



TANZANIA MORTGAGE MARKET UPDATE – 30 SEPTEMBER 2023

1. Highlights

- The mortgage market in Tanzania registered a **2 percent** growth in the value of residential mortgages as of as compared to **6 percent** growth recorded in the previous quarter to 30 June 2023. The market registered a **14 percent** year-on-year growth from TZS 522.95bn (Q3:2022) to TZS 593.76bn (Q3:2023).
- There was no new entrant into the mortgage market during the quarter. The number of banks reporting to have mortgage portfolios remained at 31 banks as of 30 September 2023.
- Outstanding mortgage debt as of 30 September 2023 increased to **TZS 593.76 billion¹** equivalent to **US\$ 237.53 million** as compared to **TZS 584.59 billion²** equivalent to **US\$ 249.92 million** reported on 30 June 2023.
- Overall average mortgage debt size as at 30 September 2023 was **TZS 103.46 million** equivalent to **US\$ 41,388** marking an increase from **TZS 102.13 million** equivalent to **US\$ 43,662** reported on previous quarter.
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) increased to **0.36 percent** compared to **0.33 percent** recorded in the previous quarter.
- Mortgage debt advanced by the top 5 Primary Mortgage Lenders (PMLs) accounted for **66 percent** of the total outstanding mortgage debt.
- Typical interest rates offered by mortgage lenders ranged between averages of 15 - 19 percent.
- The Tanzanian housing sector's fast-growing demand is mainly driven by the strong and sustained economic growth with GDP growth averaging 6.2 percent over the past decade, the fast-growing Tanzanian population, which is estimated 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.
- Credit to private sector grew by 21 percent in the year ending August 2023, almost the same rate registered in the preceding month and the corresponding period in 2022. The sustained growth of credit to the private sector reflects high demand for new loans consistent with improvements in the business environment and supportive fiscal policy.
- Agricultural activities continued to record the highest growth of credit at 52.4 percent, backed by policy measures that were taken by Bank of Tanzania (BOT) to promote cost-effective credit intermediation, coupled with ongoing interventions by the Government to support the sector. Personal loans continued to constitute the largest share of the total outstanding private sector credit, followed by trade, agriculture, and manufacturing activities³.

¹ Bank of Tanzania Quarterly Mortgage Market Statistics (30 September 2023)

² Bank of Tanzania Quarterly Mortgage Market Statistics (30 June 2023)

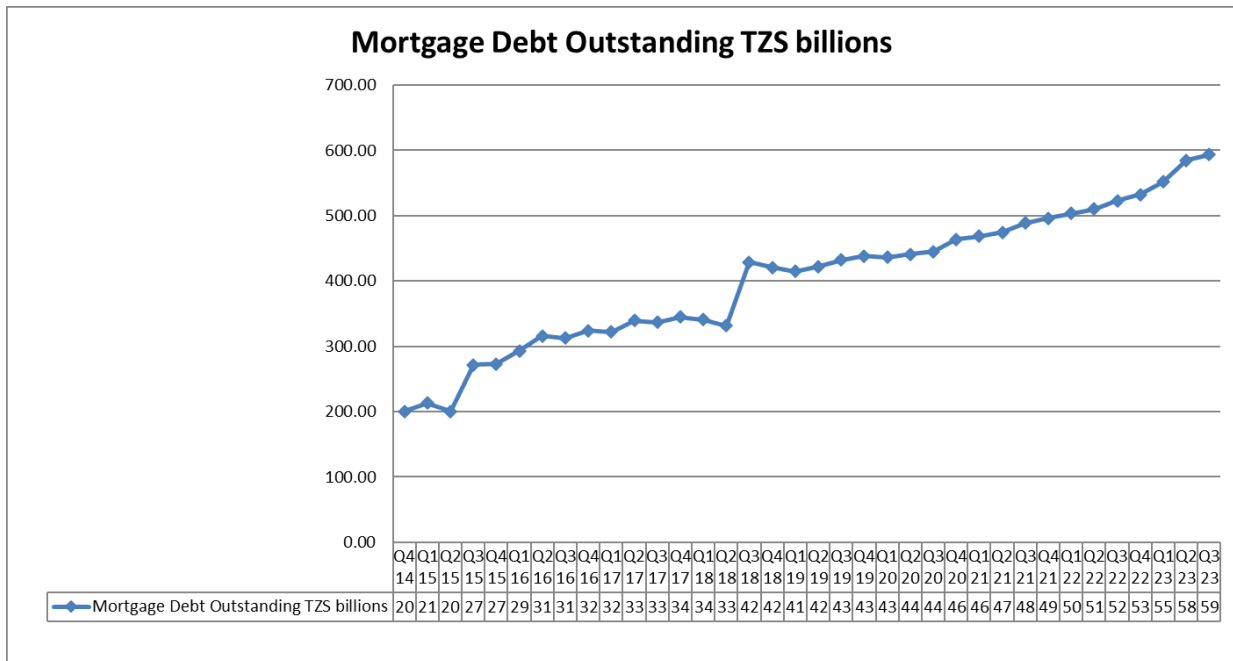
³ Bank of Tanzania Monthly Economic Review (30 September 2023)

- The Tanzanian housing demand (which is estimated at 200,000 houses annually and a total housing shortage of 3 million houses as per the National Housing Corporation [NHC] report) has been boosted by easy access to mortgages, with the number of mortgage lenders in the market increasing from 3 in 2009 to 31 by 30 September 2023 and the average mortgage interest rate falling from 22 percent to 15 percent.
- High-interest rates and lack of affordable housing remain the prime constraints on mortgage market growth.
- Tanzania Mortgage Refinance Company Ltd (TMRC) continues to play its primary role in extending refinancing and pre-financing facilities to Primary Mortgage Lenders (PMLs).

2. Mortgage Market Growth

The mortgage market in Tanzania registered a 2 percent growth in the value of residential mortgages as of 30 September 2023. Total mortgage debt outstanding that resulted from lending by the banking sector for the purposes of residential housing was **TZS 593.76 billion** equivalent to **US\$ 237.53 million**. **Figure 1** below shows the trend of mortgage debt from lending activities in terms of amounts over the years:

Figure 1 – Tanzania Mortgage Debt Outstanding – TZS Billions

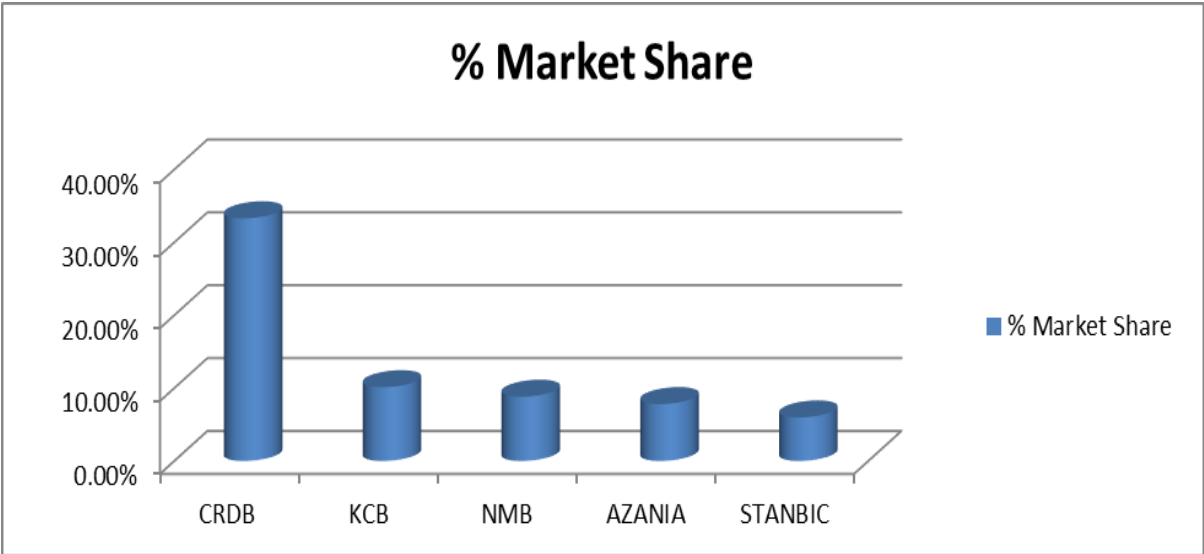


3. Increasing Competition in the Mortgage Market

As of 30 September 2023, 31 different banking institutions were offering residential mortgages. The mortgage market was dominated by five top lenders, who commanded 66 percent of the market. CRDB Bank Plc was a market leader commanding 33.30% of the mortgage market share, followed by KCB Bank (10.12%), NMB Bank Plc. (8.81%), Azania Bank (7.80%), and Stanbic Bank (5.97%).

Figure 2 below shows the market share for the top five mortgage lenders as of 30 September 2023 in terms of outstanding mortgage debt.

Figure 2 – Mortgage Market Share - Top Five Lenders



4. Obstacles to Growth of the Mortgage Market

Demand for housing and housing loans remains extremely high as it is constrained by inadequate supply of equitable houses and high-interest rates charged on housing loans. Most lenders offer loans for home purchase and equity release while a few offer loans for self-construction which continue to be expensive and beyond the reach of the average Tanzanians. While interests on residential mortgages improved from 22 - 24 percent in 2010 to 15 – 19 percent offered today, market interest rates are still relatively high hence negatively affecting affordability. Additionally, cumbersome processes around the issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers’ eligibility to access residential mortgages.

Further, competition in the market has led to emergence of other products that are impacting mortgage market growth as the products have favorable terms than mortgage product and are used for housing purposes. These products are competing with mortgage in terms of loan amount and to some extent tenor as they are offering consumer loans for the tenor of up to seven years amounting to around **TZS 120 million**, an amount enough to buy a housing unit. The competition comes from the ease with which competing products, specifically, consumer loans is available relatively easily compared to lengthy process experienced in mortgage loans as well as additional costs in mortgage loans including registration and valuation fees as well as insurance costs which are not applicable in consumer loans.

5. 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 to facilitate PMLs matching their assets (mortgage) and liabilities (funding).

TMRC was established in 2010 under the Housing Finance Project (HFP) which was set up by the Ministry of Finance and Planning in collaboration with the World Bank and the 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 3 below shows the overall contribution of TMRC to the mortgage market over the years. As of 30 September 2023, TMRC had extended loans worth TZS 150.20 billion (US\$ 60.09 million) to sixteen (16) primary mortgage lenders through refinancing and pre-financing residential mortgages. The loans advanced by TMRC to PMLs were equivalent to 25 percent of the total outstanding mortgage debt hence a significant opportunity exists for TMRC to continue refinancing the remaining 75 percent of the mortgage market portfolio.

In the twelve years that TMRC has been operational, a significant impact has been noted in the mortgage market. The number of banks offering residential mortgages has grown from only 3 banks in 2010 to 31 banks by 30 September 2023, mortgage repayment period has increased from the maximum of 5-7 years that was previously offered to 25 years that banks offer now with mortgage interest rates declining from 22-24 percent offered in 2010 to 15-19 percent being offered now.

Another initiative set up under the Housing Finance Project (HFP) was the Housing Microfinance Fund (HMFF) which was geared toward providing long-term loans for lower-income earners who currently lack access to housing finance either for the construction of a home or for home improvements.

Figure 3: TMRC Refinancing Share of the Mortgage Market

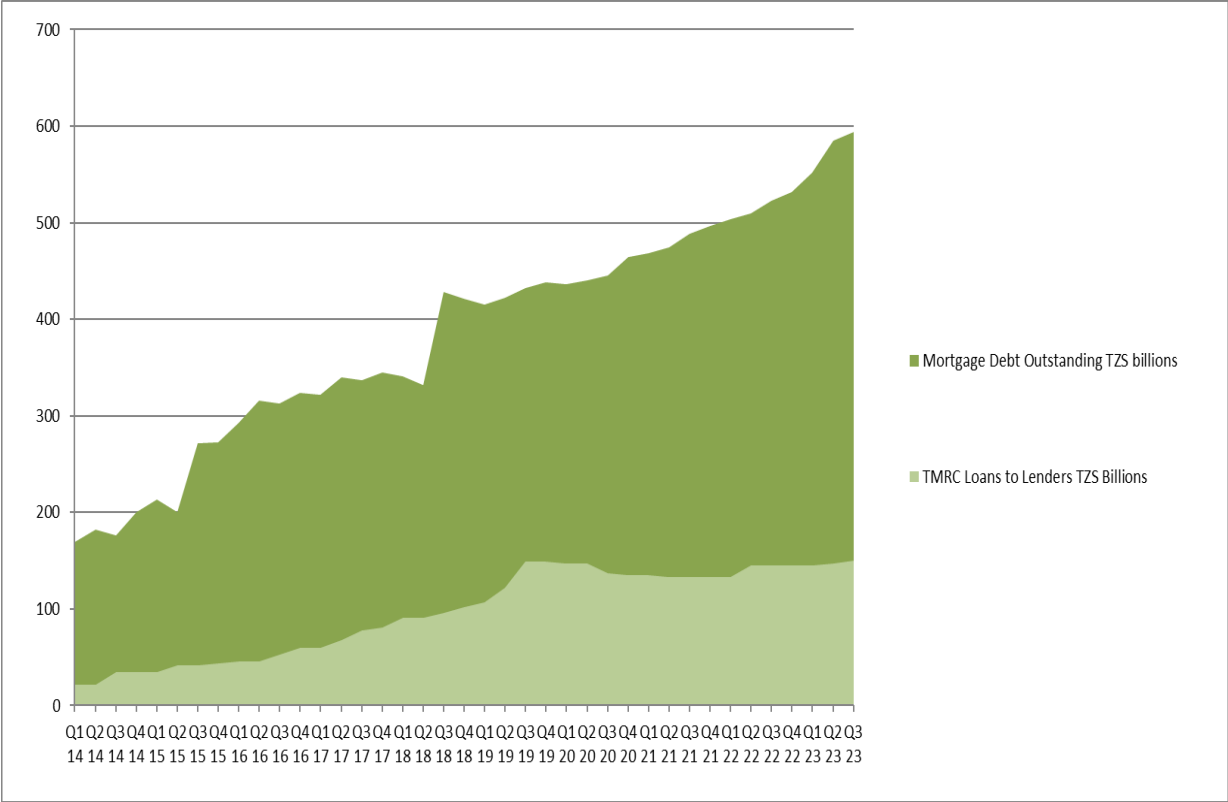


Figure 4: Geographical Distribution of the Refinanced Mortgages by Primary Mortgage Lenders through TMRC as of 30 September 2023

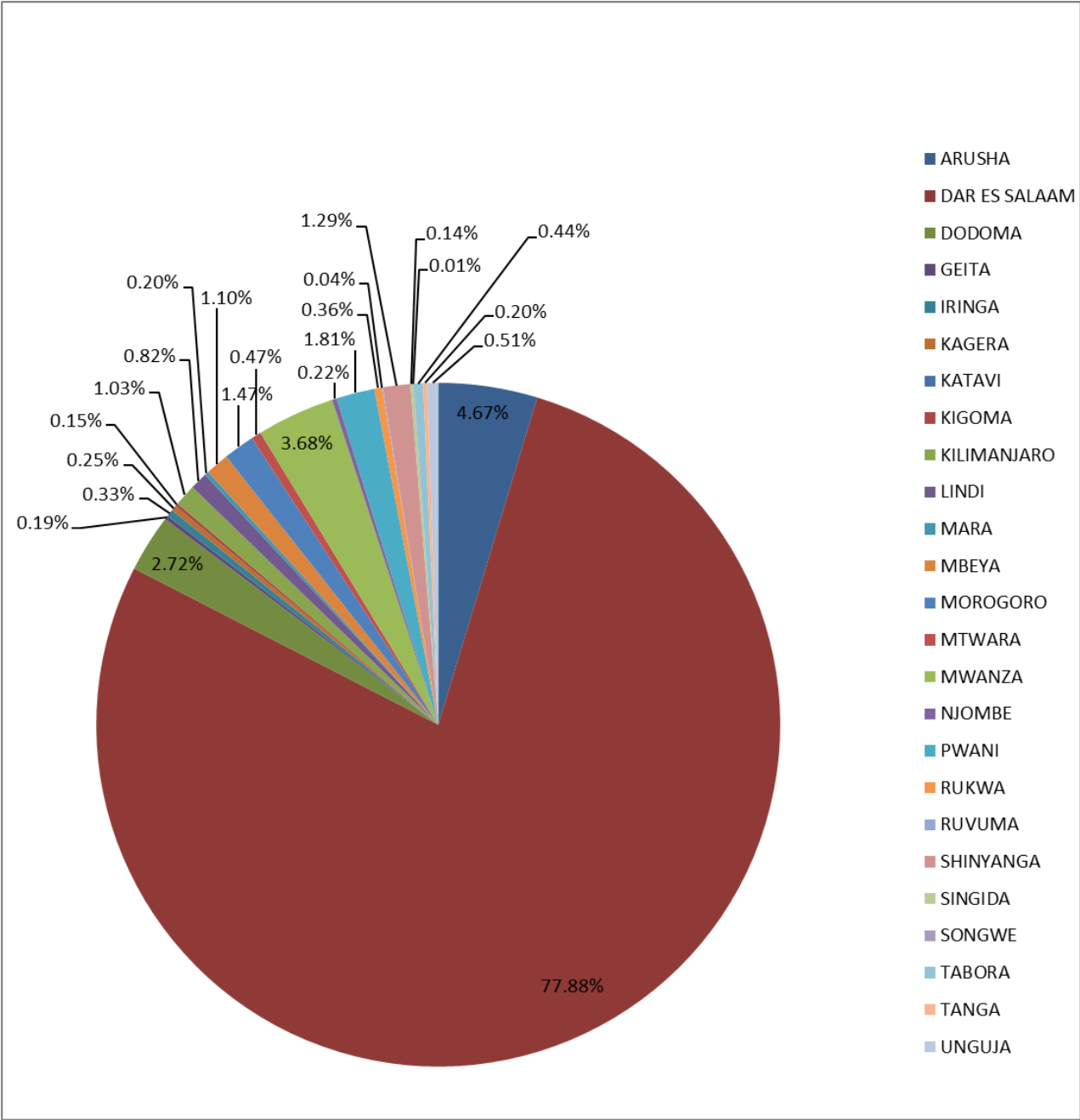
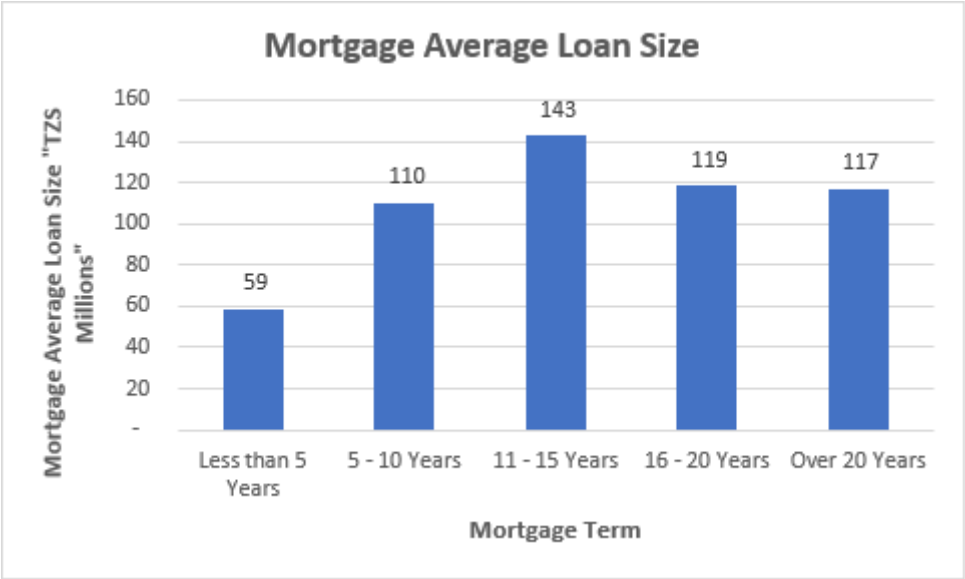


Figure 5: Average Mortgage Debt Size by Loan Terms



6. Awareness Programs by TMRC to impact mortgage market target group

Various mortgage awareness programmes have been established including TMRC social media pages in Facebook, Instagram, Twitter and Linked-in to provide mortgage product information to the public and stakeholders. Awareness campaigns are conducted by TMRC in collaboration with National Housing Corporation and Primary Mortgage Lenders through TV program sessions and stakeholders’ workshops to further increase information outreach and public understanding of mortgage product and benefits embedded on the product. The awareness also is targeted to address some of market growth impediments including supply, unit titles issuance and awareness hence market growth.

7. Other ongoing initiatives by TMRC in mortgage market growth

The mortgage market in Tanzania has not fully catered the country’s population from accessing housing finance to improve their housing opportunities, microfinance segment being under-privileged due to lower level of income, lack of access to formal financial system and informal housing. In support of mortgage market growth to microfinance sector, TMRC in collaboration with Habitat for Humanity International is setting up an initiative to extend residential mortgages outreach to microfinance sector. The two institutions have signed a Memorandum of Understanding as a first step in the organizations’ joint effort to expand and strengthen the low-income housing finance sector in Tanzania.

8. Annex – Data Tables and Figures

Table 1 – Total Mortgage Debt Outstanding by Lenders as of 30 September 2023

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,584	197.70	33.30%
2	KCB BANK TANZANIA LIMITED	174	60.08	10.12%
3	NMB BANK PLC	476	52.34	8.81%
4	AZANIA BANK PUBLIC LIMITED COMPANY	425	46.33	7.80%
5	STANBIC BANK TANZANIA LTD	190	35.44	5.97%
6	EXIM BANK TANZANIA LIMITED	181	25.53	4.30%
7	FIRST HOUSING FINANCE COMPANY LIMITED	197	24.37	4.10%
8	DCB COMMERCIAL BANK PLC	440	20.87	3.51%
9	TANZANIA COMMERCIAL BANK PLC	418	17.58	2.96%
10	ABSA BANK TANZANIA LIMITED	97	17.07	2.87%
11	NATIONAL BANK OF COMMERCE LIMITED	106	14.52	2.44%
12	NCBA BANK TANZANIA LIMITED	67	13.71	2.31%
13	EQUITY BANK TANZANIA LIMITED	105	11.32	1.91%
14	BANK OF AFRICA TANZANIA LIMITED	130	10.76	1.81%
15	AFRICAN BANKING CORPORATION TANZANIA LTD	71	7.23	1.22%
16	AMANA BANK LIMITED	152	6.95	1.17%
17	I & M BANK TANZANIA LIMITED	39	6.42	1.08%
18	DIAMOND TRUST BANK TANZANIA PUBLIC LIMITED COMPANY	29	5.74	0.97%
19	STANDARD CHARTERED BANK TANZANIA LTD	20	3.49	0.59%
20	LETSHEGO FAIDIKA BANK TANZANIA LIMITED	41	2.33	0.39%
21	MWANGA HAKIKA BANK LTD	161	2.26	0.38%
22	ECOBANK TANZANIA LIMITED	15	2.24	0.38%
23	MAENDELEO BANK PLC	510	2.14	0.36%
24	MKOMBOZI COMMERCIAL BANK PLC	13	2.07	0.35%
25	MUCOBA BANK PLC	32	1.50	0.25%
26	AKIBA COMMERCIAL BANK PLC	35	0.91	0.15%
27	TIB DEVELOPMENT BANK LIMITED	9	0.87	0.15%
28	PEOPLES BANK OF ZANZIBAR LIMITED	11	0.84	0.14%
29	BANK OF BARODA TANZANIA LIMITED	4	0.51	0.09%
30	CITIBANK TANZANIA LIMITED	3	0.32	0.05%
31	INTERNATIONAL COMMERCIAL BANK TANZANIA LTD	4	0.31	0.05%
	TOTAL	5,739	593.76	100.00%