



## TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2017.

### 1. Highlights:

- The mortgage market in Tanzania registered a **growth of 6 percent** for the year 2017, compared to a growth rate of 16 percent in 2016.
- During the year 2017, 3 new mortgage lenders joined the list of lenders in Tanzania offering the mortgage product to make the total number of 31 lenders compared to 28 lenders in 2016. The new entrants in 2017 were Letshego Bank (T) Limited, Yetu Microfinance Bank PLC and Mufindi Community Bank Ltd.
- Outstanding mortgage debt as at 31 December 2017 stood at **TZS 344.84 billion<sup>1</sup>** equivalent to **US\$ 153.87 million** compared to TZS 324.08 billion as at 31 December 2016<sup>2</sup>.
- Average mortgage debt size was TZS 82.62 million, which is equivalent to around US\$ 36,863.52 (TZS 93.6 million as at 31 December 2016)
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.33 percent (0.34 percent as at 31 December 2016).
- Mortgage debt advanced by top 5 lenders accounts for 59 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 year 2016), the fast-growing Tanzanian population which is estimated to be 55 million 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.
- Tanzania GDP grew at 6.8 percent during Q3 2017, down from Q2's 7.8 percent increase. The strongest expansions were recorded in the mining and quarrying, manufacturing and construction sectors<sup>3</sup>. A slow-down was however experienced in the financial intermediation sector as the liquidity condition in the banking system remained relatively tight. The tight

<sup>1</sup> Bank of Tanzania Quarterly Mortgage Market Statistics as at 31 December 2017

<sup>2</sup> Some adjustments have been made to previously reported numbers to correct past misreporting

<sup>3</sup> <https://www.focus-economics.com/countries/tanzania>

liquidity condition was reflected in the sustained slow-down in growth of private sector credit which stood at 3.4 percent during the year ending April 2017<sup>4</sup>.

- 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 31 by December 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 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 registered an annual growth rate of **6 percent** during 2017. As at 31 December 2017 total lending by banking sector for the purposes of residential housing was TZS 344.84 billion, which is equivalent to US\$153.87 million.

A slow-down in credit growth has been experienced during the year due to tight liquidity in the banking system. Additionally the quality of the banking sector assets deteriorated as reflected in the rising trends on non-performing loans. As at end of April 2017 the ratio of non-performing loans to gross loans stood at 10.3 percent from 8.2 percent recorded at the end of April 2016.<sup>5</sup> In an attempt to boost private sector credit growth and ease the tight liquidity, the Bank of Tanzania reduced the discount lending rate from 16% to 12% in March 2017, and followed it with another reduction to 9% in August 2017.

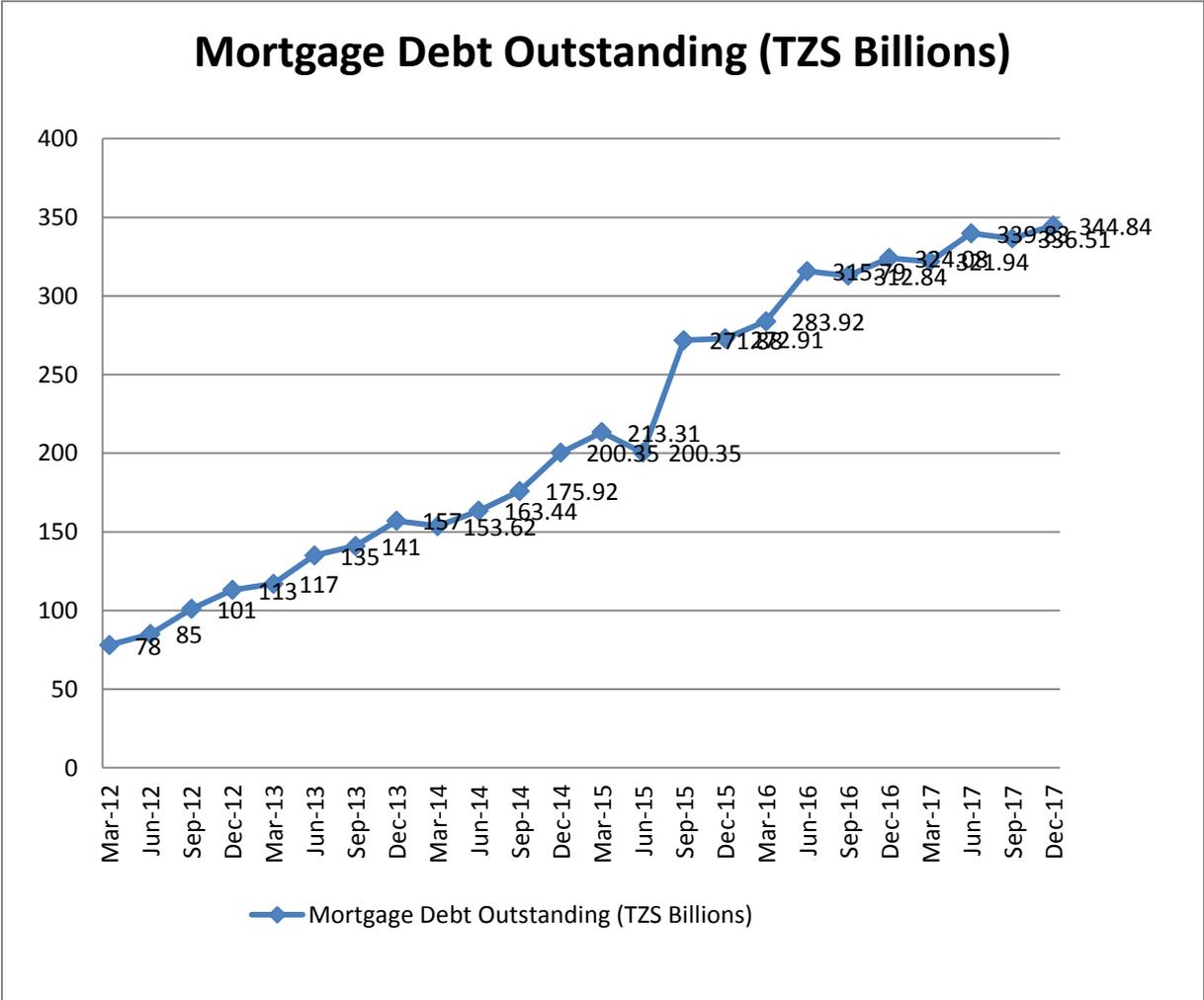
**Figure 1** below shows the trend of mortgage lending in terms of amounts over the years;

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<sup>4</sup> <https://www.bot.go.tz/Publications/MonetaryPolicyStatements/Monetary%20Policy%20ENG%202017-18.pdf>

<sup>5</sup> <https://www.bot.go.tz/Publications/MonetaryPolicyStatements/Monetary%20Policy%20ENG%202017-18.pdf>

**Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding<sup>6</sup>**



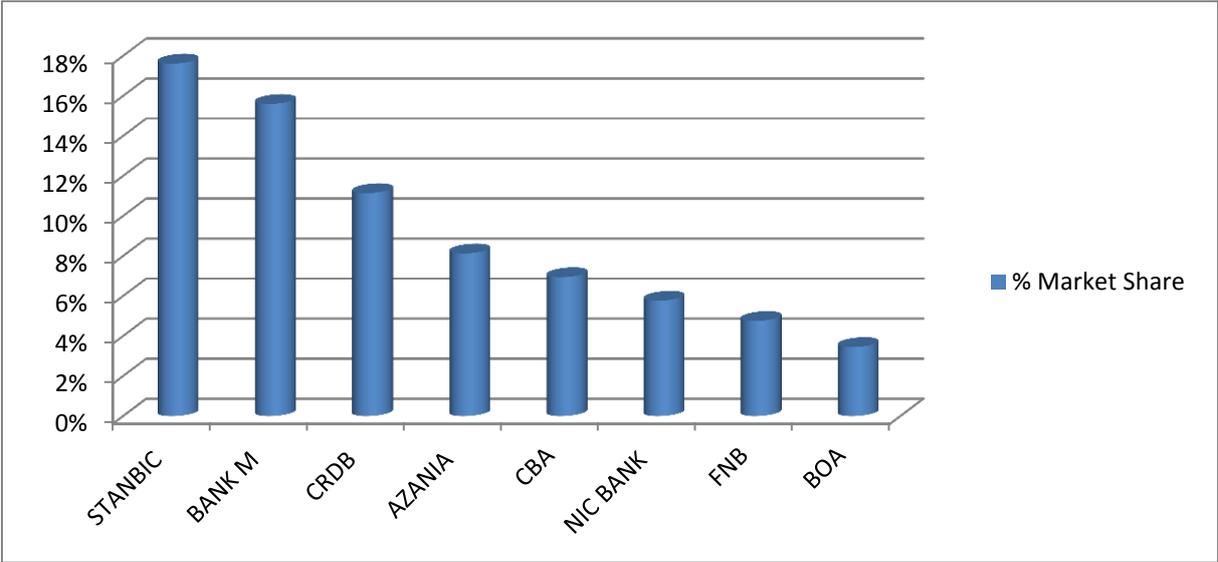
**3. Increasing Competition in the Mortgage Market:**

As at end of the fourth quarter of 2017, 31 different banking institutions were offering mortgage loans, with three new entrants during the year namely Letshego Bank (T) Limited, Yetu Microfinance Bank PLC and Mufindi Community Bank Ltd. The number of mortgage lenders has increased from 28 lenders as at 31 December 2016, and is expected to increase further as more lenders continue to launch their mortgage loan products. As at 31<sup>st</sup> December 2017 the mortgage market was dominated by five top lenders, who amongst themselves command about 60 percent of the mortgage market. Stanbic Bank was a market leader commanding 18 percent of the mortgage market share, followed by Bank M (16 percent), CRDB Bank (11 percent), Azania Bank (8 percent) and Commercial Bank of Africa (7 percent). More positive developments are expected in the market with more banks now launching their mortgage loan products as competition in the traditional banking products continues to intensify.

**Figure 2** below shows market share for top eight mortgage lenders as at 31 December 2017, in terms of outstanding mortgage debt.

<sup>6</sup> Some adjustments have been made to previously reported numbers to correct past misreporting

**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. 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. While improved from the levels of 22 - 24 percent in 2010 to 15 – 19 percent offered today, market interest rates are still relatively high hence negatively affecting affordability. Additionally while some improvements have been noted, bureaucratic processes around issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers’ eligibility to access mortgage loans.

**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 the 711 Kawe, Mwongozo Housing Estate, Morocco Square and Victoria Place. The Kawe project is a satellite city being constructed from a US \$ 2 billion loan secured from PTA Bank, which will involve 500 buildings and is expected to become the busiest centre in Dar hosting about 50,000 people for 20 hours non-stop. The first phase of the project has already kicked off with construction of 262 housing units, shopping malls, movie theatres, hotels, restaurants, parking lots in addition to play grounds, swimming pools entertainment spots, among other amenities. Set for completion by 2020, the proposed facility will also have a helipad and landing-stages adjacent to Indian Ocean’s coast to allow residents, shoppers and other people to access the facility by helicopters, boats and road.<sup>7</sup>. The Mwongozo Housing Estate located in Gezaulole Kibamboni some 18kms from the ferry consists of 216 two to three bedroom and town houses is at completion stage with the units being almost sold

<sup>7</sup> <http://www.dailynews.co.tz/index.php/home-news/51850-nhc-throws-its-weight-behind-kawe-satellite-city-development>; <http://www.thecitizen.co.tz/News/NHC-gets-Sh4-5tr-loan-for-Dar-project/1840340-4021538-12nwaoh/index.html>

out<sup>8</sup>. 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. Morocco square consists of four blocks including a shopping mall with a total of 28,827 square metres for different commercial uses including 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 has two office blocks with a total of 47,793 square metres, whereby one of the towers is known as Stock Exchange Tower that stands to accommodate and upgrade the current Dar es Salaam Stock Exchange (DSE)<sup>9</sup>. On the other hand, the residential and hotel tower have a total of 24,924 and 8,456 square metres respectively. Expected to be completed by June 2018, the Corporation reported the project to be selling fast because of its nature and location, with some buyers including the Dar-es-Salaam Stock Exchange and having already acquired space. The Victoria Place located at Victoria area along the new Bagamoyo road is a mixed use project which is at completion stage with 88 three to four bedroom duplex apartments and commercial space for sale. The facility comprises state of the art amenities which include recreational facilities such as swimming pool, a gymnasium, a clubhouse, and kids playing area among others. The commercial space offers units ranging from 32-150square metres for business opportunities such as supermarket, banking hall, ATMs, groceries, pharmacies etc.<sup>10</sup>

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>11</sup> As part of the first phase of implementing the project, the Corporation is selling over 500 fully serviced plots.

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 beginning 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>12</sup>. In December 2017 the President of the United Republic of Tanzania inaugurated 150 houses constructed by the Corporation under the

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<sup>8</sup> Prime Location November 2017 edition

<sup>9</sup> <http://www.dailynews.co.tz/index.php/home-news/42800-nhc-launches-morocco-mega-housing-project>

<sup>10</sup> Prime Location November 2017 edition

<sup>11</sup> <http://www.thecitizen.co.tz/News/Lukuvi--Curb-haphazard-development-in-Arusha/1840340-4056102-format-xhtml-40o2yvyz/index.html>

<sup>12</sup> <http://www.dailynews.co.tz/index.php/business/48457-300-nhc-units-on-sale-in-dodoma>

project. The houses are part of the 300 houses to be built at the Satellite Centre. Construction of the other 150 houses is in progress.<sup>13</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 of the first phase which commenced execution in July 2015 is ongoing with expected completion date of April 2018. A total of 760 units will be constructed under phase 1. By end of 2017 construction of 590 houses in three regions (namely Morogoro, Mwanza and Dar-es-Salaam) was nearing completion with construction of 50 housing units in Morogoro (Mkundi area) being 95 percent completed and 59 units in Mwanza at Kisesa Township being 100 percent completed. In Dar es Salaam there are three projects namely Kigamboni (329 units) being 95 percent completed, Bunju (64 units) being 95 percent complete, and Magomeni Usalama (88 units in two flat buildings with 12 floors each) being 100 percent completed. 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 39 stand-alone units which commenced early September 2017 under the first phase of the project is expected to be completed by April 2018. All WHC projects are on sale with the Magomeni and Njedengwa, Dodoma being fully booked as at end of 2017.

Besides Dar es Salaam, Morogoro, Mwanza and Dodoma regions benefitting from the construction of the low cost, yet decent houses (with prices ranging between TZS 38 – TZS 109 million VAT exclusive) 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 31 houses for secondary school teachers living in the remote areas in the regions of Kigoma (1), Njombe (1), Ruvuma (1), Singida (1), Dodoma (1), Shinyanga (1), Mwanza (2), Geita (1), Simiyu (3), Mara (2), Lindi (3), Mtwara (3), Tanga (1), Manyara (3), Kilimanjaro (1), Dar es Salaam (1), Pwani (2), and Morogoro (2) where each house will accommodate 6 families. The project is currently ongoing where construction of 15 units is already completed and construction of 16 units being ongoing at various stages of completion.

With effect from 31st July 2017, the Government further approved WHC to sell its houses to members of pension funds. However, under this scenario, Public servants shall continue to buy houses and shall be given preferential treatment whenever there is a competition for few houses. 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

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<sup>13</sup> <http://www.azaniapost.com/economy/president-magufuli-inaugurates-new-iyumbu-satellite-centre-2-h10346.html>

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>14</sup>.

On the side of private developers, Avic International has continued with implementation Avic Town project in Kigamboni. The first phase of the project is nearing completion with 130 units (3-4 bedroom villas and bungalows) and amenities such as swimming pool, gym, supermarket and tennis court being completed. It is anticipated that all amenities will be completed by end of 2018. The houses are open for sale to the public at prices ranging between US\$ 150,000 to US\$500,000 depending on the type of units and location.

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>15</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>16</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 18<sup>th</sup> July 2017. The company which is the first specialized mortgage lender in Tanzania officially launched its operations on 23<sup>rd</sup> October 2017 with a focus of providing long term housing solutions to the citizens of Tanzania. The company's strategy is centered on improving housing affordability in the market by offering longer term mortgage loans of up to 20 years at interest rates as low as 15 percent for its prime customers.<sup>17</sup>

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

## **6. 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.

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<sup>14</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

<sup>15</sup> <http://www.ippmedia.com>

<sup>16</sup> <http://allafrica.com/stories/201608290996.html>

<sup>17</sup> <https://issamichuzi.blogspot.com/2017/10/tanzanias-first-housing-finance-company.html>

**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 91.1 billion (US\$ 40,648,592.69) to ten of its member banks and four non-member banks. As at 31<sup>st</sup> December 2017, refinancing and pre-financing mortgage loans advanced by TMRC to its member and non-member banking institutions were equivalent to 24 percent of the total outstanding mortgage debt. A significant opportunity therefore still exists for TMRC to refinance the remaining 76 percent of the mortgage market portfolio.

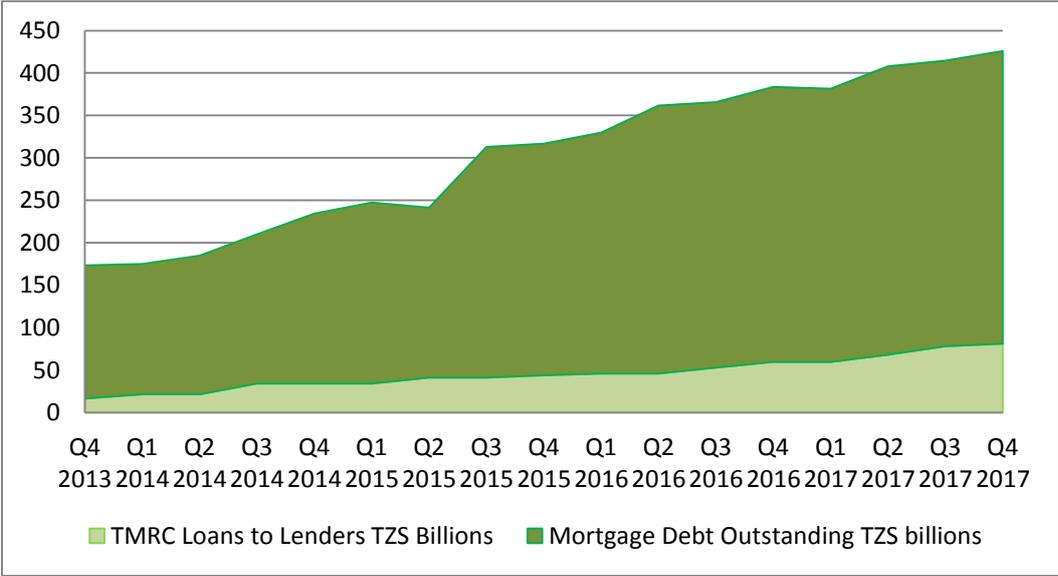
With the grant of US\$ 60 million additional funding to the initial US\$ 40 million by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC's contribution to the growth of the housing market has significantly increased as the new financing that provided additional credit of US\$ 40 million to the initial credit of US\$ 30 million (hence increasing the credit line to TMRC to US\$ 70 million for mortgage financing), enabled TMRC to continue building 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 31 by Q4-2017, mortgage repayment period has increased from the maximum of 7 years that was previously offered to 20 years that banks offer now with mortgage interest rates declining from 22-24 percent offered in 2010 to 15-19 percent being offered now.

During the third quarter of 2017 TMRC managed to place TZS 2billion to GEPF Retirement Benefits Fund and PPF Pensions Fund at market rate. Additionally, the company was able to place a further TZS 2 billion to Workers Compensation Fund (WCF) through private placement at the beginning of 2018. In February 2018, TMRC filed its Information Memorandum with the Capital Markets and Securities Authorities (CMSA) in its efforts towards public bond issuance planned for 2018 depending on affordability of market conditions.

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 in 2015 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, a total of TZS 11.5 billion have been disbursed under the fund to various banking institutions to facilitate issuance of housing microfinance loans to final borrowers.

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



## 7. Annex – Data Tables

**Table 1 – Total Mortgage Debt Outstanding by Lender as at 31 December 2017**

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	STANBIC BANK (T) LTD	182	60.74	17.61%
2	BANK M TANZANIA PUBLIC LIMITED COMPANY	30	53.79	15.60%
3	CRDB BANK PLC	301	38.43	11.14%
4	AZANIA BANK LIMITED	554	28.03	8.13%
5	COMMERCIAL BANK OF AFRICA (T) LIMITED	161	23.94	6.94%
6	NIC BANK TANZANIA LIMITED	16	19.88	5.77%
7	FIRST NATIONAL BANK TANZANIA LIMITED	94	16.40	4.75%
8	BANK OF AFRICA TANZANIA LIMITED	113	11.90	3.45%
9	KCB BANK TANZANIA LIMITED	57	9.37	2.72%
10	DCB COMMERCIAL BANK PLC	814	8.57	2.48%
11	NMB BANK PLC.	62	7.76	2.25%
12	BARCLAYS BANK (T) LIMITED	57	7.46	2.16%
13	I & M BANK TANZANIA LIMITED	37	7.13	2.07%
14	EQUITY BANK TANZANIA LIMITED	16	5.82	1.69%
15	LETSHEGO BANK (T) LIMITED	119	5.74	1.66%
16	AFRICAN BANKING CORPORATION (T) LTD	41	5.57	1.62%
17	NBC LIMITED	43	5.14	1.49%
18	STANDARD CHARTERED BANK (T) LTD	21	4.70	1.36%
19	EXIM BANK TANZANIA LIMITED	37	4.28	1.24%
20	AKIBA COMMERCIAL BANK LTD	600	3.85	1.12%

21	EFC M.F.B TANZANIA LIMITED	152	2.88	0.84%
22	AMANA BANK LIMITED	32	2.64	0.77%
23	PEOPLES BANK OF ZANZIBAR	17	2.36	0.68%
24	TIB CORPORATE BANK LIMITED	13	1.76	0.51%
25	DIAMOND TRUST BANK (T) LTD.	3	1.73	0.50%
26	YETU MICROFINANCE PLC	547	1.63	0.47%
27	CITIBANK TANZANIA LIMITED	11	1.55	0.45%
28	TIB DEVELOPMENT BANK LIMITED	10	1.03	0.30%
29	INTERNATIONAL COMMERCIAL BANK (T) LTD.	1	0.39	0.11%
30	MUCOBA BANK PLC	32	0.31	0.09%
31	CHINA COMMERCIAL BANK LIMITED	1	0.09	0.03%
	<b>TOTAL</b>	<b>4,174</b>	<b>344.84</b>	<b>100.0%</b>