



THE IMPACT OF THE PRESIDENTIAL ELECTION ON REAL ESTATE

Well metaphorically speaking, presidential elections are a bit like dating, between a man and a woman. Candidates put their best foot forward for a year or so and then (like marriage) we find out who they really are once the deal is sealed. Beyond all the political talking points and policy promises though, what typically happens in the real estate market during an election season is a bit of a limbo so to speak. As the Tanzanian presidential election in October approaches, to my view the country's property sector is expected to experience a temporary slowdown. Why is this so?

There are more than countless ways and research that were done in other elections in Africa and Europe as well as the Americas to indicate that during elections the real estate sector get to a slow down and a bit of a pat on the back at times is needed or might not be needed. You see, *during an election year, I believe, an election generally has effect however that will also depend on the reaction of the buyers. The past experience in Tanzania has been that some buyers or sellers may hold off until after the election to act on the selling but most importantly on the buying of property. That is they will wait to see who is elected and gauge how that will affect their business, work, etc.* Some are simply into holding their funds or moving it into "safety" until when the election passes in the fear of the un-known such as political unrest which has been known to happen in most African countries. Hence, their calculations is that instead of spending money and have your property damaged or lost during a political unrest, one would rather wait it out. Others however would hold off so as to wait it out and see if the next president will bring changes that would help the purchasing and selling of real estate developments (I will be explain further in the following paragraphs).

Well the Number one question on the minds of many employees for example that I work with is "how will the upcoming election affect my personal finances?" Few aspects of the life experience get people so emotionally charged as money and politics. Combine these two areas of concern and we are looking at a prolonged political dance that will impact the financial stability of Tanzania and with it the personal finances of all of us.

The next president of the United Republic of Tanzania , whether CCM's hopeful Magufuli or Ukawa's Lowassa, or any other political party could have a big influence over the ever growing real estate sector in Tanzania. The next president, whoever it turns out to be, is going to have a couple of big housing issues to address for example, "What is the government's role in housing finance, and will consumers have access to mortgages at affordable rates?" . Neither of the CCM's aspiring candidates so far has outlined a specific proposal for the housing market or mortgage lending or anything that relates to the real estate sector in Tanzania. We of the real estate arena expects to hear things such as foreclosure relief, loan modifications, proposals for lower mortgage rates and means which



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will expand refinancing options for home owners as well as the housing finance rules or for that matter, regulations that would make it easier for the private sector to be a stronger player in the mortgage market and “Regulated”.

Well In short, there are many big decisions that if the next president takes on it will impact our nation’s long-term financial stability and the real estate sector as well. Things like the potential increase of marginal income tax rates, out-of-control government spending, just to name a few, according to political pundits.

In a recent study by Moody’s Investors Service in America that was done before the re-election of President Obama, the agency stated that buyers were holding off acquisitions until the results of the elections are determined. Combined with higher mortgages, loan restrictions and Tanzania’s slowing economy, the local real estate market is predicted to slump this quarter.

We at ABC Attorneys through our analysis from the trend perspective we expect revenue growth in the property sector to slow to 11 percent in the quarter heading to the Election Day. We anticipate a softer market demand in the luxury apartment segment, although the 2015-16 outlooks are still upbeat due to limited luxury supply. The condominium segment, however, is expected to weaken in the coming months as a reaction to the un-known of the outcome of the elections. We believe that once the new president is elected, the-would be sellers and buyers can have clearer business projection, since residential property remains a “popular investment vehicle for cash-rich Tanzania.” This will continue to be so and we anticipate next year firms like NHC and property firms like QWM Properties to be doing good business. An analyst, Managing Director of QWM Properties Mrs. Mariam Meghjee, echoed the same sentiment in the office and commercial sectors: *“Prospective buyers are in a wait-and-see mode, reducing demand in this quarter could be the lowest in the past two years. But the market is expected to pick up again later this year when the elections are over,”* she said.

The 7th Tanzania presidential elections, which will be held in October, will name the successor of two-term President Jakaya Mrisho Kikwetwe, who is constitutionally barred from seeking a third term in office but has done a great job in office. Most developers, real estate lawyers and real estate agents wants the next president to likely have a big influence over the mortgage market, such as determining how much of the real estate market could be subsidized by the government and how to reduce the mortgage interest rates so that even a fresh at work Tanzania youth can afford to opt and pay off a mortgage without crippling his livelihood and those who depend on his income for their survival. The next president we hope can have a huge influence on the housing market and the price of real estate, both for the lower end of the market that competes with affordable rental housing



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and the higher end that has lagged, partly because of high prices and huge mortgage rates. Also, the next president will also have to decide whether to ease up lending standards to make it easier for more people to qualify for a loan and the amount of down payment needed to buy a home. These are the things we hope to hear and hope the president elect will kick for of which will eventually boost the housing and real estate market to compete with the neighbor Kenya and Rwanda as well as to have Tanzania acquire affordable homes. It is crucial that the coming government also address the need for a **“Real Estate Regulatory Authority”** and as real estate lawyers we will be more than glad to help the government to achieve a boost in the real estate market.

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