

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

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SUMMARY

Tanzania which is on the Eastern Coast of Indian Ocean and the main gateway for the landlocked countries of Zambia, Malawi and Democratic republic of Congo, Rwanda and Burundi inherited the British legal and professional systems. However, for the first three decades of its nationhood (up to 1992), Tanzania embraced a socialist doctrine that introduced a central planning system in all sectors. Private land and real estate dealings were considered ant-socialist and were abhorred. Property valuation was limited to those purposes which enhanced government revenue and least on business-related transactions. A trade liberalization policy mooted in mid-1984 and implemented in 1990's opened the country into a liberal market system and democracy. Strained relationship with market economy-countries eased out permitting an increase in Foreign Direct Investment (FDI) which rose from USD 1.6 billion in 1998 to USD 2.2 billion in 1999 and over USD 5b in 2021(BoT, 2022), bulk of which was made up of equity (67 percent). Although only 7 per cent of the FDI went into real estate and business services, the impact on the sector was immense in terms of professional skills imparted.

Subsequent policy and legal reforms have given rise to considerable private sector involvement and attracted both domestic and foreign investors in real estate as well as real estate consultants. Real estate market has been inspired by the implementation of financial sector reforms which were first introduced in 1991 with World Bank and IFM support. The reforms boosted credit markets; liberalized interest rates and enhanced financial intermediation. As an outcome of these reforms in 2010, a housing finance project was implemented, introducing for the first-time home loan systems through establishment of secondary mortgage facility. The aftermath of the housing finance project has been a blooming real estate sector, steady increase of home loan lenders from 3 commercial banks in 2013 to over 30 in 2022, review and establishment of professional regulatory bodies which included valuation

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legislation.

This study is based on reviews of research projects carried out in the post-Housing Finance Project by the authors and an account of the revelations encountered while participating in preparing valuation law in Tanzania during 2009-2015. The gist of the paper is exploration of avenues to improve transparency in real estate valuations and enhance credibility of valuations in Tanzania. An examination of real estate and valuation regulations within Tanzania and a review of international safeguards on land acquisition and involuntary resettlement with the aim of drawing corollary with national safeguards and thus search for synergies. The key argument is although Tanzania has been on the receiving end of education and professional certification, the country has made strides worth emulating by developing countries.

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