THE CHALLENGES FACING REAL ESTATE DEVELOPERS IN FINANCING LOW COST HOUSING:
A CASE STUDY OF NATIONAL HOUSING CORPORATION (NHC)

By
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A Dissertation Submitted to Mzumbe University, Dar es Salaam Campus College in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc. A&F) of Mzumbe University.

2013
CERTIFICATION

We the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University, a dissertation entitled; The Challenges Facing Real Estate Developers in Financing Low Cost Housing: A Case Study of National Housing Corporation (NHC) in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance (MSc. A&F) of Mzumbe University Dar es Salaam Business School.

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DECLARATION

I Frank Henry Magili hereby declare that the contents of this dissertation are the result of my own findings and study and best of my knowledge that the dissertation has never been presented to any other university for a similar or any other relevant degree award.

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AKNOWLEDGEMENT

This dissertation has been successfully accomplished owning to different moral and material support in preparation of this study. I am greatly indebted to all who devoted their efforts and time through the success of this study.

Thanks to National Housing Corporation management for allowing me to collect data in their organization.

I sincerely thank Mr. Freddy Feruzi for his constant assistance; his valuable comments and suggestions had made completion of this study to be possible. He has been a source of guidance, encouragement and constant criticism of which contributed a great work to my study.

I wish to express my appreciation to my family, lovely wife Yustina Ayeshi Rajab, my sons Gabriel Frank Magili, Ernest Frank Magili and Goodluck Frank Magili as well as my daughter Irene Frank Magili, my Father and Mother and all of my young sisters and younger brothers for encouraging me to study for this degree.

Appreciation to my Brother Mr. Paul Mwanyika for his assistance financially as well as counseling during my study.

Finally, I wish to express my thanks to my co-workers especially Said Bungara who assisted me in implementing various ideas during my study as well as my colleagues Allen and Martine I do remember we worked together to make sure that the degree programme is completed successfully.
DEDICATION

This dissertation is dedicated to my beloved family, my lovely wife Yustina Ayeshi Rajab, my sons Gabriel Frank Magili, Ernest Frank Magili and Goodluck Frank Magili as well as my daughter Irene Frank Magili, my beloved mother Florida Bonephace, My father Frank Almasi, and all members of my family for compassion and love they offered to me at the time of my study.
**LIST OF ABBREVIATION**

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<tr>
<td>CLIFF</td>
<td>Community Led Infrastructure Financing Facility</td>
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<td>NGOs</td>
<td>Non-Government Organizations</td>
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<td>NHC</td>
<td>National Housing Corporation</td>
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<td>TBA</td>
<td>Tanzania Building Agency</td>
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The main objective of the study was to understand the challenges that hinder real estate developers from developing low cost/affordable houses and come up with the ways of overcoming those challenges. The study was done at NHC Dar es Salaam region only covering four NHC branches all are based in Dar es Salaam (Upanga, Ilala, Temeke and Kinondoni) and eight head office’s Directorates. Thirty-two respondents out of forty sampled respondents participated; purposive sampling method was employed to get a study sample. Case study design and qualitative research approach method was used during the study. Methods of data collection used included interviews, observations, and documentary analysis. Research instruments such questionnaires and documentary was used to collect data.

Findings indicate that the challenges that face real estate developers on financing low cost Housing were; Source of funds in financing the project, loans and aids problems, government support financially, high interest rate, lack of housing microfinance institutions, mortgage barriers, low Financial capability of NHC, economic situation of the country, construction cost and availability of materials, cost of land and land bank, poor quality of construction material, lack of manpower and technology, high tax rate, low profit margin, poor infrastructure, government policies, poverty, poor urban planning and allocation, support from other authorities, political will, competitors influence.

Also, the ways forward were discussed to overcome the mentioned challenges facing real estate developers in financing low cost housing. These are as follows; The authority dealing with housing and residence must be empowered, to set form of limitation of power between political and socio-economical sectors, Support from other authorities is very important, the country need to invest in manpower and technology, change in government policies, to support NHC financially so as to increase the capability.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the study
Tanzania, like other African countries, suffers from a severe shortage of good quality housing. The shortage was growing every year, compounded by lack of long-term housing finance, the lack of a formal residential housing construction sector, difficulties with land rights and rapid population growth and urbanization. The urban transition was well under way in mainland Tanzania. The urban population increased from a low base of 5.7 percent to 22.6 percent over the period 1967-2002, based on census data (NBS 2005: Population Census, 2002).

The total housing deficit was estimated at 2.2 million units in 2000. At the national level, the annual demand for formal land between 1991 and 2001 was 150,000 plots, while the supply average 8,000 surveyed plots annually, indicating an annual shortfall of 95 percent. In addition, long-term financing for housing remains scarce at present, in part because lenders do not have reliable access to sources of long term finance. (Hanai and Chambi, 2009).

According to the Bank of Tanzania proposed Housing Finance Project in November 2009, developing access to housing would help to improve affordability and construction standards, and encourage the private sector to take a greater role in the provision of housing. (Juma and Abdul, 2009)

The limited amount of housing construction is largely done by the public sector either through the National Housing Corporation (NHC), the Tanzania Building Agency (TBA) or through the parastatal pension and Social Security funds. The private or “organized” developer/ builder market is virtually few in Tanzania. The little private development which does occur tends to be luxury developments aimed at the wealthy, expatriates or the Diaspora. Reasons given for lack of real estate developers are (i) lack of access to finance (ii) lack of technical and managerial
capacity in real estate development and (iii) the high cost of using imported materials and putting in basic services and infrastructure.

With few or no housing options in the formal sector, the vast majority of the population over 70 percent in Dar es Salaam –reside in informal settlements. The typical form of tenure here is rental. The Government of Tanzania’s main housing program is the 20,000 plots project. Under the first phase of this project undertaken by the ministry of Lands, Housing and Human Settlements Development in the peri-urban areas of Dar es Salaam, large parcels of undeveloped land were surveyed and subdivided, and sold to individual applicants. However, because of difficulties individuals have in accessing housing finance and because the plots are not serviced, this program has not resulted in the level of new housing which was initially anticipated. (Hanai and Chambi, 2009).

1.2 Statement of the problem
The majority of Tanzanians are low income earners, this was due to the report from the International Monetary Fund which concerns with the list of African countries by GDP per capita Tanzania has $720, this rank into fifty (50th) position in Africa among fifty-three (53) countries in Africa compared to Equatorial Guinea which is the first country in Africa with GDP per capita of $16,507. If we estimate the exchange rate to be Tshs1550/$ it can amount to Tshs1,116,000 annually which was TShs 93,000 per month (www.knoema.com). Therefore, in order to enable them own houses there must be strong programmes conducted by real estate developers in collaboration with the government for construction of affordable houses.

In Tanzania this is contrary because most of real estate developers are focusing on high income earners thus ignoring or even pay a little attention to the large group. According to Selman ERGUNEN, the Acting Chief, Housing policy Section, United Nations Centre for Human Settlements (Habitat) in 2001 “ Although there has been significant progress in the formulation and implementation of housing policies and to some extent strategies in the past decades many constraints still effectively hinder progress in housing development in developing countries particularly for low
income and other vulnerable groups” (Erguden, 2001). The researcher is trying to explore the challenges that hinder the real estate developers in concentrating to the development of low costs/affordable houses and the ways of overcoming those challenges.

1.3 Research Objectives
The main objective of this study was to understand the challenges that hinder real estate developers from developing low costs/affordable houses and come up with the ways of overcoming those challenges. The general objective was supported by two (2) specific objectives:
(i) To identify the challenges facing real estate developers on financing low cost housing.
(ii) To identify the ways/solutions of overcoming those challenges.

1.4 Research Questions

1.4.1 General question
What are the challenges that face real estate developers on financing low cost housing and how can those challenges be solved.

1.4.2 Specific questions
(i) What are the challenges that hinder real estate developers on financing low cost housing?
(ii) What are the ways/ solutions of overcoming those challenges?

1.5 Significance of the study
There was broad consensus on the fact that housing has central importance to everyone’s quality of life and health. Housing, besides being a very valuable asset, has much wider economic, social, cultural and person significance. The way in which housing was produced and exchanged has an impact over the development goals such as equity and poverty eradication; construction techniques and location of housing can influence environmental sustainability and the mitigation of natural
disaster; and the design of design of dwellings both reflects and protects important elements of culture and often religious beliefs. This study will be useful to the real estate developers and the national as a whole.

1.6 Scope of the study
The Scope of this study was limited to Dar es Salaam region only covering four NHC branches all are based in Dar es Salaam (Upanga, Ilala, Temeke and Kinondoni) and eight head office’s Directorates. Being the case study, the results of this proposed study may not be representative of all Real Estate Developers in Tanzania.

1.7 Delimitation of the study
The researcher the used intensive materials including published journals and newspapers as well as books from online to collect necessary information rather than visiting only National housing branches in Dar es Salaam region. Also, on the issue of confidentiality, a researcher kept all received information confidentially he sometime signed a non-disclosure agreement. Last for the purpose of meeting time table and geographical location limitation, a researcher applied other research methods such as using telephones, emailing questionnaires.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This section reviews various housing theories, approaches, concepts and previous studies which have focused on the low income housing issues. It aims at comparing and contrasting the different authors’ views on low cost housing, relating this research study to conclusions drawn, highlighting any gaps and summarizing on the specific gap that this research study hopes to contribute to.

2.2 Urban Housing Theories and Approaches
A number of thoughts regarding urban housing have been developed during recent decades (1990 – 2000), set within the market economy and socialist contexts (Mittulah, 2003):

(i) The Demolitionist Approach.
Developed in the 1950’s, this approach of housing viewed spontaneous settlement as parasitic, destroying the beauty and healthiness of cities. The response of planners to this was demolitionist in diminishing of existing housing stock of the urban poor.

(ii) The Supportive Approach.
This approach viewed the solution to housing as a consensus between the state and the needs of the urban poor. The approach recommended an integration of state empowerment and the self-help obligation of the urban poor, with a view that housing was not just a shelter to live in but also a means to move upward on the social ladder. However, the housing success depended predominantly on the collective efforts of the community with the state playing merely a supportive role, providing public utilities and initial funding. This approach relied heavily on political will from the state as well as institutional and structural support and thus, faced implementation difficulties in developing countries.
(iii) **The World Bank Approach.**
The World Bank implemented the cost-recovery principle based on the view that investment in low-cost housing would accelerate economic development. Under this arrangement, developing countries obtained loans from the World Bank, invested in low-income housing schemes, delivered these units to housing dwellers and converted occupiers to debtors of commercial banks, thus liquidating funds for reinvestment by the government. This was meant to strengthen the market mechanism and minimize the bottlenecks of housing delivery. The World Bank approach, however, was criticized for an over focus on market mechanisms, paying little attention to issues of land tenure and infrastructure.

(iv) **The Rod Burgess Radical Approach.**
This approach took a structural perspective to housing, arguing that previous approaches emphasized capitalist logic and overlooked the conflict among modes of production. It advocates that political structural transformation would be required with urban communities having the right to organize and self-build their communities.

(v) **The Collaborative Approach.**
This approach emphasized collaboration between the state, the market, non-governmental organizations and the community. It is a set-up that would enhance the capability of the community. Good governance and state support would focus on the well-being of low-income communities, using housing as a means of social mobility. The difference from earlier approaches was that it sought to merge the community with government interaction and support to obtain practical solutions in the community’s initiative.

2.3 **The concept of Low Cost Housing**

**Low Cost Housing** is a new concept which deals with effective budgeting and following of techniques which help in reducing the cost construction through the use of locally available materials along with improved skills and technology without sacrificing the strength, performance and life of the structure. There is huge
misconception that low cost housing is suitable for only sub-standard works and they are constructed by utilizing cheap building materials of low quality. The fact is that low cost housing is done by proper management of resources. Economy is also achieved by postponing finishing works or implementing them in phases (http://www.engineeringcivil.com).

In most urban areas in high-income nations and many middle-income nations, good quality, legal housing is expensive. Most of it would not have been built without mortgage finance; middle income households, and even most upper-income groups, need mortgages in order to buy it or long-term finance in order to build it. In most cities in Africa, Asia and Latin America, low-income households cannot afford legal housing or good quality housing.

They either rent (usually in poor quality overcrowded dwellings) or buy or build in illegal settlements. They cannot get conventional housing finance because their homes are in illegal settlements and they lack the income or formal documentation that housing finance agencies require (Mitlin, 2008).

Affordable Housing Overview
Housing has a central importance to quality of life with considerable economic, social, cultural and personal significance. Though a country’s national prosperity is usually measured in economic terms, increasing wealth is of diminished value unless all can share its benefits and if the growing wealth is not used to redress growing social deficiencies, one of which is housing (Erguden, 2001). Housing plays a huge role in revitalizing economic growth in any country, with shelter being among key indicators of development (Ireri, 2010). The universal declaration of human rights gives one of the basic human rights as the right to a decent standard of living, central to which is the access to adequate housing. Housing as a basic human right demands that urban dwellers should have access to decent housing, defined as one that provides a foundation for, rather than being a barrier to, good physical and mental health, personal development and the fulfillment of life objectives (Seedhouse, 1986).
The focus of this research is housing for low income households or what is commonly known as affordable housing. Affordable housing is term used to describe dwelling units whose total housing costs are deemed "affordable" to those that have a median income. A median income refers to the average pay scale level of the majority people in a population which is often low. Although the term “affordable housing” is often applied to rental housing that is within the financial means of those in the lower income ranges of a geographical area, the concept is applicable to both renters and purchasers in all income ranges.

Low-income housing is aimed at individuals without enough income to provide adequate housing for themselves and/or their families. These families are usually unable to purchase a home because they fail to qualify for a mortgage. Most families choose to rent based on their income and family situation; unfortunately, there may not be enough rental housing or enough good-quality rental housing for low-income families (http://www.ehow.com).

**The Low Income Housing Market**

Though free markets unleash productivity and innovation, they are still bound by economic laws.

The most important law is that market price reflects market demand. Because half of every population is below median income, market-quality housing commands market prices. As a result, markets alone will never satisfactorily house a nation's poorest citizens (Smith, 2006).

Thus, whether people buy or rent, housing is typically affordable to only half of the population. Those citizens who flood the world's growing metropolitan areas, however, are overwhelmingly poor: they arrive in cities that were built for smaller populations, and whose formal-sector housing producers can only build housing that these urban immigrants cannot afford. The result is a spontaneous community of self-built or informally built homes the shanty towns, settlements, and ever-expanding slums that sprout like mushrooms on the outskirts of cities in the developing world.
People who move to the city act by impeccable economic logic: they follow the money. Seeking to maximize income, these citizens willingly consume the least expensive space they can, which is often just a room in a larger informal structure. Left alone in the marketplace, the impoverished create and inhabit slums because that is their only available and economically sensible option (Smith, 2006).

The housing market is made up of sub-systems. There is a three tiered structure of housing markets. The first is the small, well-financed upper class market which is an exclusive domain of the private sector and draws its funds from institutional finance systems. The second type is the subsidized market catering primarily for middle class workers and civil servants who benefit from public housing.

Finally, there is the large and private incremental housing sub-market with no access to formal financing services and which produces housing which does not generally conform to official building codes and regulations (Renaud, 1987).

Traditionally, low income housing projects are sited in areas of low land cost and high density building permissibility. This allows reduction of the land cost component of each residential unit, facilitating sale at lower prices. In seeking areas with lower land costs, developers have had to undertake low income housing schemes in locations that are peripheral to urban centers where benefit is gained from the proximity to cities but land costs are significantly lower (Hassanali, 2009). Given the likely scale and location of any low income housing development, embedded infrastructure such as water, sewerage, roads, electricity, social services and security are a vital component of housing provision and are fundamental to the success of any housing scheme.

These in turn, will greatly improve the people’s economic capacities, health and quality of life in general (Nabutola, 2004).
There are five models of housing development for low income housing initiatives (World Bank, 2003):

(i) Sites plus development plan and gradual implementation of services – settlements are planned and surveyed, lots allocated and occupied, and infrastructure gradually implemented.

(ii) Sites and services – mass production of serviced sites in large schemes for resettlement of urban squatters, usually in peripheral land in city outskirts and with basic starter housing units.

(iii) Comprehensive upgrading of existing settlements – wide range of improvements involving different types of infrastructure according to predefined area plan; this is integrated upgrading but undertaken in one go, usually in a two year time frame.

(iv) Development of new housing in new settlement – new infrastructure and housing units are built on empty land; or new housing units on available land in existing serviced areas.

(v) Redevelopment of degraded existing structures – agreement reached with building landlords for building renovation.

2.4 The three key sources of housing finance for individuals

The three key sources of housing finance for individuals namely individualsavings, Microfinance for house improvements, Group lending for housing are the sources which can enable individuals own the house and these sources each are explained below.

2.4.1 The role of savings

It is often assumed that low-income households cannot save for housing, as all their income is needed for consumption – or if they can save, it is only sufficient for community-managed emergency funds or small loans for livelihoods. But many case studies show the importance of savings for shelter investment by low-income groups. Low-income individuals often start savings to provide a fund they can draw on to help cope with emergencies or illness – and this develops into savings for housing
too. This is especially so if they have a local savings scheme to which they can contribute,

2.4.2 Microfinance for house improvements

A growing number of microfinance agencies offer small loans for housing improvements. They usually offer finance only to individual households living on land sites with reasonably secure tenure, and they enable dwelling investment that usually entails adding a room, or an improved roof and/or floor, toilets and/or bathrooms. Shelter microfinance emulates many aspects of enterprise-oriented microfinance and is often embedded within the same agencies. E.g. In KixiCrédito in Angola, housing finance is offered to those households that have been successful in enterprise borrowing; a second stage is the extension of shelter lending to other specific groups under alternative terms and conditions. The Kuyasa Fund in South Africa offers small loans for housing improvements and expansion; these help low-income households that have already benefited from state intervention through a housing capital subsidy programme that provides a plot with legal tenure, services and an initial dwelling. In both cases, the rapid development of loan programmes illustrates the scale of demand for borrowing for housing within low-income settlements. In the Philippines, there is also this combination of state housing programme and loans for housing improvements.

The government programme, Development of Poor Urban Community Sector Project, supports local authorities for site development and improvement with housing loan provision along with microenterprise finance. A comparable model has been implemented in various Central American countries. Here, local authorities coordinate the upgrading of Low-income neighborhoods and a range of local institutions offer loans to households to improve their homes. In some cases these can be combined with state subsidies. In every case these loans blend with family savings and self-help efforts, and this blending has demonstrated its effectiveness in many places, as long as the unit costs of housing and infrastructure construction or improvement are not too high.
2.4.3 Group lending for housing

A third source of finance for housing is the collective process of group lending. This is generally for more than just housing and includes loans that fund investments in land and infrastructure. In Namibia, the Shack Dwellers Federation and its support NGO, the Namibia Housing Action Group, Infrastructure, (Mills, 2005)

2.5 Range of different agencies driving change

These three different financing strategies for housing – savings, microfinance and group lending – reflect the differences in local circumstances and in the agencies that are engaged with this process. In some cases, the key agent is the people, managing as best they can – as in the case from Tanzania. In Pakistan, for the investments in sanitation and drainage made by communities, the key agent is also the people, but in this case supported by an NGO, the Orangi Pilot Project–Research and Training Institute. This NGO provides technical assistance, catalyzing sanitation investments by showing how the unit cost of good quality provision can be brought down to one low-income communities can afford. In the case studies from South Africa and Angola, the key agencies are microfinance providers, which in both cases emerged from the work of conventional urban development NGOs, Development Action Group and Development Workshop. This highlights a tension for NGOs seeking to provide new shelter options for low-income households, because the organizational demands for providing financial services are very different from those for advocacy. In these cases, in Angola and South Africa, two distinct organizations have developed. These experiences suggest that it is difficult to manage a microfinance agency and an advocacy oriented.

NGO within the same organization. Over time, both organizations have divided into two although, in both cases, the newly created microfinance agencies collaborate closely with their“parent”. The success of collective loans requires strong local organizations. In the cases noted above, in Malawi, Namibia and the Philippines (Community Mortgage Programme), professional support agencies provide advice on the technical aspects of development and offer other kinds of assistance. In part, this is required because these housing development programmes have to work with local
authorities, which means working with all their building, land use and infrastructure regulations. In Malawi and Namibia, the local grassroots organizations are networked through federations that enable them to visit and learn from each other. The formation of federations also helps pressure the government to agree to regulatory reforms that reduce development costs (for instance, smaller plot sizes and less expensive infrastructure requirements).

Politicians are reluctant to be seen to ignore the demands of mass movements; and may believe that regulatory reforms are a relatively low-cost route to respond to citizen demands There is little evidence of the commercial Sector in these case studies, although in the broader field of microfinance, there is considerable interest shown by formal financial institutions in some Asian and Latin American nations. The growth in experience in microfinance for housing has shown the commercial sector that there is a viable market at least in some nations and cities, which can be served by financial institutions or through their collaboration with microfinance agencies. This is important in supporting many lower-income households with relatively secure tenure of their housing plot to improve their homes, but it does not address the needs of the lowest-income groups who are landless (Boonyabancha 2005).

2.6 The Role of the State

The state is rarely the driving force behind shelter finance initiatives but it still has a powerful influence on whether low-income groups can get good quality housing. First, it influences land markets and the possibilities for land tenure regularization in informal settlements. Land regularization and the extension of infrastructure and services to what were previously illegal settlements may provide a very good context for providing loans for upgrading so as to enable the allocation of land sites to community organizations formed by the urban poor, as highlighted in the case in Malawi mentioned above. Obviously, this process (and any state-managed resettlement), influences the location of low-income settlements and the degree of spatial and/or social inclusion for such settlements. Second, the state’s many rules and regulations regarding land use, infrastructure and buildings, and the ways these
are applied, influence housing and land prices and availability, and thus whether lower-income groups can get or build legal housing. The extent and application of regulatory systems influences the scale of illegality associated with shelter provision in informal settlements. In Namibia, far more low-income households were able to take part in official legal housing developments when the Slum Dwellers Federation negotiated lower and more flexible building and infrastructure standards.

In Malawi, the low-cost housing required the Malawi Federation to negotiate to get approval for the use of traditional materials. Third, state programmes for services or for social protection may reduce costs or increase incomes, and so increase the amount that low-income households can spend on or save for housing. Any shelter finance project that addresses tenure and service needs has to come to an accommodation with the state, even if microfinance programmes providing individual housing loans for dwelling improvements can avoid this. The state is involved in housing provision in most nations, although the scale and nature of this involvement varies greatly. Even in a very low-income country such as Malawi, there have been range of government housing policies, although few programmes at scale. The involvement of the state in shelter initiatives reflects the importance of housing to citizen well-being; but the nature of their involvement also reflects the politicization of housing provision as politicians seek to control and gain from the allocation of housing and land tenure. Political elites often manipulate the allocation of housing finance programmes to address their political interests; For instance, housing finance in Brazil under the Collor administration was used to secure political support in Congress. In the Philippines, the inadequacies in conventional state housing programmes have encouraged a shift to more market-oriented strategies following the failure of credit subsidies and high rates of default on government loans. What is evident in many contexts is the lack of state support for programmes oriented towards the lowest-income residents. One key role of the state is to provide the supervisory and regulatory framework for the financial sector. In large part, it was the failure of the state and self-regulatory frameworks that explains the sub-prime crisis in the USA. Loans were given out and sold on in a complex set of financial markets designed to increase the availability of mortgage finance. However,
the risks related to such loans were inadequately assessed and/or not fully taken into account. The subsequent problems have been both loan defaults by individual families and related repossession, and the international credit crunch as banks refuse to lend to each other due to fears of bad debt. In most urban contexts, shelter finance alone can never address the problems faced by the lowest-income groups because the gap between what they can afford and the cost of the cheapest “good quality” unit with infrastructure and services is too high. (Stein and Vance,).

2.7 International Finance for Local Initiatives
Very few official aid agencies support housing finance initiatives. In part, this is because they do not support urban initiatives. But, in part, it is also because of the challenges these agencies face in finding ways to enable flexible locally managed finance to respond to neighbourhood and city level initiatives while maintaining the required accountability to the governments that provide their funds. Some international NGOs have long supported housing finance initiatives. For instance, housing finance has been central to the work of the UK-based charity, Homeless International, and it came under pressure to find alternatives to grant finance to allow its funds to increase the scale of their impact. Homeless International has developed guarantee finance to enable organizations in Africa and Asia to obtain loan finance from local banks. It has also developed another financial mechanism to support housing, the Community Led Infrastructure Financing Facility (CLIFF). This is a capital fund provided through Cities Alliance, on which their partner organizations can draw to allow them to increase the scale and scope of their housing initiatives – for instance, by providing bridge financing for large redevelopment programmes, or allowing larger, more ambitious upgrading programmes. This was tried first in India, working with the Alliance of the National Slum Dwellers Federation, Mahila Milan and SPARC and this received financial support from the UK Department for International Development and the Swedish International Development Cooperation Agency (Sida). A similar facility is being developed to support low-income housing initiatives in Kenya and the Philippines. Another example of an international fund supporting housing for low-income groups is the International Urban Poor Fund, managed by Shack/Slum Dwellers International/SDI and IIED.
This provides small grants throughout the SDI network of slum/shack dwellers federations to catalyze local initiatives in secure land tenure and basic services. It finances urban poor funds that have been set up by national slum/shack dweller federations and supports community-led advocacy to advance grassroots solutions. Its contribution lies as much in the flexibility of the funds and the locally determined allocations as in the scale of its support. Many of the initiatives it funds receive only US$ 20,000–40,000, but the federations make this go much further than conventional development agencies can as it is combined with the resources and capacities of the federation, the locally negotiated support (often from local government) and the care with which the federation uses the funding.

2.8 Empirical Review

This section explains how other researchers practically recommended on the concept on low cost housing. It is the matter of technical issues and not the matter of using low quality materials and the like so as to achieve the objectives of constructing the low cost housing. There have been a numerous of low-cost housing studies that have been carried out by different organisations or individuals around the world. The main research project at Halmstad University was initiated in 2002 in an attempt to introduce low-cost housing technologies for the Kambaata Region in Ethiopia. The programme was initially formulated with five sub-projects; an initial survey, the development and testing of new house-building technologies, the demonstration projects, attitudes towards new house building technologies and guidelines and recommendations for implementation programme. The aim of this project has been to develop and test new, sustainable, low-cost building technologies intended for the population, with regard to local traditions, needs and affordability. In Ethiopia there have also been three studies that have been carried out by students at the Construction Engineering programme at Halmstad University, all connected to the main research project. The first one was completed in 2002 and focused mainly on different low-cost housing materials that could replace the traditional ways of building. The second one included a study of two different block technologies and the design of an elementary school constructed with these technologies.
The studies performed by Johansson and Wartanian in 2008, in Kambaata region, Ethiopia, numerous sites and low-cost housing projects were observed. The project resulted in a set of drawings and a cost calculation for two houses intended to function as demonstration houses in the Kambaata region. The results of these field studies demonstrated that the research about the technology is relevant, essential and financially feasible. The research study focused on the challenges faced by housing developers in the low income market by Njathi, 2011 revealed that the challenges include the high cost of land in urban areas, the complicated land acquisition process, high transaction costs, outdated planning and building regulations, and the lack of adequate infrastructure.

Also some studies were performed on see government Strategies and Incentives towards solving the problem of low cost housing shortage for example in Kenya. Some of the dominant strategies for housing and service provision for Kenya’s urban poor include slum upgrading and site and service schemes. However, the efficacy of these strategies has been limited by ambivalent government attitude to irregular settlements. These strategies have failed because of a reliance on inappropriate building by-laws and infrastructural standards, and modern designs, construction technology, and conventional building materials that all make housing
unaffordable to the poor, even after subsidies. Although there have been calls to
government to adopt more suitable alternatives, few changes have taken place,
because policy makers view proposed modifications as being too old-fashioned and
incongruent with their quest to modernize the country (Otiso, 2002). Thus,
government initiatives in providing public housing have proven to be pathetically
slow with many of the houses provided being economically and socially irrelevant,
this further prompting the rise of informal settlements (Macoloo, 1994).

In April 2007, President MwaiKibaki launched a US$12 billion Kenya Slum
Upgrading Strategy aimed at improving the lives of 5.4 million Kenyans over the
next 13 years. In December 2007, Housing Minister SoitaShitanda announced the
Government’s plan to set aside 250 acres for development of affordable houses for
low income earners in Mlolongo area in the outskirts of Nairobi (GOK, 2007).
Although these are welcome developments, it is likely that plans may notmaterialize
as the number of public housing building plans approved has declined over the years.
More recently, as the Government has taken cognizance of the acute deficit of
housing in the lower end of the market, it has planned to improve the situation by
encouraging supply; in a move towards becoming facilitator by enabling policy
formulation conducive to mobilize the private sector participation is low-income
housing (GOK, 1999). Some recent initiatives include the zero-rating of VAT on
building materials used in the construction of 20 or more low-income housing units
and the discussion of possible tax advantages and tax holidays for developers in the
low-cost housing sector (GOK, 2007). Even as Kenya’s earlier policy of direct
supplier of housing has given way to a more pragmatic strategy of getting other
actors involved, the housing situation remains serious. It is evident that there is a
widening gap between policy formulation and the implementation process, and the
status of low-income housing delivery is far beyond satisfactory. Poor past policy
frameworks, uncontrollable urban population growth and current inaction by the
public sector have been the key reasons for this (Okonkwo, 1998).
It has been reported that the key areas of challenge that relate to developing country initiatives include rapid urban population growth, the misuse of dwelling funds, the adverse effects of increasing rents for low-income groups, the deficiency of the housing loan system and the increase in luxury houses rather than social houses (Yetgin & Lepkova, 2007). However, the real challenge for the Government is to create an enabling environment for investment and to remove the impediments that hamper private sector development. These range from functioning labour, capital, and input markets through to an efficient and effective administration process, with an emphasis on showing real progress, building on key successes in market where the private sector already has incentives to invest (Kenya Consultative Group Meeting, 2003). Similar approaches have been successful in other countries where in recognizing their acute housing deficits, Governments have made cognizant efforts towards becoming facilitators rather than hindrances to private sector real estate developers, this done through joint consultative meetings and implementation of a range of incentives for investors (Hassanali, 2009).

Practically, according to the engineer’s point of view on how to attain to the concept of low cost/affordable housing is through considering on things like building costs, areas where cost can be reduced, costs reduction through ad hoc method etc. which are briefly explained below.

2.8.1 Building cost

The building construction cost can be divided into two parts namely:

Building material cost: 65 to 70 %
Labour cost: 65 to 70 %

Now in low cost housing, building material cost is less because we make use of the locally available materials and also the labour cost can be reduced by properly making the time schedule of our work. Cost of reduction is achieved by selection of more efficient material or by an improved design.
2.8.2 Areas from where cost can be reduced are:-

(i) Reduce plinth area by using thinner wall concept. Ex. 15 cms thick solid concrete block wall.

(ii) Use locally available material in an innovative form like soil cement blocks in place of burnt brick.

(iii) Use energy efficiency materials which consume less energy like concrete block in place of burnt brick.

(iv) Use environmentally friendly materials which are substitute for conventional building components like use R.C.C. Door and window frames in place of wooden frames.

(v) Preplan every component of a house and rationalize the design procedure for reducing the size of the component in the building.

(vi) By planning each and every component of a house the wastage of materials due to demolition of the unplanned component of the house can be avoided.

(vii) Each component of the house shall be checked whether it’s necessary, if it is not necessary, then that component should not be used.

2.8.3 Cost reduction through ADHOC methods

Foundation

Normally the foundation cost comes to about 10 to 15% of the total building and usually foundation depth of 3 to 4 ft. is adopted for single or double store building and also the concrete bed of 6” (15 cms.) is used for the foundation which could be avoided.

It is recommended to adopt a foundation depth of 2 ft. (0.6m) for normal soil like gravely soil, red soils etc., and use the uncoursed rubble masonry with the bond stones and good packing. Similarly the foundation width is rationalized to 2 ft.(0.6m). To avoid cracks formation in foundation the masonry shall be thoroughly packed with cement mortar of 1:8 boulders and bond stones at regular intervals.
It is further suggested adopt arch foundation in ordinary soil for effecting reduction in construction cost up to 40%. This kind of foundation will help in bridging the loose pockets of soil which occurs along the foundation. In the case black cotton and other soft soils it is recommend to use under ream pile foundation which saves about 20 to 25% in cost over the conventional method of construction.

**Plinth**

It is suggested to adopt 1 ft. height above ground level for the plinth and may be constructed with a cement mortar of 1:6. The plinth slab of 4 to 6” which is normally adopted can be avoided and in its place brick on edge can be used for reducing the cost. By adopting this procedure the cost of plinth foundation can be reduced by about 35 to 50%. It is necessary to take precaution of providing impervious blanket like concrete slabs or stone slabs all round the building for enabling to reduce erosion of soil and thereby avoiding exposure of foundation surface and crack formation.

**Walling**

Wall thickness of 6 to 9” is recommended for adoption in the construction of walls all-round the building and 41/2 ” for inside walls. It is suggested to use burnt bricks which are immersed in water for 24 hours and then shall be used for the walls.

**Rat – trap bond wall**

It is a cavity wall construction with added advantage of thermal comfort and reduction in the quantity of bricks required for masonry work. By adopting this method of bonding of brick masonry compared to traditional English or Flemish bond masonry, it is possible to reduce in the material cost of bricks by 25% and about 10 to 15% in the masonry cost. By adopting rat-trap bond method one can create aesthetically pleasing wall surface and plastering can be avoided.

**Concrete block walling**

In view of high energy consumption by burnt brick it is suggested to use concrete block (block hollow and solid) which consumes about only 1/3 of the energy of the burnt bricks in its production. By using concrete block masonry the wall thickness
can be reduced from 20 cms to 15 cms. Concrete block masonry saves mortar consumption, speedy construction of wall resulting in higher output of labour, plastering can be avoided thereby an overall saving of 10 to 25% can be achieved.

**Soil cement block technology**
It is an alternative method of construction of walls using soil cement blocks in place of burnt bricks masonry. It is an energy efficient method of construction where soil mixed with 5% and above cement and pressed in hand operated machine and cured well and then used in the masonry. This masonry doesn’t require plastering on both sides of the wall. The overall economy that could be achieved with the soil cement technology is about 15 to 20% compared to conventional method of construction.

**Doors and windows**
It is suggested not to use wood for doors and windows and in its place concrete or steel section frames shall be used for achieving saving in cost up to 30 to 40%. Similiarly for shutters commercially available block boards, fibre or wooden practical boards etc., shall be used for reducing the cost by about 25%. By adopting brick jelly work and precast components effective ventilation could be provided to the building and also the construction cost could be saved up to 50% over the window components.

**Lintals and Chajjas**
The traditional R.C.C. lintels which are costly can be replaced by brick arches for small spans and save construction cost up to 30 to 40% over the traditional method of construction. By adopting arches of different shapes a good architectural pleasing appearance can be given to the external wall surfaces of the brick masonry.

**Roofing**
Normally 5” (12.5 cms) thick R.C.C. slabs is used for roofing of residential buildings. By adopting rationally designed insitu construction practices like filler slab and precast elements the construction cost of roofing can be reduced by about 20 to 25%.
**Filler slabs**
They are normal RCC slabs where bottom half (tension) concrete portions are replaced by filler materials such as bricks, tiles, cellular concrete blocks, etc. These filler materials are so placed as not to compromise structural strength, result in replacing unwanted and nonfunctional tension concrete, thus resulting in economy. These are safe, sound and provide aesthetically pleasing pattern ceilings and also need no plaster.

**Jack arch roof/floor**
They are easy to construct, save on cement and steel, are more appropriate in hot climates. These can be constructed using compressed earth blocks also as alternative to bricks for further economy.

**Ferro cement channel/shell unit**
Provide an economic solution to RCC slab by providing 30 to 40% cost reduction on floor/roof unit over RCC slabs without compromising the strength. These being precast, constructions are speedy, economical due to avoidance of shuttering and facilitate quality control.

**Finishing Work**
The cost of finishing items like sanitary, electricity, painting etc., varies depending upon the type and quality of products used in the building and its cost reduction is left to the individual choice and liking.

The above list for reducing construction cost is of general nature and it varies depending upon the nature of the building to be constructed, budget of the owner, geographical location where the house is to be constructed, availability of the building material, good construction management practices etc. However it is necessary that good planning and design methods shall be adopted by utilizing the services of an experienced engineer or an architect for supervising the work, thereby achieving overall cost effectiveness to the extent of 25% in actual practice. (http: www. engineering Civil.com).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
Research Methodology defines the actual ways and activities performed by researcher in the course of implementing the conceptual framework of the research problem (Saunders et al, 2003). This section therefore will discuss the research design, research strategy, and area of study, study population, sampling design, sample selection methods, data collection methods and data analysis methods.

3.2 Area of the study
The area where data has been collected. With regard to the number of real Estate developers in Tanzania, non-probability purposive sampling basing on informed judgment was used to select National Housing Corporation (NHC). To be the area of study. NHC was chosen with the reason that a qualitative research work can be done fruitfully with very small bodies of data that have not been randomly assembled.

(Silverman,2000). According to Saunders et al (2003) purposive or judgmental sampling enables the user of judgement to select cases that will best enable to answer research questions and meet research objectives. This form of sample was often used when working with very small samples such as in case study research and when selecting cases that were particularly informative. The logic on which to base strategy for selecting cases for a purposive sample should be dependent on research questions and objectives. There was a need to select information – reach cases in purposive sampling with the need to be statistically representative in probability sampling.

3.3 Research Design
Kothari (1990:39) defines research design as a conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data.
In this study, both quantitative and qualitative research approaches were adopted to investigate the problem at hand. Quantitative approach were assisted the researcher to gather factual data and to study relationship with theories and the findings of any research executed previously. On the other hand, qualitative approach has been adopted to gain insight and to understand people’s perceptions on the problem whether as individuals or groups. The beliefs, understanding, opinions, views etc. of people were investigated and data gathered was analyzed from their raw form, detailed and hence enrich in content and scope.

3.4 Research Strategy

Research strategy was a general plan on how the researcher will go about answering the research questions that have been set by the researcher.

A case study strategy was selected as being more appropriate for the in-depth study of the problem being investigated. Naoum (1998) underscores that case studies were used when the researcher intends to support his/her argument by an in-depth analysis of a person, a group of persons, an organization a process or particular project. Yin (1994). Underlines that case study was preferred strategy when ‘how’ and ‘why’ questions were poised. In addition, case study strategy allows the researcher to use a mixture of data collections methods: personal observation, survey, straightforward interviewing, and the tracing and study of relevant documents etc.

In exploring the challenges facing real estate developers in financing Low cost housing, National Housing Corporation (NHC) will be selected because it was a good representative of real Estate Developers in Tanzania and it was a leading Corporation in real Estate sector in the country.

3.5 Research purpose

The purpose of the research was mainly exploratory, descriptive and explanatory. It was exploratory in nature since it explores the relationship based on the previous theory to develop a better understanding about the research area. It was descriptive because descriptive data were collected through detailed interviews and it was also explanatory since the research was explaining the relationship in variables.
3.6 Populations

The study population consists of the National Housing Corporation staffs particularly normal staffs and management staffs that found in Dar es salaam region.

3.7 Sampling Design

Sampling is the selection of a part to represent the whole. Sampling design therefore is definite plan for obtaining a sample from a given population (Kothari, 1990). In this study a sample of 40 respondents will be drawn from four NHC branches all are based in Dar es Salaam (Upanga, Ilala, Temeke and Kinondoni) and eight head office’s Directorates. This sample includes 20 normal-staff and 20 management staffs.

3.7.1 Sampling Methods

In this study, both probability and non-probability sampling will be used to determine the sampling methods and the sample size. Where there will be a sampling frame, probability sampling methods and the sample will be adopted whereas in the absence of sampling frame, non-probability sampling will be used. Under probability sampling, questionnaires will be administered randomly but in a systematic manner. On the other hand, purposive samplings will be used for non-probability sampling.

3.7.2 Sample size

The researcher had purposely obtained a sample size of 40 NHC Staffs, this will cover 25 male staffs and 15 female staffs as shown in the table 3.1 below

<table>
<thead>
<tr>
<th></th>
<th>NHC staffs</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>62.5</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>37.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field work, 2013.
3.8 **Methods of data collection**
The researcher will use questionnaires, interviews, observation and document review to collect data. The secondary data will be obtained from NHC’s branches based in Dar es Salaam region and Head office.

3.8.1 **Interview**
The researcher is expecting to interview respondents in order to obtain information on the Challenges facing real Estate developers in financing Low cost housing. The structured and unstructured interviews will be carried either face to face or by telephone.

3.8.2 **Questionnaires**
The researcher is expecting to distribute the questionnaires, which will be personally administered, sent through the mail, or electronically administered.

3.8.3 **Observation**
The researcher is expecting to observe the individuals and events. The researcher expects to observe natural work environment and activities behaviors of National Housing Corporation and its agencies towards performance.

Statement made, meeting conducted, facial expression, layout, work flow pattern will be observed. Non-participation observation will help to comprehend complex issues through direct observation (either as a participant or a non-participant- observer) and then if possible asking questions to seek clarifications on certain issues.

3.9 **Data collection instrument**
The researcher is expecting to use both primary and secondary data. Expected sources of primary data will be individuals and focus group. The expected secondary sources were Agency records or archives, Government publications, industry analyses offered by the media, web sites and Internet. Also environment or particular settings and events are expected to be source of data (Sekaran, 2005).
3.9.1 Primary data

Individuals: The researcher expects to conduct interview with individuals, administer questionnaires and do the observation.

Focus group: The researcher expects to have focus group of 5 to 8 members with the aim of getting genuine opinions, ideas and feelings of member about performance and deliveries of Agency and its effect.

3.9.2 Secondary data

Books and Periodicals, government publications of economic indicators, Bank of Tanzania Reports, census data, statistical abstract, the media annual reports and other archival research and speeches delivered by various leaders will be used.

3.9.3 Data Analysis

According to Yin (2003:109), data analysis consists examining, categorizing, tabulating, testing, or otherwise combining both quantitative and qualitative evidence to address the initial propositions of the study. In line with this, analysis of qualitative data in this study based on the examination and categorization of the collected evidence in accordance with the structured themes of the phenomenon being studied. The qualitative approach was used to analysis evidence that were obtained from the field. The process involved checking all questionnaires to see whether they contained the required information. Then these answers were sorted and categorized according to their meanings. The categorized answers were then interpreted accordingly.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction
This chapter gives an outline of the research finding and a discussion of the various responses gathered from the questionnaire, interview, observation and documentation. It is structured following the research objectives format. The research objectives was divided into two sections A and B. Section A was used to collect information on the challenges facing real estate developers on financing low cost Housing. Section B addressed the ways/solutions of overcoming those challenges and gives general descriptive statements on public perception on services provided by NHC concerning to low cost housing. Also it included a question on the challenges encountered while venturing into the low income market. General comments from the respondents regarding the research subject were also considered.

4.2 General description of the Respondents
This part is divided in to three sections, the general respondents’ participation, and age range of the respondents and level of education of the respondents.

4.2.1 The Respondents Participation
This research have a sample size of 40 respondents, where by the number of respondents were32 where by 20 were male and 12 were female. This number consisted the normal staffs as well as management staffs. This indicates that 50% of respondents were male while 30% of respondents were female and rest 20% of respondents did not respond at all which consists of 12.5% male and 7.5% were female, Therefore 80% of expected respondents responded and 20% of the expected respondents did not respond as shown on the table 4.1.
Table 4.1: Indicate the Respondents Participation

<table>
<thead>
<tr>
<th></th>
<th>NHC staffs</th>
<th>percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male responded</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Female responded</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>Male not responded</td>
<td>5</td>
<td>12.5</td>
</tr>
<tr>
<td>Female not responded</td>
<td>3</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data, 2013.

Age range of respondents

According to data collected from findings shows that, age were as follows; respondents with less than 30 years were 21.875%, respondents with age 30 to less than 40 years old were 43.75%, respondents with 40 years to less than 50 years were 21.875% and the rest 12.5% of the respondents were age 50 years and above, See table 4.2.

Table 4.2: Indicates Age Range of Respondents

<table>
<thead>
<tr>
<th>Age range of respondents</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 years</td>
<td>7</td>
<td>21.875</td>
</tr>
<tr>
<td>30 to less than 40 years</td>
<td>14</td>
<td>43.75</td>
</tr>
<tr>
<td>40 to less than 50 years</td>
<td>7</td>
<td>21.875</td>
</tr>
<tr>
<td>50 years and above</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data, 2013.
4.2.2 The Level of Education of Respondents

From the sample size, the level of education of the respondents were as follow: respondents with secondary education level were 3%, respondents with diploma were 6%, respondents with degree were 82%, professionals were 28% and others were 0%. As shown on the table 4.2.

Table 4.2: Indicate the Level of Education of Respondents

<table>
<thead>
<tr>
<th>The level of education of respondents</th>
<th>Frequency</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid secondary school</td>
<td>1</td>
<td>3.125</td>
</tr>
<tr>
<td>Diploma</td>
<td>2</td>
<td>6.25</td>
</tr>
<tr>
<td>Degree</td>
<td>20</td>
<td>82.03125</td>
</tr>
<tr>
<td>Professional</td>
<td>9</td>
<td>28.125</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: field data, 2013.

4.3 The Challenges Facing Real Estate Developers on Financing Low Cost Housing.

The challenges that hinder the real estate developers in concentrating to the development of low costs housing in Tanzania have been outlined as follows

4.3.1 Source of Funds in Financing the Project

NHC lack sources of fund and capital to support their projects since they don’t have assurance from the government and other donors such as Bank of Tanzania and World Bank, other bank institutes and microfinance institutions.
According to finding from respondents the following factors were the key issues for factors hinder real estate developers on financing low cost housing.

(i) **Loans and Aids**
Thus according to respondents from finding, NHC facing the financial problem such as loans and Aids from both local and international agencies in financing low cost housing projects.

(ii) **Government support financially**
Since commercialization of National Housing Corporation, the government has been withdrawn from financing various projects undertaken by NHC.

(iii) **High interest rates**
Thus due to respondents from findings, data shows that, the interest rates imposed by Tanzania Revenue Authority e.g. VAT and financial institutions like loans, bonds and securities are too high.

(iv) **Lack of housing microfinance institutions**
Results from respondents shows Tanzania lacks microfinance institutions which deal with housing investment.

(v) **Mortgage barriers**
Regulations regarding financing NHC in low housing projects by the financial institutions and other agencies and investors are one of the barriers since the government has been withdrawn from financing various projects

(vi) **Low Financial capability of NHC.**
Due to data from respondents, result shows that financial capability of NHC is low since government does not assist anymore, which forces the corporation to operates commercially while using funds from banks and depends on rent from its customers and revenues.
(vii) **Economic situation of the country**

As a result of economic situation of the country, e.g. inflation rate which resulted to increase in various construction inputs and fall of purchasing power of the people which leads to fail in renting and buying various buildings from NHC.

4.3.2 **Construction Cost and Availability of Materials**

The construction cost have been mentioned as one among of the factors that hinder real estate developers in financing low cost housing the table 4.3 and table 4.4 below shows the estimated cost of construction on the targeted 13 areas of projects. The average cost of construction per unit is Tzs.32,884,862.64.

**Table 4.3: Indicates NHC Budgeted Costs for 2012/13, Affordable Housing Projects**

<table>
<thead>
<tr>
<th>S</th>
<th>Location</th>
<th>Cost of construction per unit</th>
<th>Number of units</th>
<th>Total Cost of construction TZS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BABATI</td>
<td>32,687,500</td>
<td>40</td>
<td>1,307,500,000.00</td>
</tr>
<tr>
<td>2</td>
<td>MVOMERO</td>
<td>32,435,714</td>
<td>70</td>
<td>2,270,500,000.00</td>
</tr>
<tr>
<td>3</td>
<td>RUANGWA</td>
<td>32,677,500</td>
<td>40</td>
<td>1,307,100,000.00</td>
</tr>
<tr>
<td>4</td>
<td>SUMBAWANGA</td>
<td>32,687,500</td>
<td>40</td>
<td>1,307,500,000.00</td>
</tr>
<tr>
<td>5</td>
<td>RUVUMA</td>
<td>32,687,500</td>
<td>40</td>
<td>1,307,100,000.00</td>
</tr>
<tr>
<td>6</td>
<td>MPANDA</td>
<td>32,677,500</td>
<td>40</td>
<td>1,307,500,000.00</td>
</tr>
<tr>
<td>7</td>
<td>KONGWA</td>
<td>32,687,500</td>
<td>40</td>
<td>1,307,500,000.00</td>
</tr>
<tr>
<td>8</td>
<td>MKINGA</td>
<td>33,255,000</td>
<td>20</td>
<td>665,100,000.00</td>
</tr>
<tr>
<td>9</td>
<td>NJOMBE</td>
<td>32,687,500</td>
<td>40</td>
<td>1,307,500,000.00</td>
</tr>
<tr>
<td>10</td>
<td>MAKAMBAKO</td>
<td>33,255,000</td>
<td>20</td>
<td>665,100,000.00</td>
</tr>
<tr>
<td>11</td>
<td>MULEBA</td>
<td>33,255,000</td>
<td>20</td>
<td>665,100,000.00</td>
</tr>
<tr>
<td>12</td>
<td>LONGIDO</td>
<td>33,255,000</td>
<td>20</td>
<td>665,100,000.00</td>
</tr>
<tr>
<td>13</td>
<td>UYUI</td>
<td>33,255,000</td>
<td>20</td>
<td>665,100,000.00</td>
</tr>
<tr>
<td>14</td>
<td>Total</td>
<td>32,767,667</td>
<td>450</td>
<td>14,745,450,000</td>
</tr>
</tbody>
</table>

Note the estimate is construction of houses only and is subject to utilities cost, profit and taxes. Source of data NHC projects Development Department.
Table 4.4: The Table Shows Other Cost on Low Cost Housing Construction Per Unit

<table>
<thead>
<tr>
<th>Details</th>
<th>Cost in percentages</th>
<th>Cost in Tzs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingency</td>
<td>3</td>
<td>1,052,471.99</td>
</tr>
<tr>
<td>Consultancy fees</td>
<td>2</td>
<td>701,648.00</td>
</tr>
<tr>
<td>Legal fees</td>
<td>1</td>
<td>350,824.00</td>
</tr>
<tr>
<td>Overheads</td>
<td>2</td>
<td>701,648.00</td>
</tr>
<tr>
<td>Sales and marketing cost</td>
<td>1</td>
<td>350,824.00</td>
</tr>
<tr>
<td>Project markup</td>
<td>15</td>
<td>3,456,837.98</td>
</tr>
<tr>
<td>Land cost per unit</td>
<td>-</td>
<td>768,145.80</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td></td>
<td><strong>7,382,399.76</strong></td>
</tr>
</tbody>
</table>

Source of data: NHC projects Development Department, 2012/2013.

(i) **Cost of land and land bank**
Result shows that in Tanzania cost of owning land is too high especially urban areas where high density plots in squatter areas range from Tshs 5 million and above for one plot. The availability of land is also a challenge especially reserved areas for low cost housing construction since this project need large area for building a resident area. For NHC low cost housing projects estimated cost per unit is equal to Tzs. 768,145.80

(ii) **High cost of raw material**
From finding, data shows that construction materials for resident were challenges which hinder real estate developers in financing low cost housing, e.g. high cost in importing construction equipment and high cost of building materials.

(iii) **Poor quality of construction material**
The construction materials which were easily to get are of low quality which will cause in a long run a problem, the low cost houses need high quality materials at cheap cost in order to facilitate sustainable buildings for residence.
(iv) **Lack of manpower and technology**
Expertise and skilled labor in resource allocation, planning, analyzing and evaluation of the projects like low cost housing is also a challenge to NHC, and also technological backwardness and exposure are also the factors hinder in financing on low cost housing.

(v) **High tax rate**
High tax rate imposed to the building materials make the projects to be very expensive during implementation which leads for high selling price of low cost houses. The table 4.5 below shows how tax affects the selling price.

<table>
<thead>
<tr>
<th></th>
<th>Two Bed Rooms</th>
<th>Three Bed Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Costs per Unit</strong></td>
<td>41,013,332.01</td>
<td>48,065,398.15</td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td>7,382,399.76</td>
<td>8,651,771.67</td>
</tr>
<tr>
<td><strong>Total Selling Price</strong></td>
<td><strong>48,395,731.77</strong></td>
<td><strong>56,717,169.81</strong></td>
</tr>
</tbody>
</table>

*Source of Data: NHC Projects Development Department, 2012/2013.*

(vi) **Low profit margin.**
Earning low income from those houses is not equivalent to the cost incur in building which leads to low profit margin. This leads for National Housing Corporation not to fulfill its objective at a time and to meet the needs of all citizens in general since low profit margin does not encourage in running the business.

**4.2.1 Poor Infrastructure**
The data shows that infrastructure is the key challenge to the real estate developers to finance in low cost housing, e.g. no enough support from other authorities like DAWASCO, TANESCO, TTCL and TANROAD to supply those basic human needs to project areas.
4.2.2 Government policies
As a result from respondents depict that there many problems concerning government policies such as, the government intervention in location for construction, unfavorable government policy such as tax, Tanzania had no settlement policy for many years hence poor urban planning, misses integration among policies which leads to conflict among stakeholders.

4.2.3 Poverty
From findings result shows most of the Tanzania are poor and live below national poverty line, 35.7%, low earning levels for house seekers and the meaning of low cost housing is the challenge since there is no definition of it, poverty among targeted customers, it’s very hard to know exactly who are the real need of these low cost housing and also lack of financing for the end buyers (low income earner).

Figure 4.1: Pyramid Indicates Level of Poverty in Tanzania

Source; Center for Affordable Housing in Africa, 2011
4.2.4 Poor Urban Planning and Allocation
According to data from findings shows that most parts of Dar es Salaam are unplanned, people build their house without proper planning and allocation hence leads to NHC failed to allocate and classify buildings accordingly.

4.2.5 Support from Other Authorities
From findings, data shows that NHC lack support from other authorities such as TANESCO, DAWASCO and TANROAD in implementation of the project hence hinder in real estate developers in financing low cost housing

4.2.6 Political will
Results shows in Tanzania people are complaining on political influence on implementing various projects including low cost housing. Also some respondents argued on conflicts among stakeholders to be individual interests.

4.2.7 Competitors Influence
From findings results shows that NHC face competition from other organization that deals with housing sector, the mention to be stiff competitor are social security services providers like NSSF, LAPF and PPF.

4.3 Nature of Challenge that have Affected National Housing Corporation are

\textit{Economically}

(i) Small budget from government
(ii) Funding
(iii) Ability of citizen to qualify for house loan
(iv) Promptly paying of rent by tenants
(v) Cost of building material
(vi) Taxation
(vii) Inflation
(viii) Poverty
Socially
(i) Poor management
(ii) Corruption
(iii) High population rate
(iv) Lack of public information and awareness
(v) Non motivated workers/staffs
(vi) Low salary rate for staff
(vii) Increase in land demand

Politically
(i) Bureaucracy
(ii) Poor leadership
(iii) Interference from central government
(iv) Rule, policy and regulation
(v) Most of big tenants are government ministries

Science and technology
(i) Construction standard
(ii) Man power
(iii) Low quality of construction companies
(iv) Technological equipment.

4.4 The Ways/Solutions of Overcoming those Challenges
This part examines the ways/solutions of overcoming the challenges which faces real estate developers from developing low cost housing.

4.4.1 Land Ownership and Management Regulation
Improving house allocation, improve relationship with tenants and also land banking, to maintain good relationship with building material supplies, NHC should own construction equipment of itself,
4.4.2 Tax Regulations on Construction Materials
Set VAT exemption when selling NHC new houses, financing regulation on VAT on construction material

4.4.3 Mortgage Financing
Regulations regarding financing NHC in low housing projects by the financial institutions and other agencies and investors should change so that can facilitate in financing and construction of low cost houses and government should subsidize NHC in order to achieve their vision and mission of providing sustainable house to low income earner.

4.4.4 Policy, Rules and Regulation
Government should subsidize the real estate sector particularly to the low cost housing projects so as to enable production and provision of low income housing, government should not interfere the NHC operation, provision of necessary infrastructural building construction Act and regulations e.g. unit title act 2008, NHC act no.2 1990, and mortgage finance act of 2008.
CHAPTER FIVE

DISCUSSION OF FINDINGS

This research study look forward to achieve the objectives of identifying the challenges faced by housing developers in financing low cost housing, from the discussion of the research findings this objectives have been achieved. This chapter will attempt in giving discussion of finding on the matter forward.

5.1 The challenges that face real Estate developers on financing low cost Housing

This part the researcher discuss the findings from the study, here the challenges which faces real estate developers from developing low cost housing.

5.1.1 Source of funds in financing the project

NHC lack sources of fund and capital to support their projects since they don’t have assurance from the government and other donors such as Bank of Tanzania and World Bank, other bank institutions and microfinance institutions. According to finding from respondents the following factors were the key issues for factors that hinder real estate developers on financing low cost housing.

5.1.2 Loans and Aids

NHC is facing the financial problem such as loans and Aids from both local and international agencies in financing low cost housing projects. Financial aids’ rules, regulation and condition are the challenge to NHC, source of long term loans, condition and criteria are the challenge since interest rate is too high. This is due to the fact that low cost housing project takes time in implementation and the targeted group does not have idea about services NHC provides and income per capita of the low income earner is not direct proportion to the cost to the housing rent NHC offered and also affordability in buying housing.
5.1.3 Government support financially
The role of government in low income housing is pivotal and national leaders have a legal and social contract to provide services in return for political support. Despite this, Tanzania government is unable to meet these needs because of administrative, financial, and institutional weakness coupled with poor planning and rapid population growth. There is the assertion that lack of sufficient funds is one of the main reasons for the poor housing conditions in urban cities and available national funds are competed for by various sectors of the economy. From the period of commercialization of National Housing Corporation, the Tanzania government has been withdrawn from financing various projects undertaken by NHC as a result NHC suffers from financing of low cost housing due to inadequate of financial capital that can facilitate the construction of affordable houses.

5.1.4 High interest rate
The interest rates imposed by Bank of Tanzania and commercial banks for borrowing interest rates are too high hence leads for real estate developers to concentrate on clients with middle and high income earning since they can afford rental cost and buying price of the buildings. High interest rate on bonds and security is also a challenge to NHC as one among of real estate developers in view of the fact that it hinder the implementation of the projects like this of low cost housing, price fluctuation is also challenge due to the fact that it affect purchasing of raw materials and other building input.

5.1.5 Lack of housing microfinance institutions
In Tanzania there is no any microfinance institutions which deals with housing investment, compare to other countries housing microfinance institutions are acting as a middlemen between National Housing Corporation and customers, microfinance institutions provide loans, security and association between NHC and their clients hence facilitate the provision of affordable house to all level of income earners. Due to lack of housing microfinance institutions in Tanzania, NHC lack support for the projects and construction of low cost housing as results most of the citizen does not have extra source of funds for rent or buying of the buildings for residential purposes.
This leads for real estate developers to fail in financing low cost housing projects in Tanzania since clients lack source of funds in incurring cost of renting and buying buildings.

5.1.6 Mortgage barriers
Cost of finance: the cost of financing housing development, both long and short term has been increasing at a very high rate. This has in turn affected the price of housing development. The cost of borrowing long term mortgage loans has also gone too high for the low and middle income earners. Regulations regarding financing NHC in low housing projects by the financial institutions and other agencies and investors are one of the barriers since the government has been withdrawn from financing various projects.

5.1.7 Low Financial capability of NHC
Real estate development project is a project which needs a huge capital in investing in this particular project. To run low cost housing project in Tanzania it need time and funds from different sources such as financial institutions stakeholders, non government organizations and government in general. Financial capability of NHC is low since government does not assist anymore, which forces the corporation to operate commercially while using funds from banks and depends on rent from its customers and revenues from house selling. And also form of collecting income from their clients is a challenge due to the fact that the organization is already failed to meet target due to various issues like corruption.

5.1.8 Economic situation of the country
The economy of the country depends on donors and aids as a source of fund to facilitate the national budget, the delaying of funds limits the implementation of various projects in Tanzania. Thus this is the key factor hinder the government to support real estate developers in financing low cost housing projects since government is the biggest stakeholder in financing NHC. Also the shaking of the world economy leads for NHC donors and Aids provider to fail in providing financial support to real estate developers in financing low cost housing. High
Inflation rate in the country also contribute in hindering the financing of low cost housing which resulted to increase in price of various construction inputs and fall of purchasing power of the people which leads to fail in renting and buying various buildings from NHC.

5.1.9 Construction cost and availability of materials
The construction cost in Tanzania is too high as results of high tax rate on construction inputs, this is due to the fact that there is a lack of qualified construction companies which leads for hiring of construction companies from outside the country which is too cost fully, most of construction materials are imported from outside the country, equipment and technology hence leads for high construction cost. The availability of material for building construction is a problem in a country which leads for importation of material from other countries such as South Africa, Turkey, Spain and China hence scarcity of raw materials. In order to serve people with different ability to pay hence NHC forcing the success of construction of low cost housing to be based mostly on low cost building materials.

5.1.10 Cost of land and land bank
Land for housing development: availability of suitable land at an affordable price in the urban areas has been a major challenge in addressing housing for the low and middle income earners. The implication of the high cost of land is that the prices of houses have increased significantly. NHC now days focuses on high cost housing projects in order to ensure on pay back of such houses due to fact that many high cost houses are needed for commercial bases like offices, shops and residence for those who can pay a lot of money. Also the issue of inadequate land reserve for construction purposes have tuned mind of NHC to concentrate on few projects but profitable rather than serving large population.

5.1.11 Poor quality of construction material
In Tanzania many real estate developers have been complaining on the quality of raw materials imported from other countries especially Asian countries like China, India and Singapore. These inputs include electrical inputs such as socket blacker, main
switches, lamp holders and tube lights to be in low standards. Also finishing materials for long time have been a challenge this affects a housing sector at large. These have been influenced by lack of research that geared towards providing durable low cost building materials. NHC have been struggling to get such materials in order to be able to fulfill its mission to provide affordable housing for the low income group.

But many contractors go for these construction materials which are easily to get but low quality materials cause a long run problem, therefore many real estate developers need high quality materials at cheap cost in order to facilitate demand for sustainable buildings for majority Tanzanians. Also the problem of poor quality of construction materials have been facilitated by lack of commitment of organizations which are dealing with inspection (Tanzania bureau of standards ) on standards of both domestic manufactured products and imported one.

5.1.12 Lack of manpower and technology
In Tanzania there is inadequate of professional on construction, architecture and town planners which hinder on facilitating construction sectors such as housing projects. This leads for hiring of experts from other countries which is too expensive hence hinders real estate developers in financing in low cost housing projects. Poor technology which leads to employ from advanced countries which is too expensive hence hinder NHC to get fund in financing low cost housing projects. Thus, Expertise and skilled labor in resource allocation, planning, analyzing and evaluation of the projects like low cost housing is also a challenge, and also technological backwardness and exposure are also the factors that hinder in financing of low cost housing.

5.1.13 High tax rate
High tariff rate such as VAT, custom duty, and import tax imposed on construction and building materials is the key challenges which hinder the implementation of low cost housing project by the real estate developers. High tax rate imposed to the building materials make the projects to be very expensive during implementation
hence real estate developers facing challenges in financing low cost housing project since this project need high quality building construction at low cost.

5.1.14 Low profit margin
Profit margin is the measurement which show the relationship between costs incur and profit generated from investment. Obvious any investment with low profit margin is not advisable to inject capital since entrepreneur is a profit maker and not service lender. Low housing project is the project which consume a lot of time and capital since it deals with large population which are low income earners. This means this project will generate small profit since the targeted group of customers is of low income. Earning low income from those houses is not equivalent to the cost incur in building which leads to low profit margin. This leads for National Housing Corporation not to fulfill its objective in time and to meet the needs all citizen in general since low profit margin does not courage in running the business.

5.1.15 Poor infrastructure
Given the likely scale and location of any low income housing development, embedded infrastructure such as water, sewerage, roads, electricity, social services and security are a vital component of housing provision and are fundamental to the success of any housing scheme. These in turn, will greatly improve the people’s economic capacities, health and quality of life in general. But in Tanzania these infrastructure is the key challenge to the real estate developers to finance in low cost housing, e.g. no enough support from other authorities like DAWASCO, TANESCO, TTCL and TANROAD to supply those basic human needs to project areas. For example at Kibada site NHC were forced to drill wells in order to help site engineers to undertake construction activities, these have been acting as drawback for many real estate developers see figure 1.0 and figure 2.0. Also due to poor road infrastructures NHC are forced to put passable road to the site areas, this have been caused by lack of support from TANROAD. The issue of electric power supply has been detrimental for many years due to fact that TANESCO have been reluctant on supporting real estate developers as a result many cost undertaken on purchasing solar panels.
Figure 5.1: Picture shows people drilling for water at NHC site (Kibada Area)

Source: Field Data, 2013.
Figure 5.2: Picture shows NHC houses, road constructed and solar panel (Kibada Area)

Source: field data, 2013.

5.1.16 Government policies

Government made policies which are not interrelated as a result of many conflicts among stake holders. For many years Tanzania lack housing and settlement policy as results to loose of focus on NHC housing projects. Also there other problems concerning government policies such as, the government intervention in location for construction, unfavorable government policy such as tax, Tanzania had no settlement policy for many years hence poor urban planning, misses integration among policies which leads to conflict among stakeholders. Tanzania government should also play a role in helping potential majority poorer Tanzanians to get low cost houses for betterment of society, but it surely will require some difficult decisions of its own with available resources without depending on developed countries.

5.1.17 Poverty

Low purchasing power for many Tanzanians. The increase in poverty levels in the country has adversely affected affordability of houses, most of the Tanzania are poor and live under 1$, low earning levels for house seekers and the meaning of low cost
housing is the challenge since there is no definition of it, poverty among targeted customers, it’s very hard to know exactly who are the real need of these low cost housing and also lack of financing for the end buyers (low income earner). Many tenants cannot rent NHC houses due to fact that are not able to afford prices in relation to other family responsibility like paying school fees for their children, supporting relatives and other basic human needs see figure 3.0.

**Figure 5.3:** Picture Show Living Standard of Low Income Earners

![Picture Show Living Standard of Low Income Earners](image)

*Source: picture from field, 2013.*

**5.1.18 Poor urban planning and allocation**

The government role are, took up the role of housing supplier by controlling planning, land allocation, and development and maintaining housing estates, through the National Housing Corporation (NHC). The NHC is charged with the responsibility of providing subsidized housing and implementing government
housing policies and programs through tenant purchase, mortgages, rental at both rural urban areas. But most parts of Dar es Salaam are unplanned, people build their house without proper planning and allocation hence leads to NHC failed to allocate and classify buildings accordingly.

5.1.19 Support from other authorities

If NHC is co-operating fully with other authorities in planning of any project they will achieve their goals accordingly such as TANESCO, TANROAD, TRA and DAWASCO, due to lack of support from other authorities National Housing corporation fail to provide service accordingly, thus in real estate developers such as NHC facing challenge in financing low cost housing since this particular project need large capital to implement since this project need supply of water, electricity and transportation network in providing service to a particular project, also in a case of cost of construction and building material TRA should reduce tax rate like VAT and other tariff so as to encourage the real estate developers to invest in housing construction due to low cost which will be the outcome of low tax rate in importation of construction material. If other authorities could co-operate with real estate developers could facilitate the low housing project due to the fact that will cut down cost of running this particular project. Data shows that NHC lack support from other authorities in implementation of the project hence hinder in real estate developers in financing low cost housing

5.1.20 Political will

The role of politics in economic development plan is the factors that hinder the development of many sectors in Tanzania. Politics and economics are two separate components for national development, since politics is more powerful in decision making than other sectors in management and decision making hence hinder the development of social-economic sectors in the country. The complaining on political influence in implementation of various projects including low cost housing hence leads challenges to real estate developers in financing low cost housing project in the country. Also some respondents argued on conflicts among stakeholders to be individual interests.
5.1.21 Competitors influence

In Tanzania there are different investors such as individual people, organizations and corporation who dealing with housing project and business. This means there is no authority which has power, rules and regulation in dealing with housing and residents sector hence leads for poor town planning and urbanization. Thus, NHC face competition from other organization that deals with housing sector, the stiff competitor are social security services providers like NSSF, LAPF and PPF as a result the real estate developers facing challenges in financing low cost housing in Tanzania.

5.2 The Ways/Solutions of Overcoming Those Challenges

This part summarizes the findings on how to overcome the challenges that hinder the real estate developers from developing low cost housing.

5.2.1 Authority dealing with housing and residence

Authority which has power, rules and regulation in dealing with housing and residential sector will reduce poor town planning especially in urban areas. Also many respondent argued on provision of security and legal right of residents to their clients without any interference, this will easily the real estate developers to finance in construction of low housing cost projects since they will know who are their clients and what particular service they have to provide so as to satisfy them and work with high marginal profit. One real estate manager from NHC said that “we need to have clear strategies which will help NHC to reach were we want to go, personal interests should be avoided in National Agendas”. Therefore it seems there are interference in various issues related to NHC housing projects by authorities who have their own interests rather than public.

5.2.2 To set form of limitation of power between political and socio-economic sectors

During interview with some staffs from NHC on addressing way forward to solve those outlined challenges, a town planner complaining on people who have political influence intervening in their projects especially low cost housing. Many politicians
promise on use NHC as platform of addressing public matters while no implementation on it. Also the role of politics in economic development plan is the factors that hinder the development of many sectors in Tanzania. Politics and socio-economic sectors have to separate for national development in order to delegate power to socio-economic sectors so that they can stand on decision making and implementation.

Due to political power in decision making and management level hinder the development of social-economic sectors in the country. The complaining on political influence in implementation of various projects including low cost housing hence leads challenges to real estate developers in financing low cost housing project in the country and conflicts among stakeholders to be individual interests.

5.2.3 Support from other authorities
From NHC staffs they complain on lack of coordination among relevant housing stakeholders to pull up various projects initiated by NHC and other real estate developer. At Dar es salaam there is need to channel new town center were low cost housing projects can be implemented. NHC need to be co-operated with other authorities such as TANESCO, TANROAD, TRA and DAWASCO in planning of any project, hence they will achieve their goals accordingly.

Thus, the real estate developers such as NHC facing challenge in financing low cost housing since this particular project need large capital to implement a particular project need supply of water, electricity and transportation network system in providing service to a particular project, also in a case of cost of construction and building material TRA should reduce tax rate like VAT and other tariff so as to encourage the real estate developers to invest in housing construction due to low cost which will be the outcome of low tax rate in importation of construction material. Once other authorities could co-operate with real estate developers will facilitate the low housing project due to the fact that will cut down cost of running project.
5.2.4 Manpower and technology

In Tanzania there are little skilled manpower to push forward housing sector, the only universities which offers such housing related courses are University of Dar es Salaam and Ardhi University. For example NHC itself have few staffs that are professional in housing sector like Architects, Surveyors and Civil engineers. Providing career education, Recruiting and training of people in Tanzania will increase number of professional on construction, architecture and town planners to facilitate construction sectors such as housing projects since in the long-run will reduce the manpower cost due to its availability. And will reduce the cost of hiring expertise and construction companies from other countries hence real estate developers will get courage in financing in low cost housing projects since will cut down the construction cost and leads for high marginal profits.

Also the availability of manpower will leads for the innovation and creation of technology hence will reduce the employing and hiring of technology from advanced countries which is too expensive hence NHC gets fund in financing low cost housing projects see the figure 5.3.
5.2.5 Government policies

From data collected during interview and collected questionnaires many respondents blaming on various policies which act as hindrance to housing sector in Tanzania. Tanzania government should make policies which are interrelated this will minimize conflicts among stake holders. Also there should be other policies which will minimize government intervention in location for construction, favorable policy such as tax and other tariff, Tanzania had no settlement policy for many years hence poor urban planning, misses integration among policies which leads to conflict among stakeholders. Government need to take initiative in helping potential majority poorer Tanzanians to get low cost houses for betterment of society.
5.2.6 Financial capability of NHC

From finding NHC is suffering for capital in running low cost housing projects, it have been addressed that government, donors and other financial agencies to make these projects active. If the outlined issues solved National Housing Cooperation will increase its financial capability they will be strong and powerful in financing real estate’s projects especially low cost housing. Real estate development project is a project which needs a huge capital investment due to high demand of low cost houses by the majority of Tanzanian. To run low cost housing project in Tanzania it need time and funds from different sources such as financial institutions, stakeholders, non-government organizations and government in general. Financial capability of NHC is low since government does not assist anymore; this forces the corporation to operate commercially while using funds from banks and depends on rent from its customers and revenues from house selling.
CHAPTER SIX

SUMMARY, CONCLUSION AND POLICY IMPLICATION

6.1 Introduction
In this chapter researcher discuss on various aspect concerning the challenges that hinder real estate developers from developing Low costs/Affordable houses and come up with the ways of overcoming those Challenges. Part one consist summary of the research on basis research problem and objectives, part two state conclusion based on two research questions. part three of this chapter give generalization based on sample of the study, part four state the policy implication of the study and part five gives suggestion for further studies.

6.2 Summary
This study is assessing the challenges facing real estate developers in financing low cost housing case study is national housing corporation in Dar es Salaam.

There has been significant progress in the formulation and implementation of housing policies and to some extent strategies in the past decades many constraints still effectively hinder progress in housing development in developing countries particularly for low income and other vulnerable groups. The researcher was trying to explore the challenges that hinder the real estate developers in concentrating to the development of low costs/affordable houses and the ways of overcoming those challenges. The research was guided by the objectives which help during research, which were to examine the challenges that hinder real estate developers from developing Low costs/Affordable houses and come up with the ways of overcoming those challenges The researcher used questionnaire, interviews, observation and document review to collect data. The secondary data were obtained from the NHC’s branches based in Dar es Salaam region and Head office. The structured and unstructured interview was carried either face to face or by telephone. The researcher also distributed the questionnaires, which was personally administered, sent through the mail, or electronically administered.
The researcher observed natural work environment and activities behaviors of National Housing Corporation and its agencies towards performance. Statement made, meeting conducted, facial expression, layout, work flow pattern was observed.

The challenges that face real Estate developers on financing low cost Housing were; Source of funds in financing the project, loans and aids problems, government support financially, high interest rate, lack of housing microfinance institutions, mortgage barriers, low Financial capability of NHC, economic situation of the country, construction cost and availability of materials, cost of land and land bank, poor quality of construction material, lack of manpower and technology, high tax rate, low profit margin, poor infrastructure, government policies, poverty, poor urban planning and allocation, support from other authorities, political will, competitors influence.

Also the ways forward were discussed to overcome the mentioned challenges facing real estate developers in financing low cost housing. These are as follows; The authority dealing with housing and residence must be empowered, to set form of limitation of power between political and socio-economic sectors, Support from other authorities is very important, the country need to invest in manpower and technology, Change in government policies, to support NHC financially so as to increase the capability.

6.3 Conclusions

6.3.1 The challenges that face real Estate developers on financing low cost Housing

NHC lack sources of funds and capital to support their projects since they don’t have assurance from the government and other donors such as Bank of Tanzania and World Bank, other bank institutions and microfinance institutions.
Financial aids’ rules, regulation and condition are also the challenge. Low income housing is pivotal and national leaders have a legal and social contract to provide services in return for political support. Despite this, Tanzania government is unable to meet these needs because of administrative, financial, and institutional weakness coupled with poor planning and rapid population growth.

The interest rate imposed by Tanzania Revenue Authority e.g. VAT and other tariff on purchasing building material are too high hence leads for NHC to concentrate on clients with middle and high income earning since they can afford rental cost and buying price of the buildings.

The study shows that, in Tanzania there is no any microfinance institution which deals with housing investment compare to other countries, housing microfinance institutions are acting as a middlemen between National Housing Corporation and customers, microfinance institutions provide loans, security and association between NHC and their clients hence facilitate the provision of affordable house to all level of income earners. Cost of financing housing development both long and short term has been increasing at a very high rate. The cost of borrowing long term mortgage loans has also gone too high for the low and middle income earners in Tanzania for many years.

To run low cost housing project in Tanzania it need time and funds from different sources such as financial institutions, stakeholders, non-government organizations and government in general. Financial capability of NHC is low since government does not assist anymore, which forces the corporation to operates commercially while using funds from banks and depends on rent from its customers and revenues from house selling. The economy of the country depends on donors and aids as a source of fund to facilitate the national budget, the delaying of funds limits the implementation of various projects in Tanzania.
The research depict that construction cost in Tanzania is too high due to high tax rate on construction inputs, this is due to the fact that there is a lack of qualified construction companies which leads for hiring of construction companies from outside the country which is too cost fully, most of construction materials are imported from outside the country, equipment and technology hence leads for high construction cost. Availability of suitable land at an affordable price in the urban areas has been a major challenge in addressing housing for the low and middle income earners. In Tanzania many real estate developers have been complaining on the quality of raw materials imported from other countries especially Asian countries like China, India and Singapore. These inputs include electrical inputs such as socket blacker, main switches, lamp holders and tube lights to be in low standards. Also finishing materials for long time have been a challenge this affects a housing sector at large.

But many contractors go for these construction materials which are easily to get but low quality materials cause a long run problem, therefore many real estate developers need high quality materials at cheap cost in order to facilitate demand for sustainable buildings for majority Tanzanians.

Also the problem of poor quality of construction materials have been facilitated by lack of commitment of organizations which are dealing with inspection (Tanzania bureau of standards ) on standards of both domestic manufactured products and imported one. Another key threat to low cost housing is inadequate of professional on construction, architecture and town planners which hinder on facilitating construction sectors such as housing projects. Poor technology which leads to employ experts from advanced countries which is too expensive hence hinder NHC in financing low cost housing projects.

High tariff rate have been hitting real estate developers, this includes these aspects, construction and building materials hinder the implementation of low cost housing project by the real estate developers. High tax rate imposed to the building materials make the projects to be very expensive during implementation hence real estate
developers facing challenges in financing low cost housing project since this project need high quality building construction at low cost. Additionally low housing project is the project which consume a lot of time and capital since it deals with large population which are low income earners and the targeted group of customers is of low income. Earning low income from those houses is not equivalent to the cost incur in building which leads to low profit margin. This affects National Housing Corporation on fulfilling its objective in time.

Also the increase in poverty levels in the country has adversely affected affordability of houses, low earning levels for house seekers and the meaning of low cost housing is the challenge since there is no definition of it, poverty among targeted customers, it’s very hard to know exactly who are the real need of these low cost housing. In the study also the researcher found that Tanzania had no settlement policy for many years hence poor urban planning, misses integration among policies which leads to conflict among stakeholders. Tanzania government should play a role in helping potential majority poorer Tanzanians to get low cost houses for betterment of society.

Also role of politics in economic development plan is the factors that hinder the development of real estate. Politics and economics are two separate components for national development, since politics is more powerful in decision making than other sectors in management and decision making hence hinder the development of social-economic sectors in the country.

Researcher also point out various strategies which have been advised by respondents on what should be done to the addressed challenges. In improving house allocation, make good relationship with tenants and also land banking, to maintain good relationship with building material supplies, NHC should own construction equipment of itself. Set VAT exemption when selling NHC new houses, financing regulation on VAT on construction material. On issues related to mortgage financing people have advised on regulations regarding financing NHC in low housing projects by the financial institutes and other agencies. Investors should change so that can
facilitate in financing and construction of low cost houses and government need to provide subsidize to NHC in order to achieve their mission.

6.4 Generalization
Real estate developers face a lot of challenges in their intention of providing low cost houses to majority. Source of funds in financing the project, loans and aids problems, government support financially, high interest rate, lack of housing microfinance, mortgage barriers, low Financial capability of NHC, economic situation of the country, construction cost and availability of materials, cost of land and land bank, poor quality of construction material, lack of manpower and technology, high tax rate, low profit margin, poor infrastructure, government policies, poverty, poor urban planning and allocation, support from other authorities, political will, competitors influence.

Also the ways forward were discussed to overcome the mentioned challenges facing real estate developers in financing low cost housing. These are as follows; The authority dealing with housing and residence must be empowered, to set form of limitation of power between political and socio-economic sectors, Support from other authorities is very important, the country need to invest in manpower and technology, Change in government policies, to support NHC financially so as to increase the capability.

6.5 Policy implication
The government and its authorities need to ensure that they formulate policies which offer land for free to real estate developers (like in some other countries where affordable housing is subsidized), this will facilitate the real estate developers in financing low cost housing since these real estate developers will minimize the cost of land and will leads to have large land bank for further housing project.
Exempting of affordable housing projects from tariff such as VAT in construction raw materials, technology transfer and manpower in order to facilitate the low cost housing projects so as to help low income earner in buying the affordable houses at cheap price.
Also utilities firms (TANESCO, DAWASCO, TTCL and TANROAD) to be compelled to bring utilities infrastructures to the affordable housing sites at their own costs (NHC to pay the mandatory/connection fees only).

6.6 Suggestion for future studies

National Housing Corporation so far is the priority in real estate development project in Tanzania, who uses low cost materials in construction of affordable houses in Tanzania. Other researcher should involve public to hear their views on low cost housing project. In this research, researcher use NHC normal staffs and management staff in assessing challenges facing real estate developers in financing low cost housing projects.

Also apart from assessing challenges facing real estate developers in financing low cost housing project, also should assess the consequences of government withdraw from assisting NHC in provision of affordable houses to low income earners.
REFERENCES


Diana Mitlin (2008). Financing for Low-income housing and community development


## APPENDICES

### Appendix 1: Research Financial Budget

<table>
<thead>
<tr>
<th>No</th>
<th>Item/Activity</th>
<th>Amount (Tshs)</th>
</tr>
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<tbody>
<tr>
<td>1.</td>
<td>Stationery</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Duplicating &amp; photocopying papers</td>
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<tr>
<td></td>
<td>Shorthand notebooks</td>
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</tr>
<tr>
<td></td>
<td>Ball point pens</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>Spring files</td>
<td>8,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
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<tr>
<td>2.</td>
<td>Travel and Meals</td>
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</tr>
<tr>
<td></td>
<td>Research trips within Dar es salaam</td>
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</tr>
<tr>
<td></td>
<td>Meals</td>
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</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
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</tr>
<tr>
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<td>Secretarial services</td>
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</tr>
<tr>
<td></td>
<td>Photocopying</td>
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</tr>
<tr>
<td></td>
<td>Report production</td>
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</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
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</tr>
<tr>
<td>4</td>
<td>Miscellaneous Expenses</td>
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</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
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</tr>
<tr>
<td></td>
<td>Grand Total</td>
<td><strong>1,350,000</strong></td>
</tr>
</tbody>
</table>
Appendix 2: Questionnaire to NHC staff

PROFILE OF THE RESPONDENT

Topic: The challenges facing real estate developers in financing low cost housing/affordable houses.

Dear Respondent,

This research aims at collecting information related to challenges facing real estate developers in financing low cost housing. Please assist in providing valuable information to the best of your knowledge and assured that the information will be used solely for academic purposes as a partial fulfillment for Master of Science in Accounting and Finance (MSc. A&F) at Mzumbe University and not otherwise.

I kindly request your cooperation in responding to these questions.

1. Occupation

2. Sex (Please tick the appropriate box)
   - (i) Male
   - (ii) Female

3. How old are you? (Please tick the appropriate box)
   - (i) Less than 30 years
   - (ii) 30 to less than 40 years
   - (iii) 40 to less than 50 years
   - (iv) 50 years and above

4. When did you join NHC (Please tick the appropriate box)
   - (i) Less than 3 years
   - (ii) 3 to less than 5 years
   - (iii) 5 to less than 10 years
   - (iv) Others
5. Mention challenges facing NHC in financing Low cost Housing.
   (i) ........................................................................................................................................
   (ii) .........................................................................................................................................
   (iii) .........................................................................................................................................
   (iv) .........................................................................................................................................

6. List the nature of Challenges that have affected NHC
   (i) .........................................................................................................................................
   (ii) .........................................................................................................................................
   (iii) .........................................................................................................................................

7. I feel NHC have responded to challenges facing real estate developers in financing low cost housing. Please tick the appropriate box
   (i) Agree ☐
   (ii) Tend to agree ☐
   (iii) Tend to disagree ☐
   (iv) Disagree ☐

8. If agree (for question 7) list reasons for NHC responding to challenges
   (i) .........................................................................................................................................
   (ii) .........................................................................................................................................
   (iii) .........................................................................................................................................
   (iv) .........................................................................................................................................
   (v) .........................................................................................................................................

9. If disagree (for question 7) give reasons:
   (i) .........................................................................................................................................
   (ii) .........................................................................................................................................
   (iii) .........................................................................................................................................
   (iv) .........................................................................................................................................
   (v) .........................................................................................................................................
10. List regulations you consider very important for NHC sustainability to challenges
   (i) .................................................................
   (ii) .................................................................
   (iii) .................................................................

11. List regulations (worst) regulation you consider need reform or amendment
   (i) .................................................................
   (ii) .................................................................
   (iii) .................................................................
   (iv) .................................................................
   (v) .................................................................

12. List opportunities (advantages) resulted from developing of low cost housing:
   (i) .................................................................
   (ii) .................................................................
   (iii) .................................................................

13. List threat (Disadvantages) resulted from developing of low cost housing.
   (i) .................................................................
   (ii) .................................................................
   (iii) .................................................................

14. What is the impact of not developing Low cost Housing ?
    .................................................................
    .................................................................

15. What are the constraints in developing of low cost Housing ?
   (i) .................................................................
   (ii) .................................................................
   (iii) .................................................................
16. What is your general comment on NHC developing the low cost Housing?

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

17. What is your level of education?
   (Please tick the appropriate box)
   (i) Secondary school
   (ii) Diploma
   (iii) Degree
   (iv) Professional
   (v) Others, please specify

Thank You for Filling this Questionnaire.