

Name: partnership
between private real
estate companies

Business



NAME: KAWADAVID. EREG. NO: 7396/T. 2014COURSE: BSC. REFI SUBJECT:
LM498: PRE-DISSERTATION TOPIC: Public Private Partnership (PPP) in Real
Estate CONCEPTS: 1.

Transaction of Real Properties 2. Land delivery agents in urban
areas 3. Benefits of Public and Private Partnership 4.

Regulations and Rules guiding the Partnership 5. Sources of Finance
ISSUE: Is the partnership between the private and public entities in Dar es Salaam,
Tanzania, beneficial. TITLE Examination of PPP in Real Estate Business: A case
of partnership between Private Real Estate Companies and Kigamboni
Municipal Council. MAIN OBJECTIVE To determine the effectiveness of PPP
framework in Real Estate Business. SPECIFIC OBJECTIVES 1. To identify the
various types of PPP in Real Estate. 2.

To explore the limitations and challenges faced by PPP in Real Estate
business within Tanzania. 3. To identify the benefits attained by PPP in Real
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Opportunities and challenges of real estate development in Tanzania. Dar es
Salaam: Ardhi University, 2015. David M Gethor, Norman G Miller and Jim
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(2001) RESEARCHTOPIC: Real Estate

Investment RESEARCHCONCEPT: Public and Private Partnership in Real

Estate RESEARCHTITLE: Examination of PPP in Real Estate Business: A case of partnershipbetween Private Real Estate Companies and Kigamboni

Municipal Council. INTRODUCTIONReal estate is property comprised of land and the buildings on it, as well as the naturalresources of the land, including uncultivated flora and fauna, farmed crops andlivestock, water and mineral deposits. (Craig2004). A building on a certain piece of land is considered as a real estateproperty.

The development of real estate properties may be done by a singleindividual, a public organization, a private organization or by entering intoan agreement between different parties eg: a private to private partnership ora public to private partnership. Public PrivatePartnerships (PPPs) are contractual arrangements between public sectororganizations and private sector investors for joint, symbiotic andcollaborative provision and financing of public projects and services. Theyarise out of the realization that although the public sector is responsible forthe delivery of infrastructure projects, it often encounters financial, technical and institutional limitations in availing such projects. (Broadbent, 2003)Public? PrivatePartnerships have become increasingly popular in Tanzania and throughout theworld.

Research and studies have been performed in the past fewdecades to examine what public? private partnerships are, how they arestructured, and if they add value to the public sector. The purpose of thisstudy is to examine Public? Private Partnerships for what they are, how they aredefined, how the

value to the public sector is measured, challenges they face by this partnership and if they provide value to the public sector and the community. Consequently, this research is set out to study on the effectiveness of PPP framework and its contribution towards the growth of Real Estate business in Tanzania. STATEMENT OF THE PROBLEM Recently some private companies dealing with selling surveyed plots in different areas of Kigamboni have entered into a partnership with Kigamboni Municipal Council in conducting their activities.

In this partnership there are various different arrangements for the sharing of risks and benefits between the two parties. From this arrangement various challenges tend to occur one of them involves the private companies to incur higher costs than would be incurred while operating outside this partnership. The arrangements and performance of duties has resulted some of the private companies to remain dormant in this partnership. Furthermore, many companies dealing with real estate business in Kigamboni are left out of this partnership.

There are some reasons for some companies not to partner with the Municipal in their business. By using various private companies who have partnered with the Kigamboni Municipal Council in Dar es Salaam, this study tends to examine the role of each party in the sharing of risks and benefits in undertaking their activities and their contribution to the development of real estate business in Dar es Salaam. OBJECTIVES OF THE STUDY Main Objective To determine the effectiveness of PPP framework in real estate business. SPECIFIC OBJECTIVES 1. To identify the various types of PPP in Real

Estate. 2. To explore the limitations and challenges faced by PPP in Real Estate business within Tanzania. 3.

To identify the benefits attained by PPP in Real Estate. RESEARCH QUESTIONS

1. What are the types of PPP in Real Estate existing in Tanzania?
 2. What are the limitations and challenges faced by PPP in Real Estate business in Tanzania?
 3. What are the benefits attained by PPP in Real Estate?
- SIGNIFICANCE OF THE STUDY This study is expected to serve as a reliable source of Real Estate Investment information, specifically on the area of private and public partnership framework in Tanzania.

It aims at pointing out the rules and regulations guiding the partnership, benefits and the challenges and limitations encountered by PPP in the real estate sector. The study reveals usefulness to the following groups:

- a. Public sector The study will be useful to the Public Sector in determining their position, strengths and weaknesses by contracting with the private sectors in real estate business and also in finding out ways to recover partially or fully from their weaknesses by treating the sources of these weaknesses.
- b.

Students The study will provide knowledge to students pursuing real estate careers by exposing them to the role exercised by both public and private sector towards developing and advancing of real estate business in the country. On the other hand the study will act as a useful tool for future studies that might be trying to study the same research matter by covering probable gaps arising from this study.

- c.

NewInvestorsThe studywill be useful to all new investors in real estate, as they will be able tolearn on the existing PPP's types and challenges faced by them in real estate sectorand through assessment being able to come up with the best solutions towardseradicating the existing challenges so as to maximize benefits to both parties thus the private and the public sector.

SCOPE OFTHE STUDY The studyconcerning the examination of PPP in real estate business in Tanzania providesfor the study coverage in terms of physical and conceptual range. In physicalcoverage this study is limited in Dar es Salaam region since the headquartersof selected Private companies are located in Dar es Salaam. However inconceptual range the study focuses on the evaluation of Private and PublicPartnership in the promoting of real estate business together with thechallenges faced by this arrangement within the sector.

ETHICALCONSIDERATIONS The study will have ethical considerations for both theparticipants and researcher

a) Ethical Considerations for Research participants In relation to participants that will take part in thisresearch (Municipal officers and the private firms workers) ethicalconsiderations have been portrayed in ensuring that, the researcher obtainsinformed consent from the participants before collecting any information fromthem. This is achieved by explaining clearly what is the research all about, the aim of the researchand what information does the research seek from them, the aim is to ensurevoluntary participation. Alsothe participants will be told what harm may come up if they decide to participate(if any); the confidentiality of the information given out byparticipants will be promoted.

In case research participants do not want their identity to be disclosed anonymity principle should be adhered to. b) Ethical considerations for researcher The researcher will report exact information as obtained from participants without any biasness, fabrication or falsification. Information collected will be used for the purpose intended (academic purpose) as prescribed to the participants and not otherwise. In data collection the researcher will not ask sensitive questions that may offend the participant and keep time in case of meeting. In data management a researcher will indicate how data will be stored, who will access the data, how long will the collected data be stored and how she will deal with unforeseen events such as how the data will be backed up.

LITERATURE

REVIEW The financial crisis of 2008 onwards brought about renewed interest in PPP in both developed and developing countries. Facing constraints on public resources and fiscal space, while recognizing the importance of investment in Real Estate sector to help their economies grow, governments are increasingly turning to the private sector as an alternative additional source of funding to meet the funding gap. Public-Private Partnerships (PPPs) refer to arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government.

In addition to private execution and financing of public investment, PPPs have two other important characteristics: there is an emphasis on service provision, as well as investment, by the private sector; and significant risk is transferred from the government to the private sector. PPPs are involved in a wide range of social and economic infrastructure projects, but they are mainly used to build and operate hospitals, schools, prisons, roads, bridges

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and tunnels, light rail networks, air traffic control systems and water and sanitation plants. (IMF, 2006) The author gave out a general definition of the PPP and failed to explain in details on how these PPP can be well established in the developing countries and bring about the positive impacts towards the advancement of various sectors i. e Real estate within their respective countries. This study aims at identifying various beneficial PPP legal frameworks that can be adopted in Tanzania for the purpose of resolving various issues impacting the real estate sector and the improvement of the sector as a whole in general. The term PPP has been explained and interpreted widely in the literature to encompass any form of arrangement between the public and private sector to deliver services to the public which was previously provided by the public sector alone.

The definitions of PPPs differ in scope and formality of arrangements. PPPs vary from country to country in terms of information and operation even within the developed countries (Hodge, 2004). PPP's can be defined in broad terms or in more narrow terms. In broad terms, it simply means any form of cooperation between organizations in the public sector and the private sector, usually meaning " cooperative ventures between the state and private business (Linder, 1999).

Contracting out can be viewed as a form of PPP in this perspective (Savas, 2000). A more narrow conception will look at PPP's as distinct from contracting out. Contracting out means principal-agent relationship between public purchasers and private providers. Mac Gough (2000) pointed out that private entities when engaged into public matters can bring about a positive

contribution towards achieving the laid out objectives into a satisfactory manner. He further argues that, the involvement of private entities into public real estate matters can help in solving various challenges such as the bureaucrasies inland measuring and land delivery, valuation, land titling procedures and property constuction.

He also explained on how the private sector can help in reducing the burden to the public sector and the assurance of providing maximum quality to the stakeholders in general. Private entities adopt to change faster compared to the public sector, the partnership of the two will help in reducing the setbacks facing the public sector and the strenghts of the public sector will act as a remedy towards the shortages of the private sector eg; sources of funds. The author however failed to explain on the ways of solving disputes when they arise in the partnership of the two parties and the legal framework that protects the interest of the two parties. This research intends to go further covering such gap that on studying the different arrangements of PPP and their effectiveness in real estate business. Public-private partnerships can provide a wide variety of benefits for society and become a win-win collaboration by improving innovation, reducing the time of project implementation, transferring risk to the private sector, improving the allocation of public resources, and reducing costs. These collaborations have a high chance of being successful and can enable governments to focus on their core mission of freeing up resources for other public needs (Nijkamp, et al, 2002).

The partnership between the private and public sector is vital in solving various challenges facing the Real Estate sector within Tanzania. The interdependency between the two parties tends to solve one's another problems for the purpose of achieving more. For instance in this partnership, the difficulties that used to face the public sector in carrying out its duties are condensed by the private sector and the vice versa is true. The PPP approach is expected to eliminate the decision making and managerial bureaucracy associated with the public sector (Perrot and Chatelus, 2000). It further positively draws from the good credit rating and general goodwill of the public sector to consolidate market based procurement of project finances while ensuring less resistance from the general public.

The private sector's limitations in managing macro level public infrastructure risks as pointed out by Carnevale (2002) can be overcome through the backing by the government in policy formulation for implementation of PPPs. Fraser (1993) stated that, owning real estate is not only the best way, the quickest way and the safety way but the only way to become wealthy. However this argument is only true if the property investment performance is greater to the extent that it generates high returns as expected over a given period of time. Moreover, most of the real estate investors do not achieve enough return to become wealthy enough due to the fact that real properties are always associated with a number of risks and other irrelevant investment decisions which in turn hinder better performance of an investment. A potential investor in real properties however, has to take into consideration several factors which would enable an investment to generate high returns; these include safety of investment, certainty of yield, liquidity

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of investment, capital appreciation, taxation advantage, managerial responsibilities, reinvestment of net return and opportunity of leverage. With little consideration regarding these factors by most of real property investors, there has been little return from most of the real estate investments leading to poor performance in terms of income generated from these investments. Thus this study will specifically explore the influence of Private and Public Partnership towards the advancement and performance of real estate sector. According to Rogerson (1997) explains that, there must be several reasons for the current interest in creating PPPs for buildings and infrastructure.

One of them is greater efficiency in the use of public resources. Experience has shown that many public sector activities can be undertaken more cost effectively with the application of private sector management disciplines. Besides these advantages, others are mentioned by different scholars such as, Acceleration of infrastructure provision as well as faster implementation because of shorter construction timeframes (Heinz 2005), Enhanced new public management (Winkel 2003) and Better allocation of risk to the party best able to manage it at least cost (cf. EC 2003). In 1967 Tanzania became a centrally owned, planned and managed economy. The Government was the “great provider” and in doing so created some 425 parastatal enterprises across all sectors. In the 1980s, the vulnerability of the structure became apparent with performance indicators under pressure (GDP growth 1 percent, inflation > 30 percent, foreign reserves drawn down followed by budget deficits) with the government heavily subsidizing the parastatals. By the early 1980’s the economy of Tanzania had deteriorated to the extent that Tanzania was the World’s second poorest country in terms of GDP per capital.

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These crises signaled a need for movement towards a market economy and, in 1987, the government's focus became financial reform as they redefined the role of the State as that of policy maker, maintenance of law and order, provider of basic social and economic infrastructure and facilitator of economic growth (Economic Recovery Programme). Subsequently, there was a mass privatization of state assets facilitated through the National Investment Promotion Act (enacted in 1990 and revised 1997) to create Tanzania Investment Centre (TIC) and the creation of the Presidential Parastatal Sector Reform Commission charged with divesting 400 public enterprises and state assets. Over the subsequent years, public enterprises have been on a journey whereby some are fully privatized. In strengthening of the real estate sector various private entities such as Blackwood, Land General Planning and Property International and others are participating with the public sector for the purpose of expanding and harvesting more from the real estate business within the country.

RESEARCH METHODOLOGY This section provides for a framework of how the study is to be carried out, essentially the procedures by which the researcher will go about the work describing, explaining and predicting phenomena. It points out the methods used to collect, analyze, interpret and present data.

Research Approach With consideration to the research problem, the research approach employed in this study will be qualitative and quantitative approach. The methods are complimentary to maximize the strength and minimize the strength of each (Kothari, 2000). Qualitative approach will be adopted so as to provide an in depth description of PPP framework existing in the real estate industry. On the other hand Quantitative approach will be

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used to express quantity measurements of the real estate units constructed under the partnership of public and private entities. Research Method Under qualitative approach a research method used will be case study, as this will attempt to shed light on the framework of PPP in real estate sector by studying in depth the suggested case study (K, NHC and Ministry of Lands, Housing and Human Settlements Developments). Under quantitative approach survey will be used as a research method as it will provide a descriptive association on the number of real estate units constructed under the partnership of public and private entities, amounts and the strategies used by both parties in the real estate industry.

Sampling The study ought to contain.....??? It will be a non-probability sampling as it will be purposive in nature due to judgmental technique used to select sample (Creswell, 2009). This technique was adopted because of a belief that the participants are knowledgeable concerning the issue studied and are in a position to provide reliable data. **Data Collection method** The study will collect primary data using face to face surveys and interviews whereas questionnaires and interview guide will be designed and administered face to face. In personal interviews the interviewer guides the interview by probing questions and clarifying questions to the interviewee where necessary (Creswell, 2009). These data collection methods were chosen because they are flexible in case of directional questions, observation of participant is done, therefore judgment of response given can be easily done through facial expression, if the researcher thinks the sample is biased she has the ability to change and ethical issues such as

informed consent are taken into account before interviewing or questioning the participant.

Secondary data will be collected through reading the investment policies, financial and audited accounts reports of all the selected entities so as to observe their contribution in real estate sector trends and motives of doing that. Data Processing, Analysis and Presentation After the data have been collected, the obtained data are organized and classified to ease the analysis process. Processing and analysis of data will be done with the help of Microsoft Excel which will point out how PPP's have contributed to the real estate sector over the years. The analyzed data will thereafter be presented in descriptive and analytical forms which comprise figures, tables, charts and text. Measurement Strategies Reliability and Validity consideration Reliability is a measurement strategy that points out how consistent are the information provided by the participants (Marczyk, 2005). In this study reliability will be promoted by ensuring uniformity in the data collection methods; example by using the same questionnaire and interview guide to obtain data from all the participants from the Kigamboni Municipal and from the different private real estate entities found within the Municipal. This will provide a good basis of comparing and contrasting the information, thus being able to measure their reliability.

Variability on the other hand measure the accuracy of the research design used in the study and it is known that the higher the validity the more accurate and meaningful the end results are expected to be (Marczyk, 2005). This will be best ensured by choosing a research design which captures the

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