



## WHY SHOULD TANZANIAN YOUTH INVEST IN REAL ESTATE

First of all, I would like to wish you and your family a happy new year. Well I know the heading is catchy and you were drawn to read this hoping the content will clasp, bless and complement the heading,....pew.....I hope you will not be disappointed. Now...now...., where do I begin! Well at 30, I still have a few good years left to be “**outstanding**” - but “old” is creeping up; but it’s not just me either, because here is a dark secret you didn’t know: **you are getting old too**. So, I sat down and said why not share with the young lads how to get into real estate investing, despite some of the disadvantages we have. Well before going further let’s touch on the disadvantages real quick:

- **No money**- let’s not fool ourselves most youth have no what is termed as “money”. You could be working and have pocket change but you do live salary to salary.
- **Minimal life experience** - I know, when I was 23 I thought I knew a lot. I didn’t. In fact, I didn’t know anything. Now today, at 30, I think I know everything. Haha,I don’t.
- **PS4 and XBOX 1 are so alluring**- Let’s face it - sometimes all we want to do is play some video games, hang out on facebook, do a bit of twitter, click on wema sepetu’s new post on instagram, go to mlimani city and wonder around and visit perhaps samaki samaki.
- **Chasing girls (or guys)**- From the moment puberty hits, boys and girls of the young persuasion have a strong need to find that “special someone” and spend all their time together. After that, come the kids that require every waking minute. That doesn’t leave a lot of time for investing. See?
- **No financial education**- When we were doing “*kidumu na mfagio*” schools plus blessing “*maua ya saa nne*” with water, at class we did not get any financial lessons. I mean we were not taught on how to manage our money or the importance of saving the little we have. The same is the case to date.

Despite the foregoing disadvantages, I intend to point out in this article what I believe are the five reasons as to why Tanzanian Youths should invest in real estate.

Well ladies and gents, to be frank, one of the most frequent advices that can be given to the youth when it comes to investment is starting young. And just because, the advice is so frequent, most of us tend to forget that it is actually the BEST advice that you can get especially for the present day employed and professional youth. The youths of today have a lot of opportunities and the world or rather the environments provides for professional and



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financial growth.

### **Why is starting young so important?**

Well the answer is not rocket science at all. By the sheer luxury of time that youth has on hand in terms of the period of investment, the risk appetite is multiplied several times which in turn leads to investments that by design are high risk, high returns. In all honesty, starting young means you have a lot scope for distributing your investments over a long period of time, ultimately leading to a substantial increase in the net amount invested. Moreover, starting young means your money has that more time to grow and hence, higher returns.

While this common wisdom has had many young investors coming into the market, investing largely in equities and debt instruments, real estate continues to be an area that most are hesitant to venture into. The demand of houses and the booming of real estate in Tanzania make it ideal for young investors to venture in. Before drifting further from our heading, lets address that now, the 5 reasons as to why real estate should be preferred by the youth.

#### **1. An Inflation Resistant Investment**

Any reasonably experienced economist will tell you that those real estate investments are an almost guaranteed way to get around inflation. You see real estate is growing market, more so because of the rapidly shrinking supply of land. You only have to go house hunting in a city like Dar es Salaam or Arusha or the hip- Dodoma to know the extent of land shortage in the country. A shortage supply logically means a growth in market and so long as this shortage persists, the market shall not slow down. The core point here is a careful market research before investing into the real estate. You can hardly expect your money to grow exponentially if you chose to invest your money in a landed property in remote areas. The point is that investment in real estate can be an excellent strategy for the young investors to get past inflation. The essential corollary is proper market research and careful consideration before investment.

#### **2. Affordable Option**

Oooh Yes, you read it right. Contrary to the popular perception, investing in real estate is actually one of the more affordable options with banks funding up to 80% of the cost. Young investors are expected to pay fixed installments over years which in effect amount to purchasing an asset at a lower cost, whose value is bound to appreciate while the investor's



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own income too keeps rising.

### 3. **Tangible Assets**

This is not exactly an objective benefit but may hold significant importance in several cases. Unlike in the 90's when owning house marked a definite landmark in one's life, young investors can now enjoy the benefits of a tangible asset pretty early on in their lives. If the property is a residential one meant for personal purposes, the obvious benefits are manifold. The key is to be prudent with your money and invest as soon as you possibly can. And while investing in real estate, always remember, an aware investment is the only safe investment and a thorough market research is very important.

### 4. **Safety**

Well real estate is safe, how so? When you invest in real estate especially at a young age there is that "cloud of safety" or the "safe haven" you have by the time you are aged and your friend is an arm chair and a glass of Dodoma wine and you are collecting rents. Apart from your pension you could have the little extra to live a comfortable aged life. Investments in real estate, residential and commercial properties are found to be lucrative and much safer since they are completely insured in contrast to those in gold, stocks and mutual funds. Youth are always a best option to avail the home loans. They are still young with no financial liabilities or burdens. Such people will always be serious towards the loan repayment and this is what all the banks and other financial institutes obviously look forward to. Youth are definitely encouraged to make good use of the situation and Dar es salaam kind of cities will offer a lot in return through this investment too. Some of the younger generation that chose to buy a property while young will clear the loan quickly and there is further more chance to buy the second property in addition too. Also, availing loan while young will turn you into serious towards your professional career besides providing the greatest financial security for the family in addition too.

Indeed the above should go towards convincing youth to invest. However there is no one specific investment strategy to help you achieve your goals. As a young Tanzanian you can take inspiration from most famous and successful investors. Take an example of **Jonathan Liebmann**, a 29 year-old South African Real Estate developer, CEO of a company called *PROPERTUITY*. He is the brains behind the construction of the Maboneng Precinct, a thriving cultural district in the east side of Johannesburg. Once labeled neglected and deteriorating neighborhood abandoned industrial complexes, Liebmann transformed Maboneng into a vibrant urban mixed-use community complete with Art galleries, artist studios, retail spaces, offices and artist studios. Take another inspiration from *Kimiti Wanjaria*, a 30 year-old Kenyan founder of SERENE VALLEY PROPERTIES (SVP), a Real



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Estate development company in Nairobi that constructs and sells residential properties to Kenya's ever-growing middle class. SVP is behind the development of Sigona Valley project, a \$4 million gated residential community outside Nairobi.

It is wise to draw inspiration from the above individuals but you must realize there is no get rich quick scheme or only one successful investment strategy. Even the best financial experts often disagree on what is the best approach or when to get in or out of the markets. Sir John Templeton once stated, *"Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."*

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