This makes it harder for real estate investors to plan for the future because the investors cannot predict the demand for their facilities and set higher prices to charge in order to cover their costs. This creates uncertainty about future real estate prices, interest rates and exchange rates, which increases the risks among potential investors and discourages development within the sector. Moreover, key informants revealed that the unpredictable pricing in the sector had led to many people seeks to own properties especially for housing in order to cut on cost for leasing/renting a house. At the same time, many people such as those in the tour a safaris companies resorting to establishing offices in at their residential places. The findings confirm concerns raised by Machira (2011) on interest in real estate seen growing steadily which strongly depicted higher capital gains attributed to interest rates. A similar trend was observed perception on government policies. While 5% (never) and 6% (seldom) respondents seemed to be in disagree that the regulatory frameworks have no significant challenge to the real estate marking and investment, majority of the respondents estimated at 77% were in total agreement. This comprised of 16% who indicated for frequently and the majority (61%) who perceived the government policies to always be a challenge. It is important to note that regulation refers most broadly to a set of enforceable rules that restrict or direct the actions of investors and as a result alter the outcomes of those actions. In this sense stiff government regulation such as land acquisition and registration process, business registration among other issues seem to discourage potential investors from starting up their business or expand their real estate operations.

The results above were in agreement with Economic Intelligence Unit (EIU, 2000) which upholds that the real estate sector in many countries are managed by complex, state-specific rules and regulations that distort or deter investment flows. For example, little attention has been paid to the problems that the morass of different regulations in different countries can create for investors. Looking at the economic growth parameters, it was established that less than 10% respondents perceived the economic growth as an impediment in the real estate marketing and investment. This comprised of those who indicated for always and frequently (5%) which accounted for 2% and 5% respondents respectively. Like with the previous parameters, a high proportion of 74% respondents were opposed to the perception of economic growth to real estate constraints. Specifically, 16% respondents indicate the economic growth parameter as seldom while 58% indicate never confirming the economic growth has a strong connection with real marketing and investment. The findings above clears validates various influences of economic fundamentals as raised discussed by various writers such as Mgwabati, (2011), Nehemia (2007) and Ngowi (2010) all who linked the ongoing dynamics of urban oriented development in Tanzania to the potential growth in economy which is likely to reinvigorate and sustain investors' interests in real estate works in the future. The real estate marketing and investments and the corollary contribution to the economic development of urban area in Tanzania. The study used 7 key variables measured on a 5-point scale ranging from always (5), frequently (4), sometimes (3), seldom (2) and Never (1). These included opportunities for employment, increasing incomes, attracting Foreign Direct Investments (FDIs), Economic development, contribution to Gross Domestic Product (GDP), development of multi-family properties, and opportunities for growth.

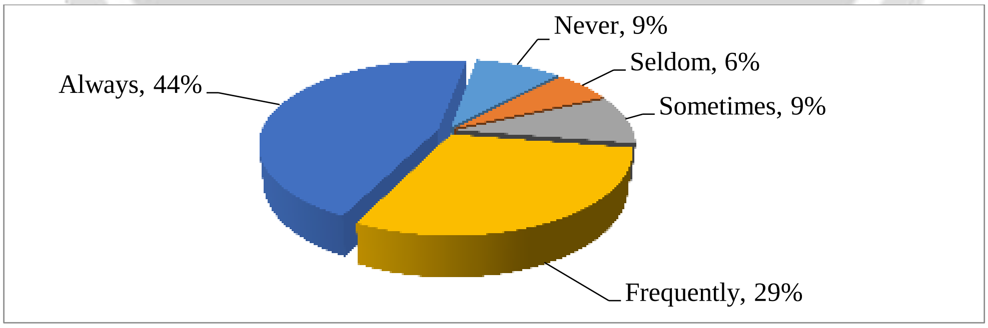

Figure 4.6: Real estate provides opportunities for employment

The most important factor of shifting poor people out of poverty is access to employment. Insufficient job opportunities are the result of inadequate levels of investment. A key developmental spillover of real estate's is local job creation. Given appropriate policies and basic levels of development, real estate marketing and investment can trigger benefits. The results in Figure 4.6 show that about 15% respondents are negative that the sector contributes to employment opportunities in urban areas, this comprises of 9% (never) and 6% (seldom). However, 73% respondents indicate the variable to be frequently (29%) and always (44%) supportive in providing opportunities for employment. One of the perceived specific objectives of real estate investment is to increase people's income and presented in Figure 4.7. The study established that only a small proportion of the respondents were convinced about the idea of real estate investment as a measure of increasing people income. In particular, 8% totally agreed the sector enable people to generate incomes as compared to 68% who thought otherwise that the sector hardly generates income to the people. This was made of 38% respondents who were in absolute disagreement and another 30% respondents who indicated seldom. From the foregoing, it is clear that real estate is perceived to benefit more the investors than the consumers of the real estate products and services.

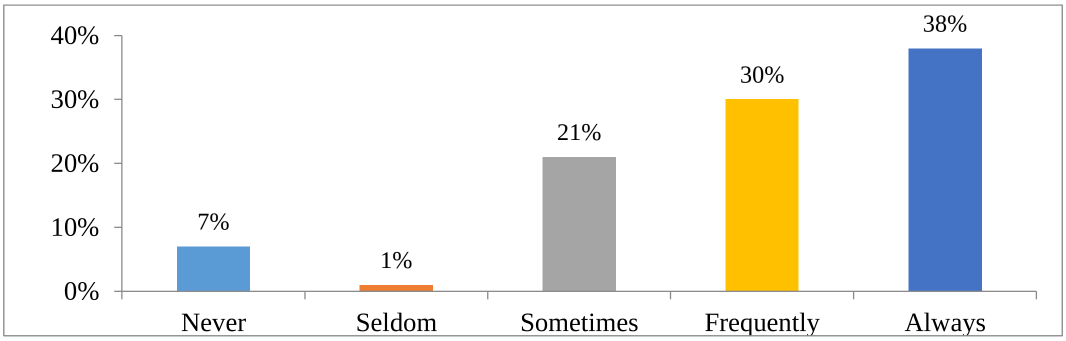

Figure 4.7: Real estate increase incomes

From the analysis it is evident that the finding from the study are in line with the National Strategy for Poverty reduction of Tanzania (2010) which emphasises the need to catalyse the growth and development of the sector as a way of boost the employment situation in the country. Through the findings it is clear that employment opportunities in the sector are a way of wealth creation and livelihood improvements. Dodoma region where the study was conducted is one of the fast growing regions of Tanzania. Like many countries, the rapid development and investment of real estate marketing is perceived to be the fulcrum of Foreign Direct Investment (FDI) for capital formation and employment. Because of the vibrant development, the sector encourages foreign direct investment such as the entry of Multinational Corporation including commercial banks and international companies who have invested in Dodoma region of Tanzania. Information on the respondent's perception in as far as the contribution of real estate investment as stimulus factor for attracting foreign direct investment as presented in Table 4.2. findings show that majority respondents had a divergent opinion. In fact, 34% respondents indicate seldom implying that real estate marketing hardly contributes to the intervention of FDI. This was followed by 31% respondents who indicated never depicting a total disagreement to the perception. Another 23% respondents had a neutral perception and mentioned sometimes. Only a small proportion of less than 6% were in agreement that real estate marketing contributed to FDIs.

Table 4.2: Real estate contribution to economic development

Distribution	Assessment Scale				
	Always	*Frequently*	*Sometimes*	*Seldom*	*Never*
Real Estate Marketing attract Foreign Direct Investment	1	2	39	20	31
Real Estate Investment influences economic development of the country	39	26	24	3	3
Real Estate Investment contributes greatly to the development of the Gross Domestic Product	3	5	23	34	31
Real Estate Investment provides opportunities for the development of offices and health multi-family properties	53	17	21	3	2
Real Estate Investment provides opportunities for companies to grow	31	18	23	13	5

It is agreeable that the analysis is consistent with the perception and theories which highlights the important role that real estate investment, both foreign and domestic plays in the economy of the country which must not be taken for granted. It is envisaged that when investment takes place, the economy grows. As shown by Nehemia (2007) in his paper on Tanzania Real Estate Investment Opportunities, the sector is critical in attracting foreign direct investment into the country thus the government needs to improve business environment in a multidimensional way. One of the primary objectives of economic development is to promote the standard of living and economic health of the people. In this regard economic development is treated as the quantitative and qualitative changes in the economy and involves multiple areas including development of human capital, infrastructure, environmental sustainability, social inclusion, health and safety among other issues. In this study, the researcher examined from primary sources the perception of the respondents on the role of real estate marketing in promoting economic development of the country. Results in Table 4.2 clearly show a serious departure from the belief on real estate marketing. Only an insignificant proportion of 6% respondents are convinced on the contribution of real estate marketing in economic development t of the country. In the contrary, majority of the respondents estimated to be 65% who comprised of 26% (frequently) and 39% (always) agreed confirming that real estate marketing has a major function on the economic development in the country.

Inquiries on the potential of real estate investment to contribute greatly to the development of the Gross Domestic Product, the study revealed varying perceptions. According to the study an insignificant proportion of 3% (never) and 5% (seldom) considered real estate marketing as a major contributor to the Gross domestic product (GDP) of the country in a given period of time. In this regard GDP per capita is often considered an indicator of a country's standard of living. However, it is also important to note that GDP per capita is not a measure of personal income. On the other side of the scale, 34% (always) and 31% (frequently) respondents had a divergent view protracted towards on the fact that real estate marketing is directly responsible to the GDP of the country. It is worth mentioning that the analysis points towards the Fujita's (1989) Urban Economic Theory which purported that Investment in the country is supposed to lead to accelerated economic growth, creation of wealth and employment opportunities in order to reduce poverty on sustained basis. The study also looked at the potential of Real Estate Investment to provide opportunities for the development of offices and health multi-family properties. Result displayed in Table 9 show that majority proportion of respondents approved the sector as being responsible for the various office establishments and family property spread all over the country. In particular, 53% and 17% respondents confirmed that the sector always a source of family livelihood securities indicating always and frequently respectively. Another 21% respondents indicated a mixed perception (sometimes) which implied diverse stakeholders involved in the real estate business Nyangarika et al., (2020c).

Table 3: Factors influencing real estate marketing and investment

Distribution	Assessment Scale				
	Always	*Frequently*	*Sometimes*	*Seldom*	*Never*
Higher prices	48	44	3	1	1
Higher land values	5	0	16	24	50
Higher rental values	51	23	15	1	1
Land location	39	33	14	6	1
The role of brokers	16	12	28	12	28
Increased urban population	68	17	8	2	0
Rural-Urban Migration	0	3	10	21	61
General Infrastructure in the country	28	24	23	13	6

As can be seen from the same Table 4.3, majority of the respondents (31%) agreed that real estate investment always provides opportunities for companies to grow. Likewise, 18% respondents were equally in support of the sector and indicated frequently while 23% seemed to have mixed perception as indicated by sometimes implying varied sources of company growth. However, about 13% respondents maintained that is not an often means for growth and development of companies. Question two the part three investigated the respondents view for the factors influencing real estate marketing and investment for economic development in Dodoma as presented in Table 4.3. First, was aspects of higher prices, an overwhelming proportion of 92% were categorical that higher price factors influence the real marketing and investment in terms of the number of people (investors) who are attracted to venture into the business in order to tap the associated high revenues. In this domain 48% indicate it as always a major factor followed by 44% who indicate for frequently. An insignificant percent of respondents however thought otherwise, claiming that higher prices have no effect on the sector development. Second factor examines was higher land values which was noted to present a divergent opinion from the price factor as shown in Table 4.3. For example, only 1% respondents considered it to have a positive influence on real estate marketing and investment. Otherwise majority of the respondents recognized that high land values had a negative effect on real estate development. This comprised of 50% respondents who the variable never inspire investments followed by 24% respondents who indicated that higher land values hardly ever promoted the sector instead it discourages or scares away potential investors. Only 16% respondents were noted to have a neutral view altogether indicated the factor to have occasional influence in the sector.

Third issue considered was perception on higher rental values. From the results, it was noticeable that higher rental values a similar influence in the sector development just as much as high price factors. This was revealed by on a high proportion of 74% respondents who comprised of those who indicated always (51%) and frequently (23%). Another 16% respondents had mix opinion indicating high rental values as an occasionally issues which could or could not influence the investment in the sector. Only a small equal proportion of 1% indicated that high rental values had no influences at all in the development of the sector. Fourth, was land location factor which according to the study is still ambiguous in the country given the high bar level on ownership of land. Results show a significant percent of respondent's view land location as a stumbling block in the real estate marketing and investments. For instance, 39% respondents strongly indicated land location as a usual influence followed by those who considered it as a frequent influence in the sector development. In the same domain 16% respondents reported that land location sometimes influences the sector operations. Other measurement scale factors such as seldom and never contributed to less than 8% respondents. Fifth issue investigated was role of brokers. As has already been mentioned brokers play as significant role in the real estate market. Finding suggests that 16% respondents strongly indicated that brokers always have always influenced real estate marketing and investment. Similarly, 12% respondents indicated the brokers frequently influence the sector. On the other hand, 28% respondents maintained a natural ground implying brokers play a middle position in influencing real estate marketing and investment. Another 12% and 28% respondents refuted depicting brokers to have a seldom and never type of influence in the sector. Sixth factor relates to increased urban population which is portrayed to be responsible for the rapid growth of urban areas. The results show that increased urbanization has a great influence in real estate marketing and investment as indicated by 68% respondents (always) followed by 17% respondents who indicated for frequently while 8% respondents indicated it as having an occasional influence. Thus the more urban population increases the more the demand for real estate facilities such as housing and office premises. A uniform pattern of response was observed for the seventh factor which relates to rural – urban migrations.

5. Conclusions

On the relationship to economic development the study found that although the government had put in place good number systems in place such as taxation policies, infrastructural development among other legislation however their implementation was still limited which was indicative of lack of good will to expedite the process. Similarly, the practice of business strategic management was still low depicting luck of awareness of the importance of offering strong guidance in the sector in guiding growth and development, regulating policies, mitigating bureaucracies, enforcing laws for land adjudication and survey and improving the general infrastructure to provide support to real estate. Out of the main study lead questions it was also evident that the pleasant environment and landscape also favour real estates in especially access to raw material such as sand and timber. Other opportunities lay in the growing financial services providers. Moreover, it was established that there is availability of abundant land as which is also considered as a good opportunity however, the regulation and reforms are still rigid, bureaucratic and unfavourable. From the findings of this study it can be concluded that the real estate marketing and investment has a great potential for growth in Dodoma and are strategically positioned to fill up this gap on demand for facilities such as housing and accommodation, commercial offices, hotels, guest houses, lodges etc. The potential for growth of real estate marketing and investment also comes with a greater and wide range of job opportunities under economic circumstances for people in agriculture, service sectors, traders and manufacturing subsector thus contributes to the economic growth of the region and the country. Reforms that support real estate marketing and investment should put in place mechanisms to ensure reasonable flexibility and improvement on laws especially land ownership which should be conventional to the local experiences and knowledge base. Improvement should address mechanisms for land surveying, titling and licensing depending on the size and complexity of the operations. Enhancing access to economic services such as capital is paramount to real estate marketing and investment. Financial service providers like banks need to make loan process more flexible and increase the range and variety of their financial products and services so as attract potential investors in real estate sector. At the same time investor and brokers need to be thoroughly trained best practices real estate management. Other ways should include creation of innovative funds for commercializing new ideas such as business plan competitions, innovation and creative designs etc. The study also recommends improved infrastructural development including roads, communication, energy resources, water resource and improved security among other important services that promote investment culture. There is need for an affirmative action to regulate real estate pricing, rental values to attract more local participations/clients thus be able to generate more revenue to facilitate capital accumulation, financial sustainability and economic growth. In relation to the technical nature of the real estate business especially the marketing and investment components, the study recommends that pro-active measures are needed to inject professionalism in the sector and need for implementation of real estate management systems. Improving real estate operations would demand use of modern technology in the context of use of modern information technology to enhance management and governance.

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