

INDUSTRIAL BUILDINGS MARKET (Industrial Sector).

The Industrial Buildings Market is among the fastest growing markets in various areas of Tanzania, especially in regions with the relevant resources. For example, Dar Es Salaam, Pwani, Mwanza, Tanga, Mbeya, etc., have significant industrial growth.

GROWTH DRIVERS OF THE INDUSTRIAL SECTOR.

1.RAPID POPULATION GROWTH.

Tanzania is among the African nations with high population growth (3.1% per year).The large population leads to increased and extensive land use in the country.

2.URBANISATION.

The growth rate of the urban population is over 5.9% (Urban population rose to 34.3% in 2020), and it is estimated that by 2040, the number of urban residents will exceed 50%.

The main reason for urban growth is due to a large group of youth migrating from rural areas to towns (Rural–Urban Migration) in search of jobs and a better life, as well as starting families. Also, some rural areas are growing into small towns. All these factors contribute to increased land use.

3. INCREASING HUMAN ACTIVITIES.

A. SETTLEMENTS.

The increase in population contributes significantly to the growth of settlements and land use.

B. COMMERCIAL INVESTMENT OVER VARIETY PROPERTIES.

Construction of various buildings, especially investments in hospitality sector properties (tourism such as hotels), shops, high-rise buildings, guest houses, restaurants, entertainment & conference facilities. The construction of different types of buildings contributes to increased land use.

C. INFRASTRUCTURAL DEVELOPMENT.

The government has invested in infrastructure development to attract investment. For example, the construction of tarmac roads to connect regions, cities, districts, and zones. Also, construction of bridges, bus terminals, the Bus Rapid Transit (BRT) system, the ongoing construction of the Standard Gauge Railway (SGR), and urban roads through the Tanzania Rural and Urban Roads Agency (TARURA), etc.

This infrastructure has made various areas more accessible and facilitated housing development by reducing transportation costs, travel time, and improving access to construction materials, thereby increasing large-scale land use.

D. ADMINISTRATIVE AND POLITICAL ACTIVITIES.

The growth of settlements and population, along with their economic or social activities, contributes to the expansion of administrative and political activities, such as:

- i. Construction of leader's offices.
- ii. Construction of leader's residences.
- iii. Construction of political party offices.

In Tanzania, the increase in the number of regions leads to the construction of various offices and increased land use.

KEY DRIVERS.

- i. **Increase in DEMAND** – The rise in population contributes to the growth in demand for basic needs, starting from food, clothing, and various items for daily use.
- ii. **Economic Growth** – The increase in the number of middle- and high-income earners creates opportunities for various products, which contributes to economic prosperity. For example, in urban areas, people earn incomes sufficient to afford the purchase of different goods.

TEN (10) REGIONS / CITIES WITH MANY INDUSTRIES.

1. Dar Es Salaam
2. Pwani / Kibaha
3. Mwanza
4. Tanga
5. Arusha
6. Mbeya
7. Iringa
8. Kilimanjaro / Moshi
9. Mtwara
10. Njombe

CHALLENGES IN THE INDUSTRIAL BUILDINGS MARKET.

1. **BUILDINGS REQUIRE LARGE SPACES** – The industrial buildings market requires large areas for construction. The challenge is that urban areas have the necessary services for industrial operations but offer only limited space.
2. **HIGH CONSTRUCTION & OPERATION COSTS** – The construction of industrial buildings is expensive and requires substantial capital. Operating industrial buildings is also costly, including investments in machinery, energy, and raw materials for processing (manufacturing products).
3. **URBAN PLANNING ISSUES** – The construction of industrial buildings is highly affected by urban planning matters, where urban planning experts often designate industrial areas far from the city.

CONCLUSION.

Tanzania is among the fastest-growing countries in Africa, with high demand for products, placing it in a strong position for continued growth.

EXTENDED REVIEW OF THE INDUSTRIAL SECTOR.

1. Introduction to the Industrial Sector

The industrial sector refers to economic activities involved in transforming raw materials into finished or semi-finished goods. It includes manufacturing, processing, construction-related production, mineral processing, food processing, textiles, chemicals and other forms of production.

For Tanzania, industrial development is important because the country has substantial natural resources and agricultural production. However, producing raw materials alone generally creates less value than processing them locally.

For example, instead of exporting raw cotton, Tanzania can process cotton into yarn, fabric and garments. Instead of exporting raw cashew nuts, it can process and package them locally.

Therefore, industrialization helps Tanzania move from:

Raw materials → Processing → Manufacturing → Value addition →
Finished products → Markets

The industrial sector also creates employment, increases government revenue, develops skills and reduces dependence on imported manufactured goods.

2. Distribution of Industries in Tanzania

Industries are not distributed equally throughout Tanzania. Industrial location is influenced by several factors;

Market access; Industries producing consumer goods often prefer locations close to large populations because transportation costs are lower. This is one reason major urban centers attract industrial investment.

Availability of raw materials; An industry may locate close to where its raw materials are produced. For example, an agro-processing plant may be established near major agricultural production areas.

Transport; Industries need to move:

Raw materials → Factory → Warehouse → Market/Port

Therefore, roads, railways and ports strongly influence industrial location.

Energy; Factories require reliable electricity or other forms of energy. An area with inadequate or expensive energy may be less attractive for industrial investment.

Water; Some industries require large quantities of water, especially food processing, beverages, chemicals and other manufacturing activities.

Labour; Industries require workers, including both skilled and unskilled labour, Locations near population centers can therefore provide access to labour.

Urban and industrial planning; Industrial development also depends on whether land has been planned and designated for industrial use.

3. Benefits of Investing in the Industrial Sector

Industrial investment can provide returns through the production and sale of goods.

Large market opportunity; Tanzania has a substantial domestic consumer market. Investors can produce goods for households, businesses and government-related demand.

Value creation; An industrial business can buy relatively inexpensive raw materials and transform them into products with greater market value.

For example:

Milk → Processed milk/yoghurt → Branded product

The investor earns from the value created through processing, packaging, distribution and marketing.

Economies of scale; When a factory produces large quantities, the average cost per unit can fall because fixed costs such as machinery and buildings are spread across many products.

For example, producing 100,000 units may be more cost-efficient per unit than producing only 1,000 units.

Export opportunities; A successful factory can sell to Tanzania and potentially regional or international markets.

Business diversification; Investors can diversify away from relying on one business activity by investing in manufacturing, processing or related supply chains.

4. Criteria to Consider Before Investing in an Industry

This is one of the most important sections for an investor. Before building a factory, the investor should answer:

"Can this factory produce profitably and sustainably?"

A. Market demand

First is to determine whether people actually want the product.

Research on;

- Number of potential customers
- Customer income

- Existing competitors
- Current prices
- Expected future demand
- Consumer preferences

A factory can have excellent machinery but still fail if nobody wants its product.

B. Raw materials

The investor must determine:

- Where raw materials come from
- Their price
- Quality
- Quantity available
- Reliability of supply
- Seasonal variations

If a factory needs 1,000 tonnes of raw materials annually but suppliers can only provide 300 tonnes reliably, the business will struggle.

C. Location

Location affects the cost of:

- Transport
- Labour
- Electricity

- Water
- Land
- Distribution

The cheapest land may not be the cheapest overall location.

For example, buying cheap land 200 km from your customers could create very high transport costs.

D. Energy

An investor must examine:

- Availability
- Reliability
- Cost
- Backup requirements

A factory that frequently loses power can suffer production losses.

E. Labour

Determine whether the required skills are available.

For example, a modern factory may need:

- Engineers
- Technicians
- Machine operators
- Accountants
- Quality-control specialists

If these skills are unavailable locally, training or recruitment costs must be included.

F. Capital

Industrial projects can require substantial capital for:

- Land
- Buildings
- Machinery
- Installation
- Raw materials
- Labour
- Working capital
- Licenses
- Transportation

The investor should calculate the total project cost, not just the cost of the machinery.

5. Industrial Value Chains

This is a very important concept. A value chain describes how value is added to a product from the beginning to the final customer.

Take cotton:

Farmer → Cotton collection → Ginning → Spinning → Weaving →
Garment manufacturing → Packaging → Distribution → Retail →
Consumer

At each stage, additional value is created.

Why this matters to Tanzania

If Tanzania exports raw cotton, much of the processing value may occur elsewhere. If Tanzania develops more stages locally, more value can remain within the domestic economy.

The same principle applies to:

- Cashew nuts
- Coffee
- Tea
- Leather
- Minerals
- Fruits
- Fish
- Timber

6. Industrial Supply Chains

The supply chain is slightly different from the value chain. It focuses on how materials and products physically move through the business system.

For example:

Supplier → Transporter → Factory → Warehouse → Distributor →
Retailer → Consumer

A factory depends on this system working efficiently.

If raw materials arrive late, production stops.

If transportation is expensive, the final product becomes expensive.

If warehouses are inadequate, products can be damaged.

Therefore, supply-chain efficiency directly affects profitability.

7. Technology and Innovation

Technology affects how efficiently industries produce goods.

A modern factory may use:

- Automated machinery
- Computerized production systems
- Sensors
- Robotics
- Digital inventory systems
- Quality-control technology

Why technology matters

Suppose Factory A produces 10,000 units using 100 workers while Factory B produces the same quantity using 40 workers and more efficient machinery.

Factory B may have a lower cost per unit.

Technology can therefore improve:

- Productivity
- Quality
- Speed

- Efficiency
- Safety
- Competitiveness

However, technology also requires capital, maintenance and skilled workers.

8. Energy and Industrial Development

Energy is a critical input in manufacturing. A factory cannot operate effectively if electricity is:

- Unreliable
- Too expensive
- Frequently interrupted

Energy costs affect the final price of products.

Energy efficiency

Industries can reduce costs by using efficient machinery and energy-management systems.

Renewable energy

Some businesses can supplement their energy requirements through:

- Solar
- Other renewable-energy technologies

The appropriate energy solution depends on the industrial process and economics of the project.

9. Industrial Financing

Industrial investment usually requires two major types of capital.

Fixed capital

This pays for long-term assets such as:

- Land
- Buildings
- Machinery
- Vehicles
- Production equipment

Working capital

This pays for day-to-day operations such as:

- Raw materials
- Salaries