

PRESENTATION BY BOTSWANA (PowerPoint Presentation)

INVESTMENT PROSPECTS FOR PAPU

INVESTMENTS AND PROJECTS WORKING GROUP VIRTUAL MEETING ON 15TH JUNE, 2022

A. Background (Botswana may use some information in this paper)



PAPU HOUSE AS AN INVESTMENT ASSET

JUNE 2022

1.0 BACKGROUND

The Pan African Postal Union (PAPU) was established to coordinate all decisions on developing postal services in Africa. Its mission is to promote postal services in Africa. PAPU was offered a plot of land by the Government of the United Republic of Tanzania to construct its Headquarters office in Arusha, Tanzania.

PAPU and the Tanzania Communication Regulatory Authority (TCRA) entered into a partnership to build the PAPU House in Arusha under a Joint Venture arrangement. A formal agreement to enter into a joint venture to develop the site was signed by both PAPU and TCRA in 2013 based on the understanding that PAPU would hold a 60% stake and TCRA a 40% stake in the venture. The Joint Venture Project entails the construction of a multi-purpose 17-storey office complex comprising a Post Office, a bank, shops, office space, conference facilities, modern restaurants, and a car park.

Based on the preceding, TCRA and PAPU developed a Business Plan to showcase the financial capability of the project to attract debt financing to ensure the implementation of the project.

The property commands a prime pitch location within the Central Business District (CBD) of Arusha and the centrality of its area is its main attraction, hence enabling the building to command a high propensity for attracting high rental and invariably a high return on capital.

PAPU and TCRA are desirous of undertaking the investment as part of their strategy to diversify their income sources and have befitting office accommodation.

A Project Task Force assessed the property market demand, and the facts predicted a projected absorption for new office products. The area is strategically located to serve the residents of Arusha and its environs.

2.0 PROJECT FINANCIALS

The PAPU House Investment Project and other associated and supporting facilities were estimated to cost TZS 44,235,132,952.21 (USD 19,232,666.50). The project's financing will be through a long-term bank loan and cash injection by the shareholders. In addition, TCRA & PAPU have set aside funds from their 2021/2022 & 2022/2023 budgets for eligible payments under the contract for the provision of consultancy services for the management of this building.

Arusha hosts many international organizations that attest to its nickname as the Geneva of Africa and provides a link to business growth, tourism activities and an educational center. The increase in business population and other economic activities is an additional incentive that prompted the two partners to undertake the project because the two organizations need to have permanent and befitting offices.

3.0 PROJECT MANAGEMENT AND ORGANISATION

3.1 PROJECT CONSULTANCY

The construction is managed by a highly qualified project consultant who monitors and certifies the work of the leading contractors and sub-contractors for the project. They report to the PAPU/TCRA supervising committee.

The Joint Venture Partners appointed a firm of highly qualified and competent Clerk of Works to work with the consultant to supervise the construction. These are responsible for the day-to-day supervision and monitoring of the project.

3.2 PROPERTY MANAGEMENT

The PAPU/TCRA Joint venture (JV) will appoint a firm of highly qualified and competent property management specialists to act as Property Manager. The main objective of this Consultancy is to carry out property management of PAPU House by ensuring that the building is well managed, adequately maintained, effectively leased, and fully occupied at all times. In addition, the Property Manager is expected to retain the ideal tenants and provide a roll-out of the property's marketing strategy.

Specifically, the objective of the Property Manager is to manage a 17-storey PAPU House building with a total space of 22,421m² lettable areas plus the public/common areas and 87 car parking spaces and also to manage the existing PAPU House Office.

The Property Manager will be responsible for marketing the premises to potential tenants and liaising with the Company legal department/Company lawyers on lease terms. They will also be responsible for day-to-day management of the blocks, collection of rent, service charges, and payment of shared costs and maintenance fees. In addition, they will be reporting to the PAPU/TCRA Joint Venture Committee, who will also be responsible for preparing the project management reports and statutory financial statements.

4.0 PROJECT COSTS AND FINANCING PLAN

The cost of constructing the proposed PAPU House Investment and its associated and supporting facilities is about TZS 44,235,132,952.21 (USD 19,232,666.50). The project cost comprises preliminary expenses, design costs, construction and prime cost amounts, procurement of plant and equipment to be used at various stages of developments, a contingency sum, statutory fees/tax, and construction supervision fees. The site acquisition cost is not included in the price mentioned above. It will be considered an equity contribution by PAPU.

The construction is expected to be completed in December 2022. It is anticipated that the occupancy rate in all facilities at the building will grow gradually from an average of 70% and attain maximum occupancy of 95% after three years of operation. A high occupancy rate is expected because the property will be unique in Arusha city, has an easily accessible location, and abundant car parking lots for both tenants and the customers of the supermarket and retail.

B. Investment opportunities for PAPU

- i. **The immovable assets** - The building will be used for office rentals, banking facilities, and Conference facilities to accommodate 500 participants. It has five break-way rooms that can accommodate up to 20 participants but can accommodate up to 100 delegates when collapsed. The PAPU house will also create revenue from restaurants and a supermarket and a top view facility on the 17th Floor where tourists can have a 360-degree view of Arusha City at a fee.
- ii. **Money markets** - In this aspect, PAPU should still target funds paid into the Union's account in advance and arrears paid to clear outstanding debts to be invested in a Fixed Deposit to earn interest.

C. Way Forward

The Chairman should engage the audience to brainstorm

D. CONCLUSION

- In conclusion, PAPU and TCRA embarked on the PAPU House project as part of their strategy to diversify their income sources as well as have befitting office accommodation;
- The construction of the building is presently on course and due to be handed over to the Clients before the end of 2022;
- When operational and after repayment of the debt equity, the Pan African Postal Union will leverage on income accruing from the investment to boost its financing and resolve the long and persistent financial challenges faced by the Union;
- Other sources of revenue, such as the settlement of arrears and advance payment of mandatory contributions, could be reinvested into interest-earning ventures such as depositing them into Fixed deposit accounts.