

Review Article

**Trend of Foreign Direct Investment in Tanzania's Real Estate Industry
From 2000 - 2020: A Systematic Review**

Abstract

Foreign direct investment (FDI) has become an area of concern to many developing nations due to the economic benefits it presents to the host nation. Despite the notable growth and potential of the Tanzanian real estate market, there is lack of comprehensive, empirical studies that analyze the specific patterns of FDI inflows in the real estate industry in Tanzania over an extended period and their contributions to national GDP and other economic indicators. This systematic review aims to examine the trend of foreign direct investment (FDI) in Tanzania's real estate industry from 2000 – 2020. Further, this review helps to determine the contribution of FDI to growth of GDP and other economic indicators in the country. Result shows that there was an irregular trend of FDI inflows in Tanzania's real estate activities with various asymmetrical decrease and increase throughout the period from 2000 – 2020. However, the FDI inflows in real estate activities is not significantly associated with national GDP, national GDP growth rate, total FDI inflows in the country or contribution of the real estate activities in national GDP. There was a higher growth rate (between 4.2% - 7.5%) of real estate activities from 2000 – 2010, but was followed by a sharp decline to less than 2% in 2011 and then a steady growth rate of above 4% from 2015 – 2020. The percentage shares of GDP by real estate activities was relatively higher and steady from 2000 – 2010, followed by sharp decline from 2010 – 2011 and further decrease towards 2020. Further analysis indicated that there was a general increase in contribution of real estate activities in national GDP from 2000 – 2020. It is concluded that, FDI inflows in Tanzania's real estate activities show an irregular trend with various asymmetrical decrease and increase throughout the period. The annual growth rate (%) of real estate activities in national GDP displays an irregular trend from 2000 – 2020. Further, there is a general increase in contribution of real estate activities in national GDP during the review period.

Keywords: foreign direct investment, real estate industry, trend, systematic review

1. Introduction

In most countries, the disaggregation of Gross Domestic Product (GDP) reveals that real estate markets play great importance in national economic and social development [1]. Empirical studies have consistently shown direct positive effects of the real estate market on output growth, considering real estate as part of a national fixed capital stock [1-2]. Additionally, research has demonstrated that the growth of the real estate market can stimulate sectors such as construction, manufacturing, mining, energy, savings, consumer markets, and employment within an economy [2]. Furthermore, real estate markets have been found to offer excellent diversification opportunities for financial asset investors, and they can generate attractive risk-adjusted returns comparable to other investment asset classes [3]. Despite these well-documented benefits of real estate markets, statistics indicate that African real estate markets lag behind those in other regions of the world. These markets often face challenges such as limited investment, low transactional volumes, illiquidity, and a lack of attractiveness to investors [4]. However, it is important to note the substantial evidence showcasing the contributions of real estate markets to capital formation, savings, consumption, household income, employment, growth in other sectors, social welfare, diversification, and portfolio performance [2].

Recent advancements in economic policies, legislation, structural reforms, and political stability have positively influenced the investment climate in many African countries. This has resulted in growth in real estate markets in countries such as Nigeria, Uganda, Tanzania, Namibia, Kenya, Ghana, and South Africa [5]. Nevertheless, the persistent challenge of limited access to real estate finance hinders further development in African markets [4]. Factors such as low domestic savings, limited financial services, and illiquid national capital markets pose significant obstacles to improving access to finance in the region [6]. According to the World Bank's World Development Indicators (2013), out of the 54 African countries, only 19 countries have equity markets, and among them, only 6 have a market capitalization exceeding US\$10 billion. Additionally, only 3 countries had more than 100 listed companies [8]. Furthermore, none of the 54 African countries had an average Gross Domestic Savings (GDS) exceeding 25% of their GDP during 2006-2010, while China recorded a GDS to GDP ratio of 54% [9]. These statistics highlight the presence of underdeveloped, illiquid credit and equity capital markets, low savings rates, and high costs of capital in Africa. Given these conditions, African countries may need

to seek external sources of finance, such as international capital markets, to attract additional investment funds and achieve high levels of investment and growth. This could be done by liberalizing their capital accounts to encourage foreign investments [8-9].

Several studies have demonstrated that eliminating foreign capital flow controls, specifically by supporting capital account liberalization, has been effective in promoting savings and investments [11]. These studies, strongly supported by the IMF, have influenced the adoption of these models by many African countries. As a result, international capital flows such as foreign direct investments (FDI), foreign portfolio investment (FPI) flows, and Diaspora remittances into Africa have increased [11]. For instance, according to the World Development Indicators (WDI), FDI flows into Africa witnessed significant growth, from US\$5.61 billion in 1996 to US\$9.98 billion in 1997, representing a 78% increase. In 2001, the inflow of capital into Africa increased to US\$17.0 billion, reaching a peak of US\$58.53 billion in 2008. However, in 2009 the capital inflows declined to US\$49.21 billion due to the global financial crisis occurred in 2007 [8]. Regardless of these trends in capital inflows, there is limited empirical studies which have analyzed the specific patterns of FDI inflows in real estate activities and their contribution to national GDP in African countries [8].

In Tanzania, the real estate industry in 2019 contributed US\$1.5 billion amounting to 3.1% to the country's real GDP, compared to the US\$1.2 billion recorded in 2015, thus played a significant role in the national economy [12]. Driven by factors such as foreign investments, urbanization and population growth, the real estate market in Tanzania has been experiencing notable growth in recent years [13]. Following the expanding national economy, rising urbanization, and favorable investment climate, real estate investment in the country has become an attractive option [14]. Further, Tanzania has witnessed steady economic growth over the past decade, with sectors like agriculture, tourism, mining, and construction driving this progress [16]. This economic growth has generated increased demand for both residential and commercial properties. Rapid urbanization in Tanzania, particularly in cities like Dar es Salaam, Arusha, and Mwanza, has further intensified the need for housing and infrastructure development. These cities offer potential investment opportunities, particularly in residential and commercial real estate [15]. Moreover, the Tanzanian government has been actively investing in infrastructure, including

transportation networks, telecommunications, and energy which further enhances the overall appeal of real estate investments [16]. In addition, Tanzania's wonderful natural beauty and abundant wildlife have also made it a popular tourist destination, attracting visitors from across the globe [17]. This creates opportunities for investment in tourist accommodation, such as lodges, vacation rentals, and resorts which can be a lucrative venture. Recognizing the importance of foreign investment, Tanzania has implemented policies to encourage and safeguard the rights of foreign investors [18], introduced various incentives, such as tax breaks and streamlined procedures to attract foreign investment [19].

Foreign direct investment (FDI) has become an area of concern to many developing nations due to the economic benefits it presents to the host country [88]. Despite the notable growth and potential of the Tanzanian real estate market [12-16], there is lack of comprehensive, empirical studies that analyze the specific patterns of FDI inflows in the real estate industry in Tanzania over an extended period and their contributions to national GDP and other economic indicators. This systematic review aims to examine the trend of foreign direct investment (FDI) in Tanzania's real estate industry from 2000 – 2020. Further, this review helps to determine the contribution of FDI to growth of GDP and other economic indicators in the country. Therefore, we systematically analyzed information from various articles on the trend of FDI in Tanzania's real estate industry over the specified period of 20 years.

This paper is critically important and timely due to several converging factors. Tanzania, like many other African nations, is experiencing rapid urbanization and economic growth, necessitating significant investments in real estate to meet rising demands for residential, commercial, and infrastructural development [14]. Further, the global economic landscape is increasingly interconnected, with foreign direct investment (FDI) playing a crucial role in facilitating development in emerging markets. Understanding the trends and impacts of FDI in Tanzania's real estate industry from 2000 - 2020 provides valuable insights into how international capital flows influence national economic indicators such as GDP growth, employment, and infrastructure development. The provided information is useful for policy and decision makers in understanding the overall challenges and benefits associated with FDI inflows in the relevant industry. In addition, this review

helps to identify periods of growth and decline in FDI in the industry, providing valuable information in understanding the factors that affect investment inflows, which enables policymakers to address any recessions and develop strategies to maintain growth. Similarly, it also helps policymakers evaluate the effectiveness of past policies and initiatives related to FDI in the industry. Through understanding factors for successes and weaknesses, policymakers can make informed decisions to improve existing policies and attract more investment in the industry.

In addition, the trend of FDI in the real estate industry is useful in provision of better understandings regarding market dynamics, such as demand and supply patterns, investment preferences and pricing trends. This information helps to guide potential investors and industry stakeholders in making well-informed decisions. Equally, this review is useful in assessing the investor confidence levels in Tanzania's real estate industry over the specified period of 20 years. Through examining the trend, policymakers can evaluate the factors that prevent or attract foreign investors, enabling them to address any concerns and create a favorable investment climate. Similarly, policymakers can, through benchmarking against regional or global trends, gain insights into the competitive advantages of the Tanzanian market, and identify areas for improvement or potential partnerships. This review is useful for future planning and strategy formulation in the real estate industry in Tanzania. Through better understanding the historical trends of FDI, policymakers can develop long-term strategies and plans including identifying new investment opportunities, addressing regulatory barriers, implementing infrastructure development plans, and fostering international partnerships to attract more foreign investment in the coming years.

The importance of this paper is underscored by both theoretical and empirical considerations. Theoretically, this paper is founded on neoclassical growth theory and the neoclassical theory of investment [89,90]. Neoclassical growth theory developed by Solow [89] posits that capital accumulation in an economy, and how people make use of it, is important for determining economic growth. This suggests that investment in capital, including real estate industry is a significant driver of economic development, contributing to capital formation, employment, and overall GDP growth. Further, Neoclassical theory of Investment developed by Cockcroft and Riddell [90] highlights

the significant role that FDI plays in the economic development of developing countries. They argue that FDI not only brings in capital but also technology transfer, managerial expertise, and access to international markets, which are vital for growth. They provide empirical evidence showing that FDI contributes to economic growth more effectively than domestic investment alone, due to the additional benefits it brings. Their model examines various factors that influence investment decisions in developing countries, including macroeconomic stability, policy environment and institutional quality. Cockcroft and Riddell use empirical data and case studies from various developing countries to support their theoretical framework. They demonstrate that countries with higher FDI inflows tend to experience faster economic growth, provided that certain conditions, such as macroeconomic stability and robust institutions, are met [89,90].

In the context of this paper, neoclassical growth theory and the neoclassical theory of investment provide a robust theoretical foundation for analyzing the trends of Foreign Direct Investment (FDI) in Tanzania's real estate sector from 2000 - 2020 and their contributions to national GDP. The neoclassical growth theory suggests that investment in capital-intensive sectors like real estate can significantly drive economic development by contributing to capital formation, employment, and overall GDP growth. Building on this, the neoclassical theory of investment emphasizes the fundamental role of FDI in the economic development of developing countries. Their empirical evidence suggests that FDI has a more profound contribution on economic growth compared to domestic investment due to their additional benefits. This paper leverages these theoretical insights to systematically analyze the trend of FDI inflows in Tanzania's real estate industry over two decades. By examining empirical data and identifying trends, this research aims to provide policymakers with actionable insights to enhance the investment climate, attract more FDI, and ultimately foster sustainable economic growth in Tanzania.

The empirical evidence shows that the last two decades have witnessed a growth in foreign direct investments (FDI) in the real estate industry in most countries [91]. The global trend of Foreign Direct Investment (FDI) in the real estate industry from showcases significant growth, driven by globalization, urbanization, and technological advancements [92,93]. In the early 2000s, FDI in real estate was predominantly concentrated in developed markets such as North America, Europe, and parts of Asia.

The demand for commercial real estate, including office spaces, retail, and residential properties, was high, fueled by economic growth and globalization [92]. The mid-2000s saw increased FDI in emerging markets, including Asia (particularly China and India) and Latin America. The global financial crisis of 2008 briefly disrupted this growth, causing a decline in FDI inflows as investors faced economic uncertainty. However, post-crisis recovery efforts led to a resurgence in investment, particularly in emerging markets where high returns attracted global investors [93]. By the 2010s, there was a significant shift towards sustainable and smart real estate, incorporating green building technologies and smart infrastructure, which attracted further FDI. The late 2010s also witnessed increased interest in mixed-use developments and real estate tech startups, reflecting evolving consumer preferences and technological integration [92,93].

In African countries, the FDI inflows in real estate sector experienced notable growth albeit from a low base [94]. In the early 2000s, Africa's real estate market was largely underdeveloped, with limited foreign investment due to political instability, economic challenges, and inadequate infrastructure. South Africa was an exception, maintaining relatively stable FDI inflows due to its more mature real estate market and economic stability. The mid-2000s marked the beginning of more significant FDI inflows into African real estate, driven by economic reforms, improving political stability, and increasing urbanization. Countries like Nigeria, Kenya, and Ghana started attracting more substantial investments in residential, commercial, and retail real estate projects [95]. From 2010 to 2015, FDI in Africa's real estate sector accelerated, supported by high commodity prices, growing middle-class populations, and major infrastructure projects. However, the global economic slowdown and commodity price downturn in the mid-2010s tempered this growth. The period from 2016 to 2020 saw a diversification of real estate investments across Africa, with increased interest in hospitality, industrial, and mixed-use developments. Despite challenges such as political instability in some regions and the impact of the COVID-19 pandemic, the sector showed resilience, with countries like Kenya, Nigeria, and South Africa remaining key destinations for real estate FDI [94,95].

In East Africa, the trend of FDI in the real estate sector from 2000 to 2020 reflects significant growth, driven by economic expansion, urbanization, and improved

investment climates [92]. In the early 2000s, FDI in real estate was limited, primarily due to economic and political instability in the region. However, as countries like Kenya, Tanzania, and Uganda implemented economic reforms and infrastructure development projects, the attractiveness of their real estate markets increased. Between 2006 and 2010, East Africa began to see more substantial FDI inflows into the real estate sector. Nairobi, Kenya, emerged as a regional hub for real estate investment, attracting significant FDI in commercial, residential, and retail properties [92,93]. From 2011 to 2015, the East African real estate market experienced accelerated growth in FDI. Major cities such as Nairobi, Dar es Salaam, and Kampala saw increased investments in residential, commercial, and hospitality projects. This period also witnessed the development of large-scale infrastructure projects, such as roads, ports, and airports, which further enhanced the investment climate [92,93]. The late 2010s continued the trend of robust FDI inflows into East Africa's real estate sector. The region saw diversification into various sub-sectors, including logistics parks, mixed-use developments, and green buildings. Countries like Kenya and Tanzania remained key destinations for real estate FDI, supported by ongoing economic growth, urbanization, and government initiatives to improve the investment climate [95]. However, despite the notable growth of the Tanzanian real estate market [12-16] and the growth of FDI inflows, there is limited comprehensive review of the specific trends of FDI inflows in the real estate industry in Tanzania over an extended period and their contributions to national GDP.

2. Materials and Methods

Literature search, inclusion and exclusion criteria

To identify the studies used in this review, a comprehensive and systematic search was conducted across various online research databases, including both academic databases and sources of grey literature. The academic databases searched were Google Scholar, PubMed, Scopus, and Web of Science. Additionally, grey literature sources were consulted, such as government reports, national statistics repositories, industry publications, and conference proceedings. The search process employed specific keywords to ensure a focused and relevant selection of literature. The keywords used in the bibliographical search included: "foreign direct investment in Tanzania," "Tanzania's real estate," "trend of FDI in Tanzania," "FDI in Tanzanian real estate," "real estate investment in Tanzania," "real estate in Tanzania," and "FDI in Tanzania from 2000 -

2020." Inclusion criteria for the selection of articles were strictly defined to enhance the relevance and quality of the review. The criteria stipulated that only articles published between 2000 and 2020 on the topic of Foreign Direct Investment (FDI) in Tanzania's real estate sector were to be included. Furthermore, the review focused exclusively on studies conducted in Mainland Tanzania because FDI is a non-union matter, thus there are different laws, policies, and practices for the Tanzania Mainland and Zanzibar. This systematic approach ensured that the studies selected for analysis were pertinent, comprehensive, and provided a robust basis for examining the trends and impacts of FDI in Tanzania's real estate sector over the specified period.

Data handling, management, and analysis

The extracted information include year of publication, GDP per capita at current market prices, GDP growth rate (%), FDI inflows, FDI inflows (% of GDP), contribution of real estate in GDP, real estate growth rate, shares of GDP by real estate activities and FDI inflow in real estate industry. This information was entered in excel sheet and SPSS and cleaned i.e. checked for missing data and consistency before analysis. Excel and SPSS *version 25* software were applied for analysis of the quantitative data. Descriptive statistics such as frequency, percentage were used to summarize data and were presented in in tables and figures. Inferential statistic such as Chi-square test was used to establish the association between the relevant variables.

3. Results and Discussion

Literature search summary

A total number of 65 articles were retrieved from various databases and repositories but only 32 met the inclusion criteria for this review. Information such as year of publication, GDP per capita at current market prices, GDP growth rate (%), FDI inflows, FDI inflows (% of GDP), contribution of real estate in GDP, real estate growth rate, shares of GDP by real estate activities and FDI inflow in real estate are presented in Table 1. Most of the reviewed articles were excluded in this paper as they contained highly fragmented data which were presented in a non-comparable parameters for the review period of 2000 – 2020.

Table 1: Summary of Information Collected From the Reviewed Articles That Met the Selection Criteria

Year	GDP*		FDI	FDI	Real Estate				Sources
	Billion TZS	Growth rate (%)	inflows (Billion TZS)	inflows (% of GDP)	GDP* (Billion TZS)	Growth rate (%)	Shares of GDP	FDI inflows (Billion TZS)	
2000	255,575	2.3	2531.6	3.5	868.5	4.9	10.5	265.8	[20, 47-51]
2001	276,741	3.0	1168.0	4.0	936.4	4.2	10.3	120.3	[21, 47-51]
2002	310,991	3.5	969.0	2.8	1,008.1	7.1	10.3	99.8	[22, 47-51]
2003	353,496	3.3	770.5	2.1	1,135.3	6.5	10.3	79.4	[23, 47-51]
2004	396,154	3.8	826.5	2.7	1,270.1	6.8	10.2	84.3	[24, 47-51]
2005	441,063	3.7	2338.8	5.1	1,520.1	7.5	10.2	238.6	[25, 47-51]
2006	478,100	3.3	1007.6	2.2	1,723.6	7.3	10.2	102.8	[26, 47-51]
2007	547,081	3.4	1453.8	2.7	1,982.1	7.0	10.2	148.3	[27, 47-51]
2008	627,787	2.8	3458.1	4.9	2,378.5	7.1	10.2	352.7	[28, 41, 47-51]
2009	693,470	2.6	2381.5	3.3	2,532.8	6.8	10.2	242.9	[29, 41, 47-51]
2010	770,464	3.2	4533.1	5.7	2,848.9	7.0	10.2	462.4	[30, 42, 47-51]
2011	1,222,224	3.8	3073.5	3.5	2,277.8	1.9	4.3	132.2	[31, 42, 47-51]
2012	1,408,223	4.5	4499.0	4.5	2,612.8	2.0	4.3	193.5	[32, 42, 47-51]
2013	1,582,797	6.8	5218.3	4.6	2,672.1	2.1	3.8	198.3	[33, 43, 47-51]
2014	1,730,405	6.7	3540.3	2.8	2,955.4	2.2	3.7	131.0	[34, 44, 47-51]
2015	1,968,965	6.2	3902.0	3.2	2,949.6	4.3	3.1	121.0	[35, 44, 47-51]
2016	2,191,190	6.9	2160.1	1.7	3,077.1	4.3	2.9	62.6	[36, 45, 47-51]
2017	2,327,395	6.8	2344.3	1.8	3,211.9	4.4	2.8	65.6	[37, 45, 47-51]
2018	2,452,406	5.5	2428.9	1.7	3,354.5	4.4	2.8	68.0	[38, 45, 47-51]
2019	2,573,324	5.8	3043.1	2.0	3,505.5	4.5	2.7	82.2	[39, 46-51]
2020	2,701,038	2.0	2359.4	1.0	3,664.0	4.5	2.8	66.1	[40, 46-51]

*per capita at current market prices

Trend of FDI Inflows in Tanzania's Real Estate Industry from 2000 - 2020

Results show that there was an irregular trend of FDI inflows in Tanzania's real estate activities from 2000 – 2020. The trend of FDI inflows indicated various asymmetrical decrease and increase throughout the period as presented in Figure 1.

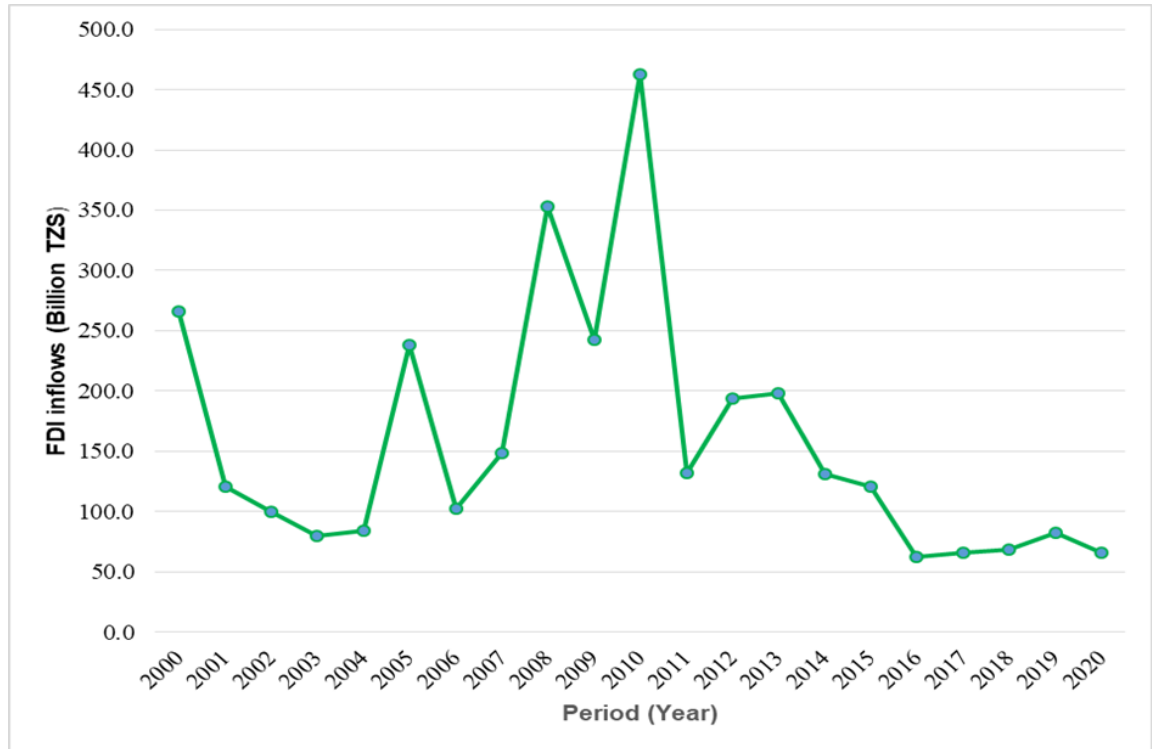


Figure 1: FDI Inflows in Real Estate Activities in Tanzania from 2000 - 2020

Analysis by Chi-square test shows that FDI inflows in real estate activities is not significantly associated with national GDP ($\chi^2= 420.0$, $df = 400$, $p >0.05$), national GDP growth rate ($\chi^2= 357.0$, $df = 340$, $p >0.05$), total FDI inflows in the country ($\chi^2= 420.0$, $df = 400$, $p >0.05$) or contribution of the real estate activities in national GDP ($\chi^2= 420.0$, $df = 400$, $p >0.05$). This finding suggests that the trend of FDI inflows in Tanzania's real estate activities is influenced by factors such as economic and political factors, market dynamics, regulatory environment, industry-specific factors, risk assessment, competition and alternative investment destinations.

The fluctuating trend could be influenced by various economic and political factors that impact investor confidence and decisions. This includes changes in government policies, economic stability or instability, geopolitical events, and global economic conditions. Also, the real estate market itself is subject to cyclical patterns influenced by supply and

demand dynamics, economic cycles, and investment cycles. The regulatory environment and ease of doing business play a crucial role in attracting FDI in any industry. Inconsistent or unpredictable policies and regulations can discourage foreign investors and contribute to the irregular trend. Further, within the real estate industry, specific sub-sectors or segments may experience different trends in FDI inflows. In addition, foreign investors assess the risks associated with investing in a particular country or industry. Irregular FDI trends could be an indicator of perceived risks, such as instability, legal uncertainties, or inadequate infrastructure. Irregular FDI trends could be influenced by other countries or regions competing for the same investment opportunities. The increasing FDI inflows in the country was attributed by increasing investors' confidence in the macroeconomic stance of the Tanzanian economy [45]. For example, the investors were of the view that there were improvements in the provision of services such as banking, telecommunication, air transport, immigration and inland transport and these services had positively affected their businesses [42]. The improvements in these services included easy accessibility of banking services, increased number of telephone service providers, increased number of flights, reduced bureaucracy in the immigration approvals, improved road networks as well as increased number of cargo haulage operators [42]. On the other hand, investors showed negative concerns on electricity supply and reliability delays in cargo clearing at seaport and the number of days spent on customs clearance [42]. While major sources of the FDI inflows in Tanzania in 2018 were OECD including United Kingdom, the United States of America and the Netherlands, SADC and EAC regions [45], the top ten countries in 2019 – 2021 were Cayman Islands, Mauritius, United Kingdom, Canada, China, Nigeria, Netherlands, South Africa, Norway and France [46].

The irregular trend of FDI inflows in Tanzania's real estate activities over the specified period implies that attracting and maintaining FDI is a multifaceted challenge influenced by a combination of domestic and international factors. To enhance and stabilize FDI inflows, policymakers need to address regulatory inconsistencies, improve infrastructure reliability, and continue enhancing the overall business environment. Understanding and mitigating perceived risks, fostering political and economic stability, and maintaining competitiveness in the global market are essential for sustaining and increasing FDI inflows in the real estate sector. This comprehensive approach can help create a more

predictable and attractive investment climate, ultimately contributing to sustained economic growth and development.

Results also indicated that annual growth rate (%) of real estate activities in national GDP displays an irregular trend from 2000 – 2020 as presented in Figure 2. There was a higher growth rate (between 4.2% - 7.5%) of real estate activities from 2000 – 2010, but was followed by a sharp decline to less than 2% in 2011 and then a steady growth rate of above 4% from 2015 – 2020.

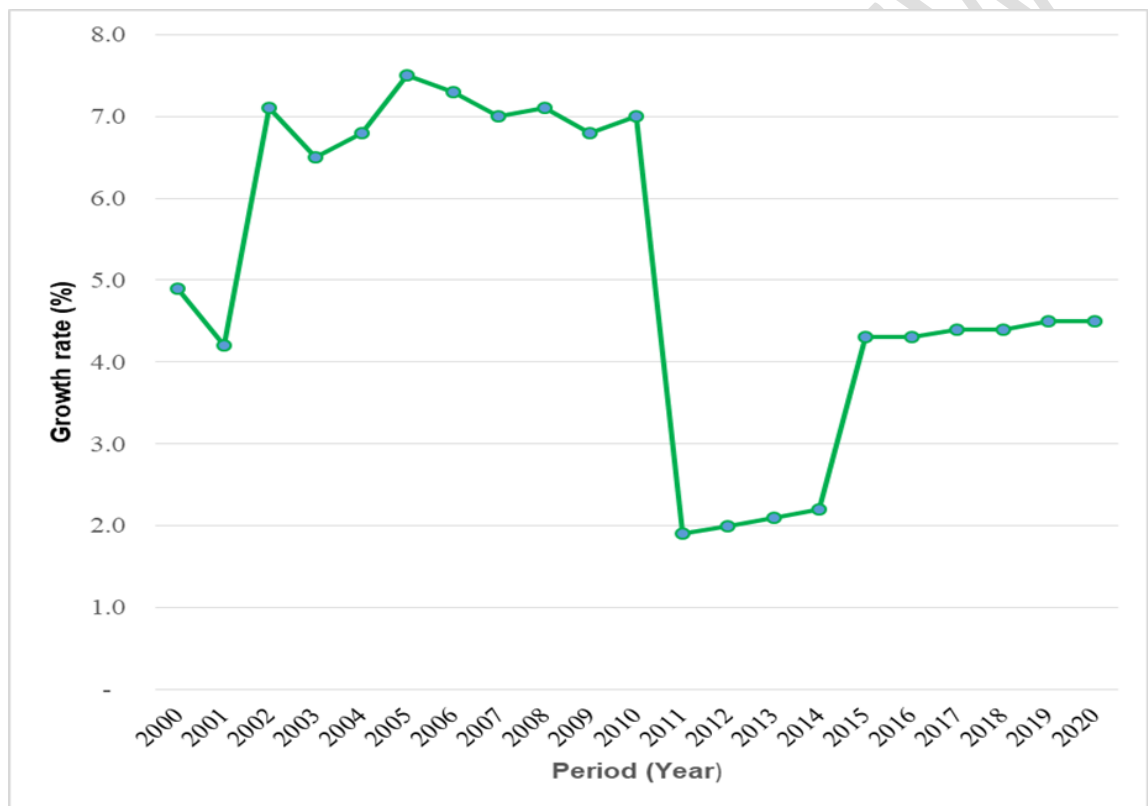


Figure 2: Annual Growth Rate of Real Estate Activities in National GDP from 2000 – 2020.

The analysis of the provided information regarding annual growth rate (%) of real estate activities in national GDP from 2000 to 2020 indicated an irregular trend, with distinct changes in growth rates during different periods. During the 2000 – 2010 period, the real estate activities experienced higher growth rates, consistently between 4.2% - 7.5%. This suggests a period of significant expansion and development in the real estate industry. Factors contributing to this growth could include increased investment, construction activity, rising property prices, and favorable market conditions during that time. The

sharp decline in the growth rate of real estate activities to less than 2% in 2011 was mainly due to changes in reporting format where business services were separated from real estate activities. Other reasons could be associated with economic challenges, policy changes, or market factors. After the decline in 2011, the growth rate of real estate activities rebounded and maintained a steady rate of above 4% from 2015 to 2020. Favorable economic conditions, policy interventions, or changes in market dynamics may have contributed to this steady growth. Other researchers elsewhere [58-61] provided similar observation of an irregular trend in the annual growth rate of real estate activities in national GDP, suggesting fluctuations and variations during the specified period. **This implies that the real estate industry is highly responsive to both internal and external economic conditions, policy changes, and market dynamics. To foster sustained and stable growth, there is a need for consistent and transparent reporting, strategic policy interventions, and continuous monitoring of the sector.**

Further analysis of the retrieved data indicated that the percentage shares of GDP by real estate activities was relatively higher and steady from 2000 – 2010, followed by sharp decline from 2010 – 2011 and further decrease towards 2020 (Figure 3).

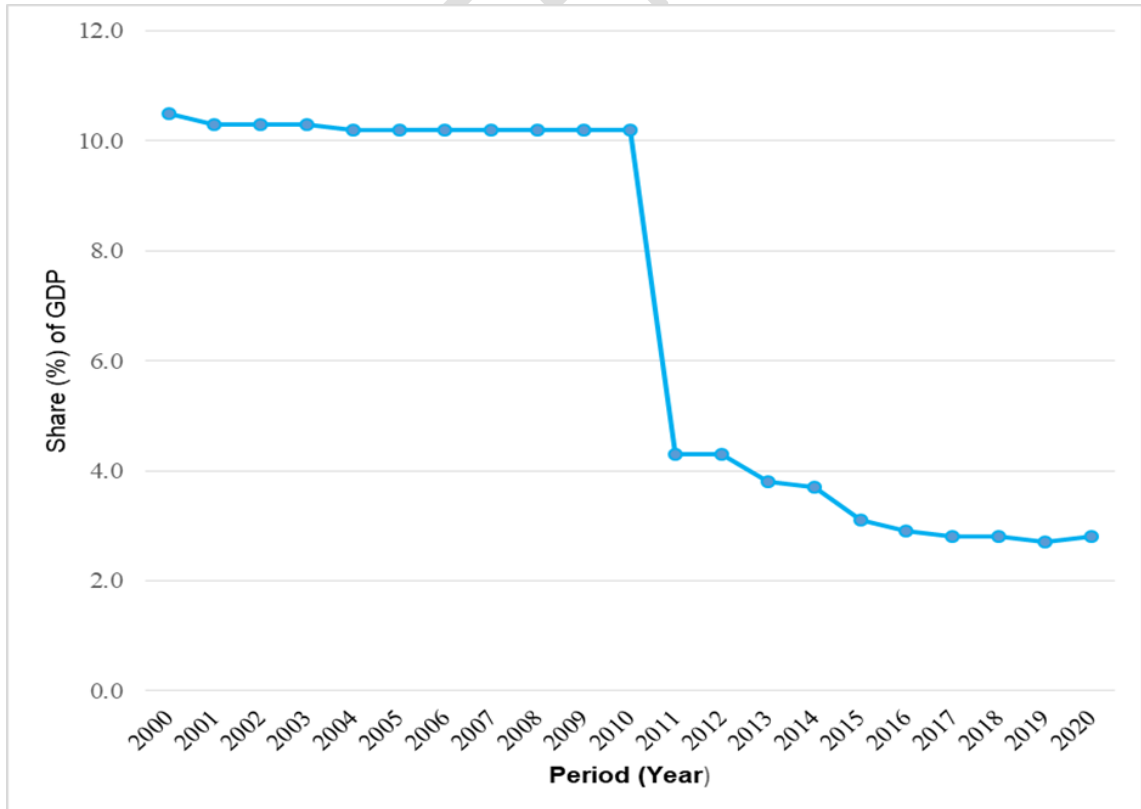


Figure 3: Percentage Share of GDP by Real Estate Activities from 2000 - 2020

The higher percentage share of GDP by real estate activities was attributed by the fact that in reporting the economy activities from 2000 – 2010, data for real estate activities were combined with business activities to form one economy activity called “Real estate and business services”. Combining real estate activities with business services in the reporting framework reflects the interconnections and synergies between these sectors. The higher and steady percentage share of GDP during the specified period indicate the significance of these combined activities for Tanzania's economy. It was noted that, economic data of most developing countries rarely provide stand-alone information on real estate industry [52]. Normally information on real estate industry is combined with other sub-sectors in the category known as ‘business services, finance, insurance and real estate’, which sometimes creates challenges to extract the actual statistics of the contribution of real estate to national GDP [53].

Further analysis indicated that there was a general increase in contribution of real estate activities in national GDP from 2000 – 2020 as presented in Figure 4. However, there was a notable decline of contribution of real estate activities in 2009 – 2010.

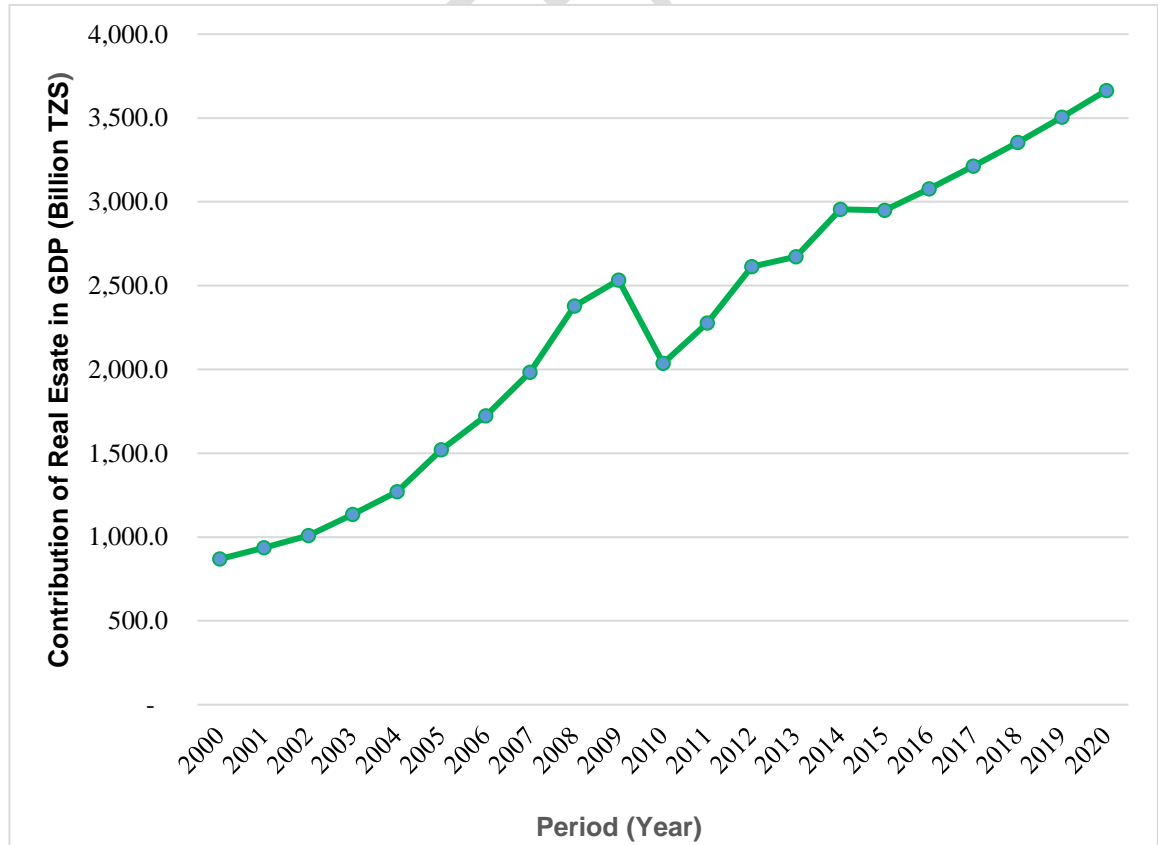


Figure 4: Contribution of Real Estate Activities in National GDP from 2000 - 2020

Furthermore, Chi-square test results indicated that contribution of real estate activities in national GDP is not significantly associated with national GDP ($\chi^2= 420.0$, $df = 400$, $p >0.05$), national GDP growth rate ($\chi^2= 357.0$, $df = 340$, $p >0.05$), total FDI inflows in the country ($\chi^2= 420.0$, $df = 400$, $p >0.05$) or contribution of the real estate activities in national GDP ($\chi^2= 420.0$, $df = 400$, $p >0.05$). These findings suggest FDI inflows in the real estate industry have no direct association with the overall performance of the industry in terms of its contribution to national GDP. Other relevant aspects such as policy measures, local market dynamics or domestic investment plays more significant role in the performance of national GDP. Similarly, this finding suggest that the performance of the real estate industry is not a major driver of overall economic growth. Thus, there are other factors which might have a stronger influence on national GDP and its growth. The absence of a significant association between the contribution of real estate activities in national GDP and total FDI inflows suggests that the overall level of foreign direct investment in the country may not directly correlate with the impact on the real estate industry's contribution to national GDP. It indicates that the influence of FDI inflows on real estate activities is influenced by various other factors, such as investment distribution across sectors or specific investment policies. It is important to note that the Chi-square test results indicate that the observed associations in the data are not statistically significant at the chosen level of significance ($p > 0.05$). However, this does not imply a lack of any relationship between the variables. There may still be qualitative or non-linear relationships present, which were not captured by the test. Contrary, other studies elsewhere [54-57], provided insights into the positive impact of real estate activities on national economic growth and the increasing contribution of the real estate industry to GDP [94-96]. The implication of these findings is that to enhance the contribution of the real estate sector to national GDP, Tanzania must focus on improving domestic economic conditions, regulatory frameworks, and infrastructure. Policymakers should consider comprehensive strategies that address both foreign and domestic investment needs, ensuring that the real estate sector can thrive alongside other critical sectors.

4. Conclusion

This paper concludes that, in the review period from 2000 – 2020, FDI inflows in Tanzania's real estate activities show an irregular trend with various asymmetrical decrease and increase throughout the period. However, the FDI inflows in real estate

activities is not significantly associated with national GDP, national GDP growth rate, total FDI inflows in the country or contribution of the real estate activities in national GDP. The trend of FDI inflows in Tanzania's real estate activities is influenced by factors such as economic and political factors, market dynamics, regulatory environment, industry-specific factors, risk assessment, competition and alternative investment destinations. The percentage annual growth rate of real estate activities in national GDP displays an irregular trend from 2000 – 2020. Further, there is a general increase in contribution of real estate activities in national GDP during the review period.

5. Recommendations

Given the irregular trends with an increase and decline of FDI inflows in the real estate industry, policymakers should consider implementing reforms that create a favorable and stable investment climate. This may involve streamlining regulatory processes, ensuring transparent policies, and providing incentives to attract foreign investors to the real estate industry.

It is important to conduct thorough market analysis and risk assessments so as to encourage FDI inflows in real estate industry. This includes understanding market dynamics, identifying potential risks and challenges, and developing strategies to mitigate them. This information can assist investors in making informed decisions and improve the overall attractiveness of Tanzania as an investment destination for real estate activities.

The government should conduct continuous monitoring and evaluation of FDI inflows and the contribution of real estate activities to national GDP. This will help identify trends, assess the effectiveness of policies, and make necessary adjustments to support the growth and sustainability of the real estate industry. It should create conducive environment for diversifying FDI sources. Exploring opportunities for diversification can help reduce dependence on specific countries or regions.

Further research should explore potential non-linear and qualitative relationships to fully understand the comprehensive impact of FDI inflows on real estate and overall economic growth. This holistic approach will help in devising more effective policies to maximize

the economic benefits of both FDI and domestic investments in real estate and other sectors.

Abbreviations

CBE: College of Business Education; EAC: East African Countries, FDI: Foreign Direct Investment; GDP: Gross Domestic Product; SADC: Southern African Development Community; NHC: National Housing Corporation; TIA: Tanzania Institute of Accountancy; WHC: Watumishi Housing Company.

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