



FIG WORKING WEEK 2023

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Legal Regulations for Valuation and Transparency in the Real Estate Market in Tanzania

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Legal Regulations for Valuation and Transparency in the Real Estate Market in Tanzania

Presentation Outline

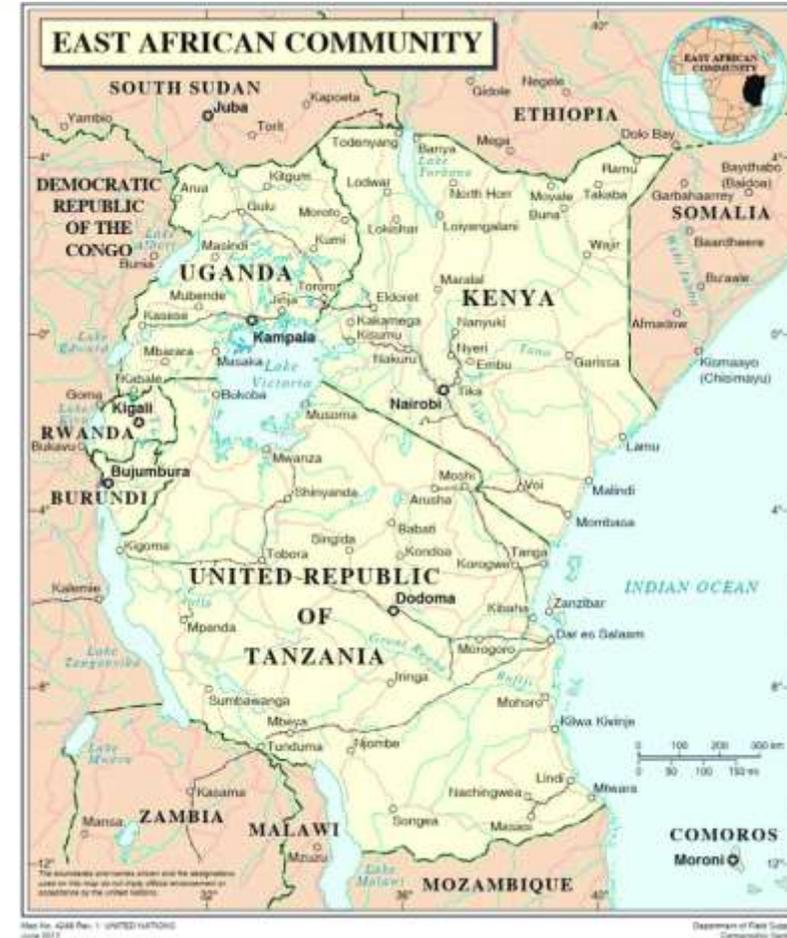
- Background Information about Tanzania
- Evolving Legal Regulations for Valuation Practice in Tanzania
- Valuation Challenges in Tanzania
- Unfolding Transparency in Valuation and Real Estate Markets
- Conclusions

About Tanzania- Geo Map

- On the Eastern Africa Coastline, south of equator
- Borders 8 Countries – DRC, Burundi, Rwanda, Uganda, Kenya, Mozambique, Malawi and Zambia
- Ex- British colony/Protectorate
- National population 61m (2022 Census)

Natural Resources and Economy

- World's most treasured national parks and game reserves- Serengeti, Ngorongoro Crater, beaches
- Mount Kilimanjaro, the highest mountain in Africa
- Minerals – Gold, Iron ore, nickel, copper, Diamond, Tanzanite, unexploited uranium deposits, coal, natural gas
- Good arable farmland
- Fast urbanizing at 3-5% per annum, currently 33% urbanized
- Stable and fast-growing economy ~ 7% pa – 2010-2023
- Informal sector dominates accounting for 70%+



Evolving Legal Regulations for Valuation Practice in Tanzania

- Legal regulations = rules, regulations, policy/directives, legislation
- Introduced in 1920 under the Township Ord Cap 101 of 1920 and subsequently followed by
 - House Tax Ordinance Cap 184 of 1922 and Municipal House Tax Ord Cap 185 of 1925
 - Land Acquisition Ord Cap 118 of 1926
 - Municipalities Ord Cap 105 of 1946- Valuation by a trained and competent person
 - During 1961-1968- Valuation was under the Ministry of Works
 - From 1968-todate- Valuation under the Ministry of Lands
 - 1969- First Government Circular on Valuation Guidelines
- Steady progress – training and practice
 - 1974- Specialized valuation training set up at Diploma level – Ardhi Institute
 - 1977- First legislation for registration of Land economy surveyors – National Council of Professional Surveyors
 - 1996- Ardhi Institute elevated to University College- Bachelors in Valuation
 - 2015- First comprehensive Valuation Guidelines by the Chief Valuer
 - 2016 – First Valuation specific legislation

Challenges in Valuation Practice

Challenges associated with:

1. Invisibility
 - Historical context
 - Donor- funded projects impacts
2. The Growth and expansion of the valuation discipline
3. Unregulated real estate market

The Invisibility Problem

Historical Context

- Up to 1968, valuation profession was shrouded in the Ministry of Works, not as a discipline but as one of the functions of the civil engineering discipline
- Between 1968-1977: within the Ministry of Lands, recognized as a discipline, under supervision of a Chief Government Valuer
 - In 1977, first legislation for registration of valuation under the NCPS – Land Economy Surveyors together with Land Surveyors
 - Valuation limited to government-related business, with insignificant private practice
- Between 1977 -1997
 - Valuation discipline overshadowed by sister Land Surveyors:
 - No agreement on holding of seminars
 - NCPS- Registration Board and Institution of Surveyors of Tanzania overwhelmingly dominated by land surveyors
 - Valuers distanced themselves and setup their own Association- the Tanzania Institution of Valuers and Estate Agents (TIVEA) in 1997, which eventually became member of FIG for 6 years from 2012

The Invisibility Problem

- Between 1992-2016
 - National adoption of trade liberalization policy stimulated private business
 - Increased demand for real estate valuations especially in land acquisition, lending valuations, asset valuation for financial reporting
- BUT**
- Valuation was still invisible:
 - Donor-funded projects – World Bank, Bilateral Grants and Aids (Tanzania is a heavily-aid dependent country)- valuation relegated to project designers (mostly engineers)
 - Engineering firms pick individual valuer as sub-consultant. Is this wrong? Yes, it is!
 - Evolving national valuation guidelines dwarfed by the WB ESS 5 (IFC PS 5) AND disagreement between national standards and policies
 - Conflicting understanding of Market Value, Replacement Cost, Replacement Value!
 - 2016- Government's directive on asset valuations – revaluations by Government Asset Management Division (whose staffing is wholly Procurement (Materials Management!)

Inherent challenges facing valuation practice

Changes in technology, discovery of natural oil and gas, minerals, business styles and expanding foreign direct investments led to:

- Growing needs for valuations BUT with not having requisite skills and experience in training for the evolving markets - e.g. sub-soil assets, marine and offshore assets, funding strategies etc,
- Limited role of private sector involvement in valuation data generation and sharing
- Existing laws and valuation regulations on these are not explicit
- Establishing laws prescribe valuation assessment and output e.g. percentage of shares between government and private or foreign investors share holding; Taxation rates; Leasing arrangement
- **Implications**
 - Government and business community hiring of foreign valuation experts
 - One-off contracts – most do not involve local valuers, a few do but work with private valuers
 - Growing disparities in practice between government and private valuers

Urbanization related challenges

- Rapid urbanization @ 3.5% per annum for small cities, ~5% for large cities
 - Urbanization has not been smooth- sprawling horizontally leading Bulging informal settlements and informal economy
 - An increase demand for land acquisition and therefore compensation valuation
 - Property identification is cumbersome
 - Proof of ownership in informal areas is difficult
 - Property data is fragmented
 - An increase in real estate investment and Infrastructure developments
 - Lending valuations
 - Banks (lenders) bound by Banking regulations
 - Common method of valuation again DRC

TOGETHER LED TO VIBRANT REAL ESTATE MARKETS ESP IN LARGE CITIES

- Impacts on valuation practice:
 - Dilemma of coping with donor-funded projects needs – compliance with ESS5 in land acquisition against national laws and practice

Unregulated real estate market

- Notwithstanding the significant contribution of the real estate in the national economy, there is no public information on the real estate sector performance:
 - Lack of formal regulatory and oversight institution and mechanisms to guide the sector and protect consumers :
 - Expose consumers and other players to uncertainty, substandard products, overpricing, tax evasion, money laundering, dishonest etc
 - Very little information available on transactions
 - Extremely few registered land lots (about 70% of urban areas do not have a cadastre nor land titles)
 - Data entry on the few registered land is limited to property owner, plot size, term(duration) and development conditions. No detail information on previous transactions on the property other than a mere mention of the transaction

Conquering Transparency Issues in Valuation and Real Estate Market

- **Enactment of Valuation and Valuers (Registration) Act in 2016** providing for:
 - Registration of valuers and annual licenses as a prerequisite for practicing valuation practice in Tanzania
 - Compulsory Continued Professional Education and passing of examinations to promote high standards of services
 - The chief government valuation office decentralized into regions/counties and responsible for vouching all valuations
- **Reforms in land and real estate sector**
 - Proposed bills for setting up estate agency bills, real estate regulatory board under review
 - Ongoing review of national land policy and draft national housing policy

Conclusions

Regulating valuation alone in Tanzania is unlikely to solve the valuation problem

The evolving real estate market needs to be regulated to address not only the narrowly understood real estate profession (Valuers, Estate Agents) but all actors –land managers, developers, investors and financiers, land use planners, geometers.

Legal regulations either as rules, regulations, policies or even a law are necessary in safeguarding interests of consumers of real estate products on one hand and on the other to facilitate the working of real estate markets.

The target should be to capture as much transaction information as possible which should be placed in a public domain. Access to the information can be conditional upon payment of a specified fee for those who will require information for research or consultancy business services. to the actors and consumers.



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