FRAMEWORK AND THE VALUE DRIVERS FOR REAL ESTATE DEVELOPMENT: APPLICABILITY OF THEORETICAL MODELS WITH SPECIAL REFERENCE TO TANZANIA

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Introduction

The real estate sector in Tanzania is currently still underdeveloped. Over many years, the sector has had marginal contribution to the country's GDP. However, despite its low share of GDP, real estate sector is regarded to have great potential to attract more investments following the institutional reforms. Although the last two decades of economic reforms have witnessed a sharp increase in commercial real estate development projects in major cities, this study considers that the sector is not growing at the pace that is practically and economically justified.

The study presupposes that, there are some value drivers for real estate development which are yet to be exploited to realise the full potential of the sector and to enhance its attractiveness to both local and foreign investors. This reasoning takes note of Porter's point of view which emphasises that the essence of the decision is often not the financial benefits of the alternatives but strategic issues that are hard to quantify. This study is set out to assess the real estate sector in the context of two theoretical models *(i.e. diamond models)*. The first model was developed by Michael Porter, and the second model was developed by Poorvu and Cruikshank. The two models are used in this study to assess the real estate market framework and the potential driving forces for the sector growth.

The general objectives of this study is first, to explore the key existing and potential driving forces which could stimulate real estate development in Tanzania and of which property developers should be conscious when making property development decisions, and second, is to investigate the framework within which real estate industry operates.

Method

This study employs a Case study methodology; the embedded multiple-case design was used to collect data from local and foreign real estate developers. In-depth interviews were conducted to 47 respondents, grouped into eight categories which include local real estate developers, foreign real estate developers, real estate professionals, officials from banks, officials from Tanzania Mortgage Refinancing Company (TMRC), officials from Tanzania Investment Centre (TIC), land officers and officials from

Tanzania Bureau of Standards (TBS). The study had eight sets of interview guides with questions on specific issues for each category

Given the objectives of the current research, two groups of units of analysis were used to answer the research questions. The first group consisted of the local and foreign real estate developers, TIC, TMRC, TBS, land administrators, financial institutions, and real estate professionals. The second group consisted of real estate industry.
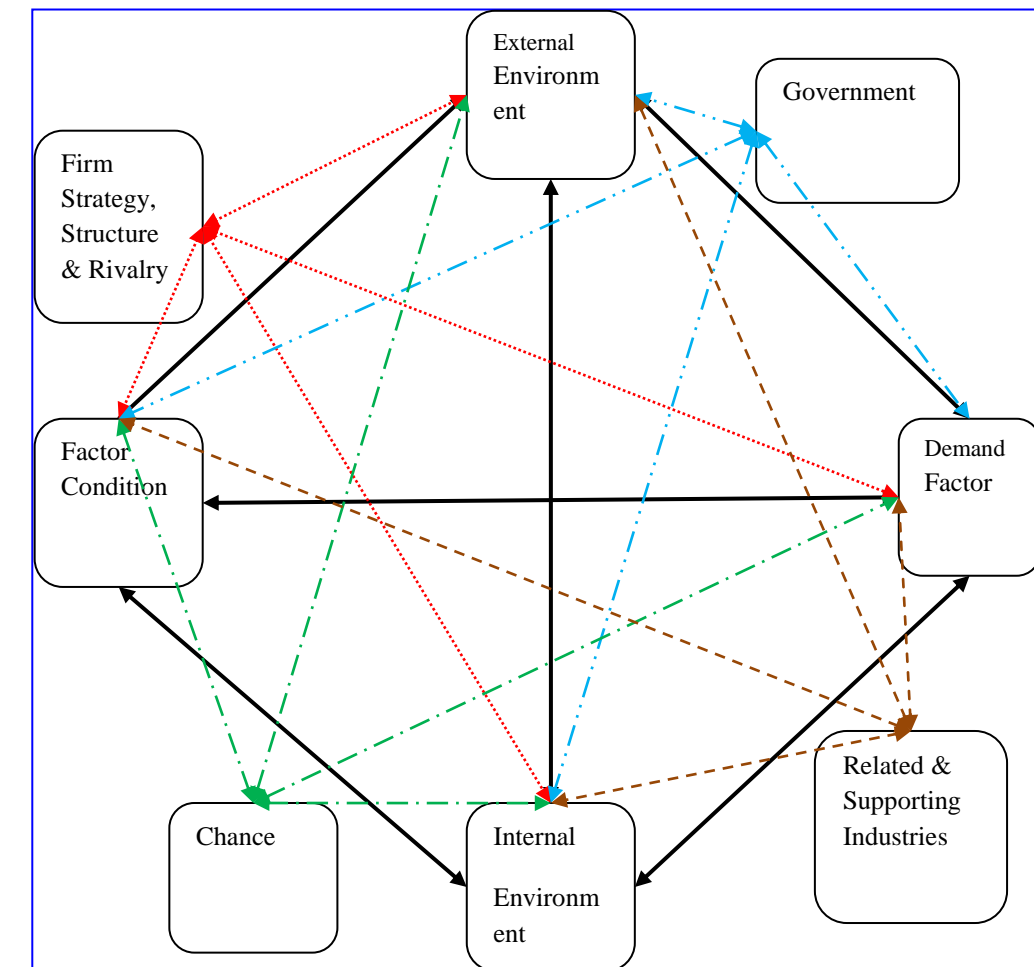
Results
Competitiveness Position and Potential Drivers for Real Estate Development
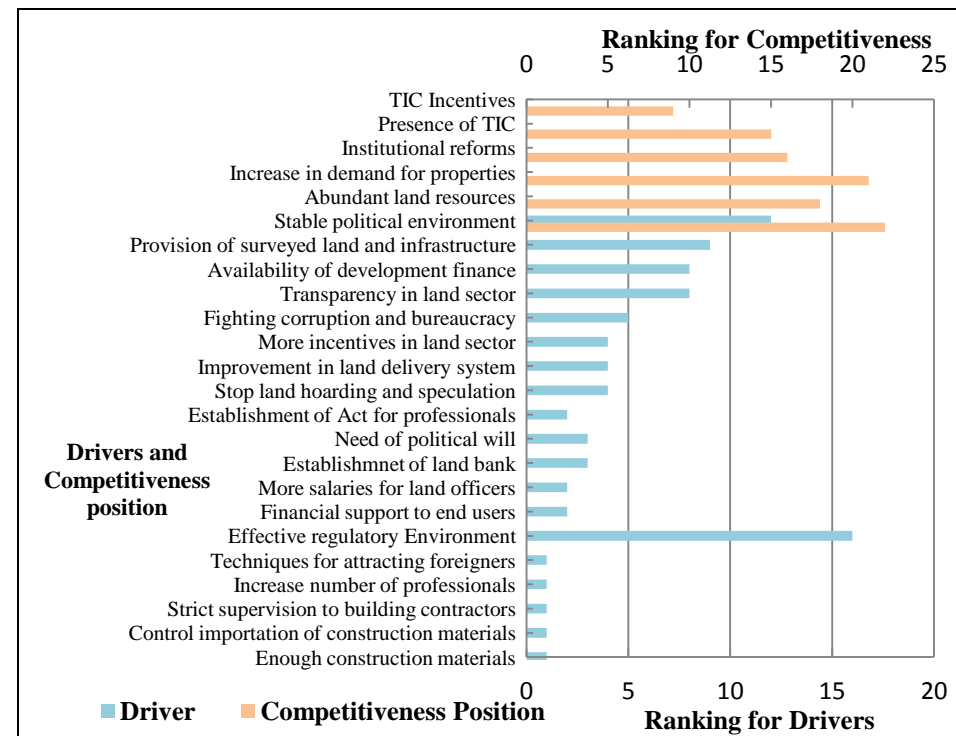
Challenges Faced by the Real Estate Sector
- Immature financial sector
- Problems with Land Acquisition
- High Lending Rates with Short Term Payment Period
- Lack of Market Information and Transparency

Proposed Competitiveness Model for Tanzanian Real Estate Development

- Tanzania is at *factor-driven* development stage which is the genesis of most of its competitive advantage. The real estate industry would succeed where objectives and motivations of the property developers and investors are aligned with the existing sources of competitiveness.
- In many developing countries resources (which Porter considers to be non-key factors of competitiveness) may be the only part of the *'diamond'* where strategy-makers see an opportunity to raise competitiveness, and thereby improve performance in the short-run.