



## TANZANIA MORTGAGE MARKET UPDATE – 30 June 2017.

### 1. Highlights:

- The mortgage market registered a **growth of 7 percent** during the second quarter of year 2017. The year on year comparison records a growth rate of **10 percent** over the last 12 months through 30 June 2017.
- 30 lenders (29 as at 31 March 2017) were offering the mortgage product as at 30 June 2017, with **Yetu Microfinance Bank PLC** being the new entrant in the mortgage market in Q2 2017.
- Outstanding mortgage debt as at 30 June 2017 stood at **TZS 446 billion<sup>1</sup>** equivalent to **US\$ 199 million** (TZS 417 billion as at 31 March 2017).
- Average mortgage debt size was TZS 114 million, which is equivalent to around US\$ 50,866 (TZS 120 million as at 31 March 2017)
- The number of accounts increased from 3,465 accounts in Q1 2017 to 3,915 accounts
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.43 percent (0.46 percent as at 31 December 2015).
- Mortgage debt advanced by top 5 lenders accounts for 66 percent of the total outstanding mortgage debt.
- Typical interest rates offered by mortgage lenders ranged between 16 -19 percent.
- The current real estate development projects that are under way, as well as those that are being developed, have created various opportunities for interested local and foreign investors.
- The Tanzanian housing sector's fast-growing demand is mainly driven by the strong and sustained economic growth with GDP growth averaging **6-7 percent** over the past decade (**7 percent in 2016, 5.7 percent in Q1 2017**)<sup>2</sup>, the fast-growing Tanzanian population which is estimated to be 50.14 million<sup>3</sup> and is expected to more than double by 2050 and efforts by the Government in partnership with global non-profit institutions and foreign governments to meet the growing demand of affordable housing<sup>4</sup>.

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<sup>1</sup> Bank of Tanzania Quarterly Mortgage Market Statistics as at 30 June 2017

<sup>2</sup> <http://www.nbs.go.tz>

<sup>3</sup> <http://www.nbs.go.tz/>

<sup>4</sup> <http://www.tanzaniainvest.com/construction/realestate/tanzania-real-estate-sector-report>

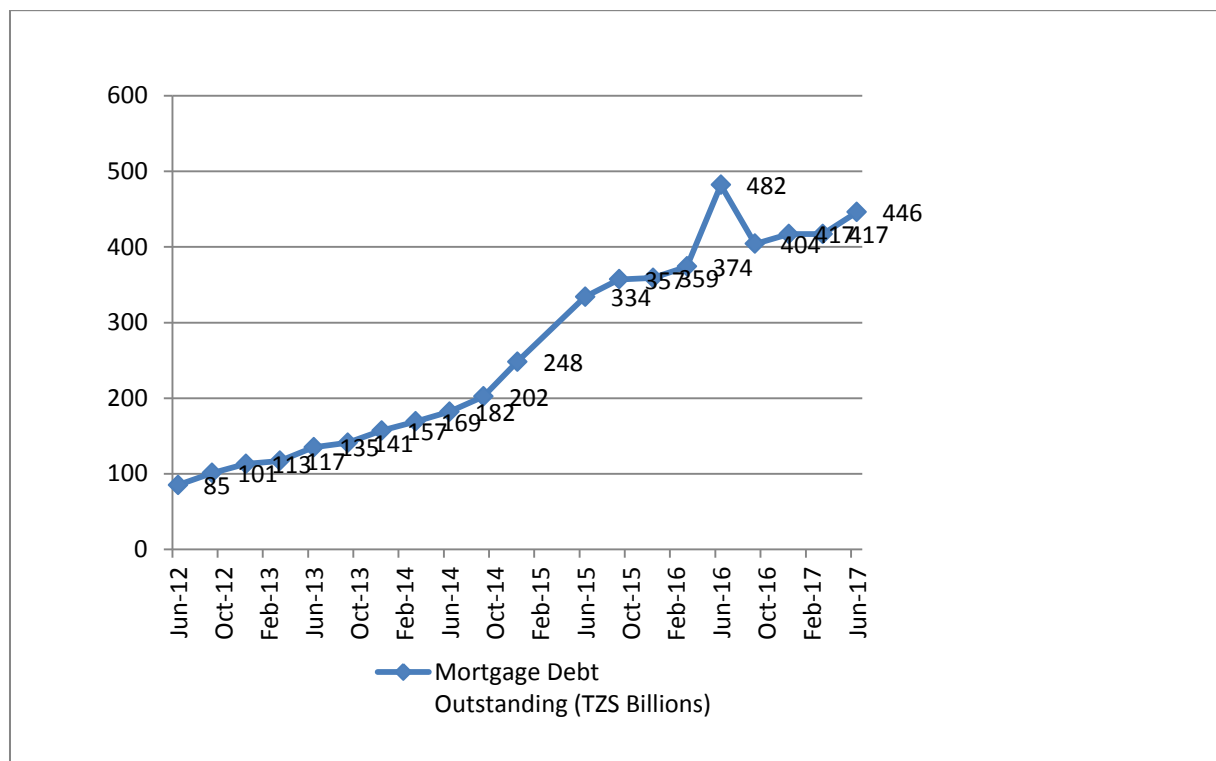
- The Tanzanian housing demand (which is estimated at 200,000 houses annually and a total housing shortage of 3 million houses), has also been boosted by easier access to mortgages, with the number of mortgage lenders in the market increasing from 3 in 2009 to 30 by June 2017, and the average mortgage interest rate in falling from 22 percent to 16 percent.
- A shift in focus of developing housing projects by developers has been experienced of recent in response to the Government’s initiative to relocate its administrative function to the capital city of Dodoma as announced by the President of the United Republic of Tanzania on 23 July 2016.
- High interest rates and lack of affordable housing remain the major constraints on market growth.
- Tanzania Mortgage Refinance Company (TMRC) continues to extend refinancing to non-member banks as well as its member banks.

## 2. Mortgage Market Growth:

The mortgage market in Tanzania has continued to register steady growth during the second quarter of 2017. As at 30 June 2017 total lending by banking sector for the purposes of residential housing was TZS 446 billion, which is equivalent to US\$199 million. This represents a growth of **7 percent** from total mortgage lending of TZS 417 billion as at 31 March 2017.

Factors attributed to this growth is the increased awareness on mortgage loans among borrowers as a result of various public awareness campaigns by banks offering mortgage loan product as well as increased competition as new lenders enter the market. **Figure 1** below shows the trend of mortgage lending in terms of amounts over the years;

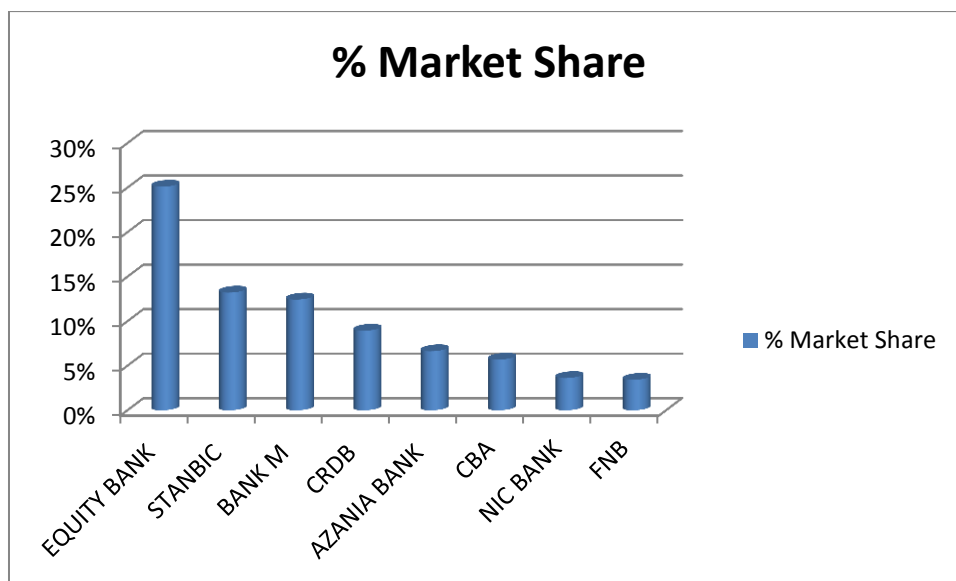
**Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding**



### 3. Increasing Competition as New Lenders Enter the Market:

As at end of the second quarter of 2017, **30** different banking institutions were offering mortgage loans, with **Yetu Microfinance Bank PLC** being the new entrant in the market during the quarter. The number of mortgage lenders has increased from 29 lenders reported as at 31 March 2017, and is expected to increase further as more lenders continue to launch their mortgage loan products. During the quarter, the mortgage market was dominated by five top lenders, who amongst themselves command about 66 percent of the mortgage market. Equity Bank was a market leader commanding 25.1 percent of the mortgage market share, followed by Stanbic Bank (13.2 percent), Bank M (12.4 percent), CRDB (8.9 percent) and Azania Bank (6.6 percent). More positive developments are expected in the market with more banks now launching mortgage loan products as competition in the traditional banking products continues to intensify. Unlike previous experience where only large and medium sized banks such as National Microfinance Bank (NMB), CRDB, National Bank of Commerce Standard Chartered Bank and Diamond Trust Bank were launching mortgage products, smaller banks such as Letshego Bank and Yetu Microfinance Bank PLC have started entering the market during the first half of 2017. **Figure 2** below shows market share for top eight mortgage lenders as at 30 June 2017, in terms of outstanding mortgage debt.

**Figure 2 – Mortgage Market Share - Top Eight Lenders**



### 4. Obstacles to Growth of the Mortgage Market:

Demand for housing and housing loans remains extremely high but is constrained by inadequate supply of affordable housing and high interest rates. The current housing deficit in Tanzania is estimated at three million housing units with a 200,000 unit annual demand<sup>5</sup>. Most lenders offer loans for home purchase and equity release while a few offer loans for self-construction which for the most part continue to be expensive beyond the reach of the average Tanzanian. High interest rates offered by mortgage lenders also pose as another impediment to the growth the mortgage market. During the second quarter of 2017, interest rates offered by mortgage lenders were

<sup>5</sup> NHC Strategic Plan 2010-2015

reported to range between 16 – 19 percent. A sharp decline was experienced on the 182 days T Bill rate during the quarter with the rate declining to single digits (i.e. from 13.61% towards the end of March 2017 to 6.89% as at 28 June 2017). The rate then picked up to 8.94% towards end of July 2017, though still remaining within single digits. The decline in the 182 days T bill rate is viewed positively as the rate affects all forms of long term debt, including mortgages. The declining trend experienced on the 182days T bill rate is expected to translate into lower interest rates on mortgage loans should it continue in the longer term.

## **5. Positive Initiatives to Boost the Mortgage Market:**

The National Housing Corporation (NHC) has continued carrying out its various projects focusing on high, medium and low income earners which continue to have a positive impact on the mortgage market. The Corporation's major ongoing projects in Dar-es-Salaam include Kawe (which is on sale since December 2015, a satellite city covering 5.84 acres, consisting of 711 two to four bedroom apartments with prices ranging from TZS 297 million to TZS 672 million VAT exclusive)<sup>6</sup>, the Golden Premier Residence Project (covering 1.86 acres), Mwongozo Estate (consisting of 216 two to three bedroom and town houses sold between TZS 44.7 million to TZS 128 million VAT exclusive) and Morocco Square. The Morocco Square project was launched by the Corporation in October 2015 and is the biggest project in East and Central Africa region, which is comprised of two office towers, residential tower and hotel tower. The project construction cost is estimated to be over TZS 150bn. Morocco square consists of four blocks including a shopping mall with a total of 28,827 square metres which will accommodate banks, chain of stores, supermarkets and shops, movie theatres, kids' grounds and food courts, among others. Apart from the multiple business spaces, the Morocco Square will have two office blocks with a total of 47,793 square metres, whereby one of the towers will be known as Stock Exchange Tower that stands to accommodate and upgrade the current Dar es Salaam Stock Exchange (DSE)<sup>7</sup>. On the other hand, the residential and hotel tower will have a total of 24,924 and 8,456 square metres respectively.

In August 2017, 100 title deeds were issued to buyers of plots from the Corporation's multi-billion shilling project to create a satellite city at Mateves on the south-western outskirts of Arusha. Ten pilot residential houses were also inaugurated at the site by the Minister for Lands Housing and Human Settlements Development. The project which is expected to cover 559.4 hectares of land will have houses that cater for low, middle and high income citizens together with all the amenities and social services including business areas, entertainment joints, medical services, schools and police and fire rescue services.<sup>8</sup>

NHC also continues with its country-wide project known as 'My Home My Life' offering 5 000 affordable housing units countrywide with prices quoted for the first and second phases of the project ranging between TZS 43.4 million to TZS 95.3 million.<sup>9</sup> Currently the project has covered number of regions including Mkinga (Tanga), Mvomero (Morogoro), Mnyakongo-Kongwa (Dodoma), Mkuzo (Songea), Mtanda (Lindi), Mrara (Babati), Unyankumi (Singida), Bomba Mbili (Geita), Ilembu

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<sup>6</sup> <http://www.nhc.co.tz/en/711details>

<sup>7</sup> <http://www.dailynews.co.tz/index.php/home-news/42800-nhc-launches-morocco-mega-housing-project>

<sup>8</sup> <http://www.thecitizen.co.tz/News/Lukuvi--Curb-haphazard-development-in-Arusha/1840340-4056102-format-xhtml-40o2yvz/index.html>

<sup>9</sup> <http://www.nhctz.com/mhml/index2.php>

and Iyonga (Katavi), Uyui (Tabora), Longido and Monduli (Arusha) and Mlole (Kigoma) as well as Kibada and Mwongozo (Kigamboni, Dar-es-Salaam).<sup>10</sup>

Additionally in line with the government's decision to move its administrative functions to the capital city of Dodoma, NHC introduced a mega project of building the Iyumbu Sattelite Centre in Dodoma in December 2016. The project contains construction of 300 houses on the Corporation's land, located at Iyumbu area in Dodoma Municipality. The Iyumbu Satellite Centre contains three phase design, whereas the first phase of the project commenced in December 2016 with construction of 300 3-bedroom stand alone housing units (45 units of 79 square meters, 210 units of 85 square meters and 45 units of 115 square meters) and other associated facilities. A sale of the units was launched at the begining of 2017 with house prices being quoted at TZS 57.67 million, TZS 62 million and TZS 83.95 million excluding V.A.T. The project has been designed to suit the urban living environment targeting middle and low income groups with all important services like clean and safe water, electricity, nursery school, dispensary and shopping mall. Other amenities include play grounds and ample car parking for residents and tenants within the settlement<sup>11</sup>

Likewise, Watumishi Housing Company (WHC) continues with the implementation of the Public Servants Housing Scheme, where 50,000 affordable housing units are expected to be constructed in 5 phases. Implementation the first phase is ongoing with the construction of 590 houses in three regions (namely Morogoro, Mwanza and Dar-es-Salaam) launched in November 2015 being at completion stages, with 50 units in Morogoro (Mkundi area) being at 90% completion and 59 units in Mwanza at Kisesa Township being at 99.8% completion. In Dar es Salaam there are three projects namely Kigamboni (329 units), Bunju (64 units) and Magomeni Usalama (88 units in two flat buildings with 12 floors each). All the three projects are above 95% completion stage.

Additionally in August 2017, WHC embarked on the Watumishi Njedengwe Housing Estate project to build 500 units in Njedengwe, Dodoma following the Government's decision to relocate its administrative functions to the capital city of Dodoma over the next five years. Construction of 159 units under the first phase of the project has started and is expected to be completed by April 2018. The prices of the houses will be set between TZS35 million and TZS65 million.

Besides Dar es Salaam, Morogoro, Mwanza and Dodoma regions benefitting from the construction of the low cost, yet descent houses (with prices ranging between TZS 27 – TZS 85 million) under the WHC's first phase drive, other regions lined up for the construction drive in the near future are Ruvuma, Mtwara, Mbeya, Kigoma, Mwanza, Shinyanga, Arusha, Tanga, Lindi and Coast. In the Coast Region, WHC is set to radically change the face of Kibaha by creating a satellite city of 1,000 modern housing units plus supportive commercial infrastructure including setting up an ultra-modern shopping mall and other public amenities to serve up to 5,000 residents. This might turn to be one of the mega-projects to be undertaken by WHC as it scales up the ladder of serving both civil servants and Tanzanian population at large.

Having partnered with Tanzania Education Association (TEA), WHC continues to implement its project to construct 40 houses for secondary school teachers living in the remote areas in the regions of Rukwa (1), Kigoma (1), Katavi (2), Njombe (1), Ruvuma (2), Iringa (2), Mbeya (2), Singida (1), Dodoma (2), Tabora (2), Shinyanga (2), Mwanza (2), Geita (2), Simiyu (2), Mara (1), Kagera (2), Lindi (2), Mtwara (3), Tanga (2), Arusha(1), Manyara (1), Kilimanjaro (2), Dar es Salaam (1), Pwani (1), and Morogoro (1) where each house will accommodate 6 families. The project is currently ongoing where construction of 15 units is already completed and 25 units being at 32% completion stage.

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<sup>10</sup> <http://www.ippmedia.com>

<sup>11</sup> <http://www.dailynews.co.tz/index.php/business/48457-300-nhc-units-on-sale-in-dodoma>

In August 2017 WHC also announced that it has officially opened the sale of its houses to employees working in the private sector who are members of pension fund schemes. This is a great development that is expected to increase home ownership in the country as it will enable qualifying private sector employees to own affordable housing that the company offers.

Most Pension funds are also actively involved in housing projects. The National Social Security Fund (NSSF) is in the middle of constructing its housing development in Kigamboni (the Dege Eco Village satellite city) which will bring to the market a supply of 7,460 housing units by 2017. Total project costs are estimated at around US\$544.5 million<sup>12</sup>.

On the side of private developers, Avic International has continued with implementation Avic Town project in Kigamboni comprising of 5,000 housing units to be completed within 3 years. This is a large scale luxury villas and bungalows project, with target customers being the social elite. The first phase of infrastructure has been completed. The main gate, landscape avenue and sample houses were shown to the public by June 2015<sup>13</sup>. By October 2016 the project had delivered its first phase comprising of 132 (out of the planned 160) 3-4 bedroom villas and bungalows with all amenities such as swimming pool, supermarket, gym, tennis, basketball and football courts, water tower as well as children playground being completed by August 2017. The undelivered 28 units under the project's first phase are 2 and 5 bedroom villas and bungalows which are to be built on demand from potential buyers. The housing units are sold at prices ranging from US\$ 127,000 to US\$ 553,000 V.A.T inclusive. The developer has also partnered with seven banks namely CBA, CRDB, NMB, Stanbic, Exim, Standard Chartered and BOA to provide loans for purchase of houses, and as at August 2017 above 40% of the completed units were sold out.

Furthermore, Tanzania Buildings Agency (TBA) has continued to implement a special project of constructing 10,000 affordable housing units for Public Servants in various regions of the country under the initiative of the government. By July 2015, TBA reported to have spent TZS6 billion for construction of 850 units in Bunju B area in Dar-es-Salaam.<sup>14</sup> The project is ongoing with the houses being on sale at affordable prices.

In August 2016 the Agency has reported to re-direct its efforts into constructing 100 houses for Civil Servants in Dodoma as a result of the President's directive to relocate the government to the designated capital city before 2020. The houses were initially planned to be constructed in Dar-es-Salaam and other regions.<sup>15</sup>

Additionally, First Housing Finance (Tanzania) Limited (previously known as M Mortgage Finance), a greenfield mortgage finance bank set up in partnership with the International Finance Corporation (IFC), Bank M Tanzania Limited, HFDC India and prominent investors has been officially licensed to carry out mortgage finance business in Tanzania by Bank of Tanzania with effect from August 2017. The company is the first specialized mortgage lender in Tanzania.

Overall all these initiatives are expected to foster growth of the mortgage market in Tanzania.

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<sup>12</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

<sup>13</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

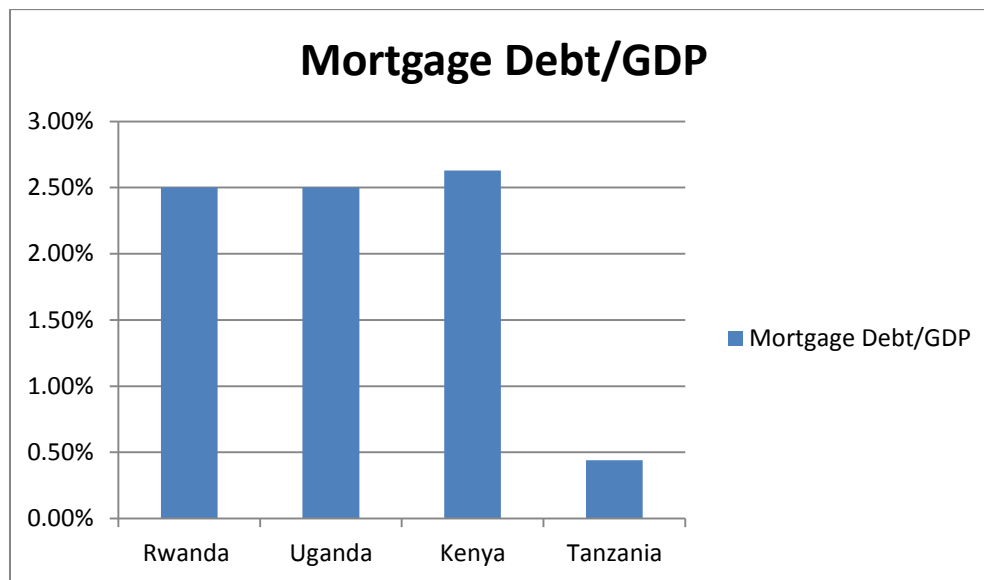
<sup>14</sup> <http://www.ippmedia.com>

<sup>15</sup> <http://allafrica.com/stories/201608290996.html>

## 6. Tanzania Mortgage Market as Compared to the East African Neighbors:

Compared to other countries in the region Tanzania still has a relatively smaller mortgage market, although it is growing rapidly. Mortgage debt outstanding as a proportion of Tanzanian GDP was around 0.43 percent at the end of the second quarter of 2017. This is lower than its East African neighboring countries but growing at an accelerated pace. **Figure 3** below shows mortgage debt to GDP for selected countries including Kenya, Uganda and Rwanda.

**Figure 3 – Mortgage Debt to GDP – East African Countries Comparison<sup>16</sup>**

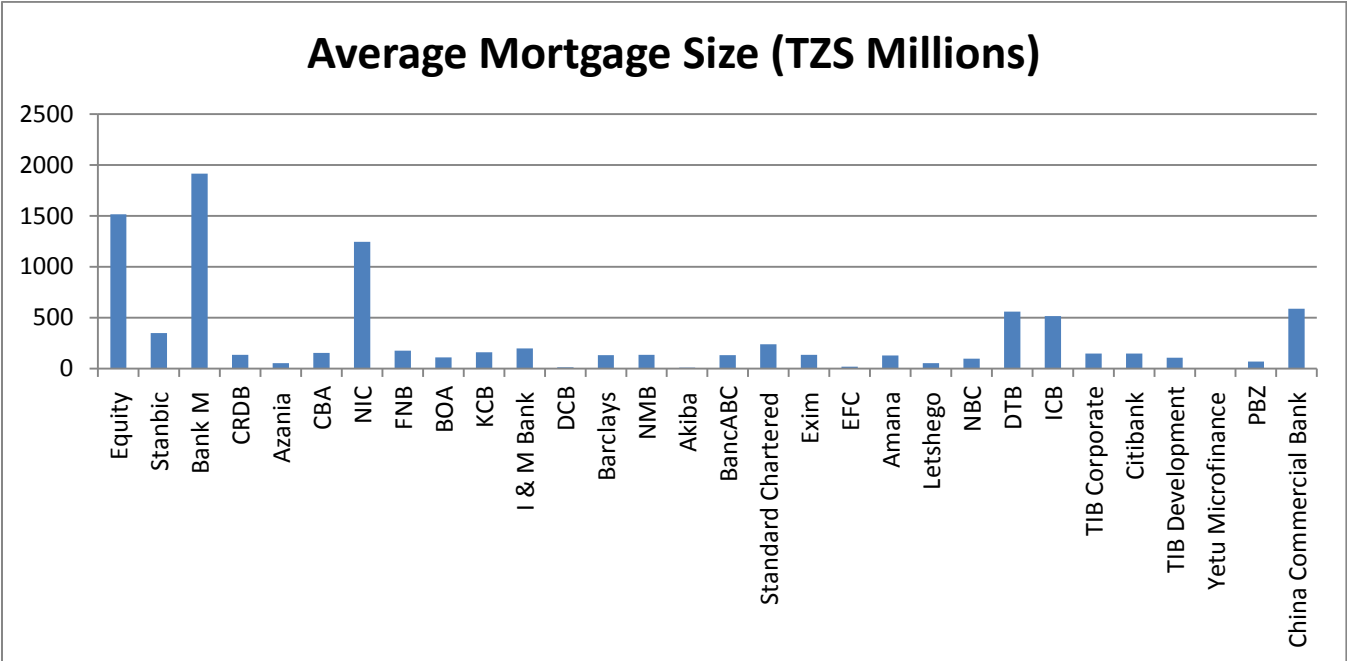


## 7. Trends on Average Loan Size:

Average loan size as at 30 June 2017 was TZS 114 million which is equivalent to US\$ 50,866. This is a decline from average loan size of TZS 120 million (US\$ 53,676) reported as at 31 March 2017. The average loan size across mortgage lenders varied greatly, reflecting different strategies and customer bases. Akiba, EFC and DCB who target lower income customers had much lower average mortgage loan sizes than the likes of Stanbic Bank whose average loan size was TZS 347 million (US\$ 154,881). **Figure 4** below shows average mortgage loan sizes across different lenders.

<sup>16</sup> Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing Finance in Africa 2016 Yearbook

**Figure 4 – Average Mortgage Loan Size TZS Millions**



**8. TMRC Supporting Market Growth through Provision of longer Term Funds to Members:**

A key element in the growth of the mortgage market in Tanzania continues to be the provision of long term funding both in the forms of refinancing and pre-financing by the TMRC. The TMRC was established in 2010 under the Housing Finance Project (HFP) which was set up by the Ministry of Finance in collaboration with the World Bank and Bank of Tanzania in alignment with Tanzania’s five-year National Strategy for Growth and Poverty Reduction (MKUKUTA) and the Tanzania Development Vision 2025, which highlight the importance of affordable housing, access to finance, and capital market development.

**Figure 5** below shows the overall contribution of TMRC in the mortgage market over the years. TMRC currently has 13 borrowing members (12 of which are now offering mortgage loans), and has already extended loans worth TZS 68.1billion (US\$ 30,384,965.47) to nine of its member banks and four non-member banks. As at 30 June 2017, refinancing and pre-financing mortgages advanced by TMRC to its member and non-member banking institutions was equivalent to 15 percent of the total outstanding mortgage debt.

With the grant of US\$ 60 million additional funding by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC’s contribution to the growth of the housing market has significantly increased as the new financing continues to build on the achievements of the Housing Finance Project (HFP) which is playing a key role in developing the mortgage market.

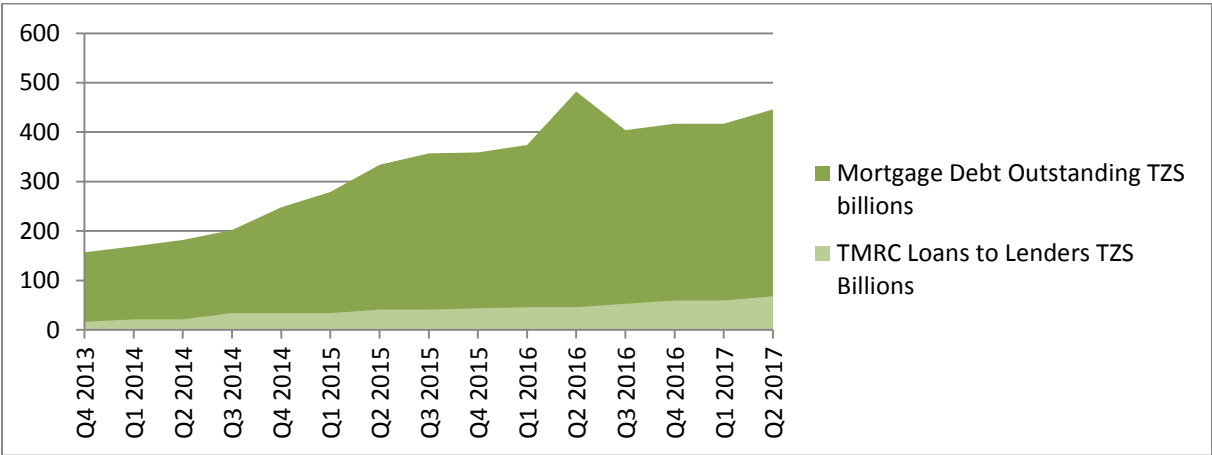
In the six years that TMRC has been operational, a significant impact has been noted in the mortgage market. The number of banks offering mortgage loans has grown from only 3 banks in 2010 to 30 by



mid-2017, and mortgage repayment period increased from the maximum of 7 years that was previously offered to 20 years that banks offer now. In May 2016, the African Development Bank (AfDB) approved a Partial Credit Guarantee of up to US\$ 4 million (in Tanzanian Shillings) to support TMRC's Medium Term Note program to mobilize long term funding from the local currency bond markets as part of the company's strategy to ensure its continued sustainability. The additional IDA funds and partial credit guarantee from AfDB have put TMRC on a stronger path to sustainability by supporting the company to raise its own funding through local bond issuance.

Another initiative set up under the Housing Finance Project (HFP) is the Housing Microfinance Fund (HMFF) which is geared to providing long-term loans for lower income earners who currently lack access to housing finance either for construction of a home or for home improvements. The fund officially began its operations last year and on 31 July 2015, the first disbursement of TZS 1 billion was made under the fund to DCB Commercial Bank Plc with the total credit line to the bank being TZS 3 billion). This marked the first step towards significant progress of the microfinance sector. To date, two more facilities have been disbursed under the fund to EFC Tanzania M.F.B Limited (TZS 4 billion) and Yetu Microfinance Bank Plc (TZS 2 Billion). Further, DCB Commercial Bank has fully utilized the credit line of TZS 3 billion. HMFF loans are meant to be on-lent to low income earners to improve and/or construct new houses.

**Figure 5: TMRC Refinancing Share of the Mortgage Market**



## 9. Annex – Data Tables

**Table 1 – Total Mortgage Debt Outstanding by Lender as at 30 June 2017**

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	74	112.10	25.1%
2	STANBIC BANK (T) LTD	170	59.01	13.2%
3	BANK M TANZANIA PUBLIC LIMITED COMPANY	29	55.52	12.4%
4	CRDB BANK PLC	296	39.90	8.9%
5	AZANIA BANK LIMITED	573	29.62	6.6%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	166	25.41	5.7%
7	NIC BANK TANZANIA LIMITED	13	16.18	3.6%
8	FIRST NATIONAL BANK TANZANIA LIMITED	88	15.30	3.4%
9	BANK OF AFRICA TANZANIA LIMITED	104	11.51	2.6%
10	KCB BANK TANZANIA LIMITED	71	11.25	2.5%
11	I & M BANK TANZANIA LIMITED	38	7.51	1.7%
12	DCB COMMERCIAL BANK PLC	711	7.34	1.6%
13	BARCLAYS BANK (T) LIMITED	55	7.27	1.6%
14	NATIONAL MICROFINANCE BANK (T) PLC.	43	5.77	1.3%
15	AKIBA COMMERCIAL BANK LTD	663	5.04	1.1%

16	AFRICAN BANKING CORPORATION (T) LTD	38	5.00	1.1%
17	STANDARD CHARTERED BANK (T) LTD	19	4.55	1.0%
18	EXIM BANK TANZANIA LIMITED	32	4.27	1.0%
19	EFC M.F.B TANZANIA LIMITED	174	3.11	0.7%
20	AMANA BANK LIMITED	23	2.94	0.7%
21	LETSHEGO BANK (T) LIMITED	54	2.86	0.6%
22	NBC LIMITED	29	2.83	0.6%
23	DIAMOND TRUST BANK (T) LTD.	5	2.80	0.6%
24	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	2.06	0.5%
25	TIB CORPORATE BANK LIMITED	14	2.04	0.5%
26	CITIBANK TANZANIA LIMITED	11	1.62	0.4%
27	TIB DEVELOPMENT BANK LIMITED	10	1.06	0.2%
28	YETU MICROFINANCE PLC	394	0.98	0.2%
29	PEOPLES BANK OF ZANZIBAR	13	0.89	0.2%
30	CHINA COMMERCIAL BANK LIMITED	1	0.59	0.1%
	<b>TOTAL</b>	<b>3,915</b>	<b>446.33</b>	<b>100.0%</b>