



TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2021

1. Highlights

- The mortgage market in Tanzania registered a **2 percent growth** in the value of mortgage loans as at 31 December 2021 **as compared to 3 percent growth recorded in previous quarter. Annual growth was registered at 7 percent** compared to 6 percent growth recorded in the previous year which ended on 31 December 2020 indicating an improvement in mortgage lending in the market.
- There was new entrant into the mortgage market during the year. The number of banks reporting to have mortgage portfolios increased to 33 banks.
- Outstanding mortgage debt as at 31 December 2021 increased to TZS **496.61 billion**¹ equivalent to **US\$ 215.06 million** as compared to **TZS 488.68 billion**² equivalent to **US\$ 211.67 million** reported in 30 September 2021 and TZS 464.14 billion equivalent to **US\$ 200.93 million** reported in the year ending 31 December 2020
- Average mortgage debt size as at 31 December 2021 was **TZS 80.40 million** equivalent to **US\$ 34,815** marking a **slight increase from TZS 78.76 million reported in 30 September 2021 and TZS 78.56 million [US\$ 34,010]** reported in year ending 31 December 2020.
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) decreased to **0.35 percent** compared to **0.36 percent** recorded in the previous quarter. On year-to-year comparison, an increase of the ratio is observed to 0.35 percent from 0.30 percent recorded in year ending 31 December 2020.
- Mortgage debt advanced by top 5 Primary Mortgage Lenders (PMLs) accounted for **67 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 -7 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.
- The monetary policy stance remained accommodative in November 2021, driven by the need to continue boosting credit flows to the private sector to support recovery of the economy

¹ Bank of Tanzania Quarterly Mortgage Market Statistics (31 December 2021)

² Bank of Tanzania Quarterly Mortgage Market Statistics (30 September 2021)

from the adverse effects of COVID-19. Consequently, extended broad money supply grew by 14.9 percent in the year ending November 2021, compared with 5.2 percent in November 2020³.

- Growth of credit to the private sector is expected to continue to maintain an upward trend towards the target of 10.6 percent set for 2021/22, supported by the implementation of policy measures recently rolled out by the Bank of Tanzania to foster credit growth and lowering of lending rates, continued recovery of the global economy, and sustained accommodative monetary policy.
- The Tanzanian housing demand (which is estimated at 200,000 houses annually and a total housing shortage of 3 million houses as per 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 33 by 31 December 2021 and the average mortgage interest rate falling from 22 percent to 15 percent.
- Efforts to develop housing projects by developers continues with a special focus of Dodoma Capital City as the Government has relocated its administrative functions to Dodoma.
- High interest rates and lack of affordable housing remain the prime constraints on mortgage market growth.
- Tanzania Mortgage Refinance Company (TMRC) continues to play its primary role in extending refinancing and pre-financing facilities to Primary Mortgage Lenders (PMLs).

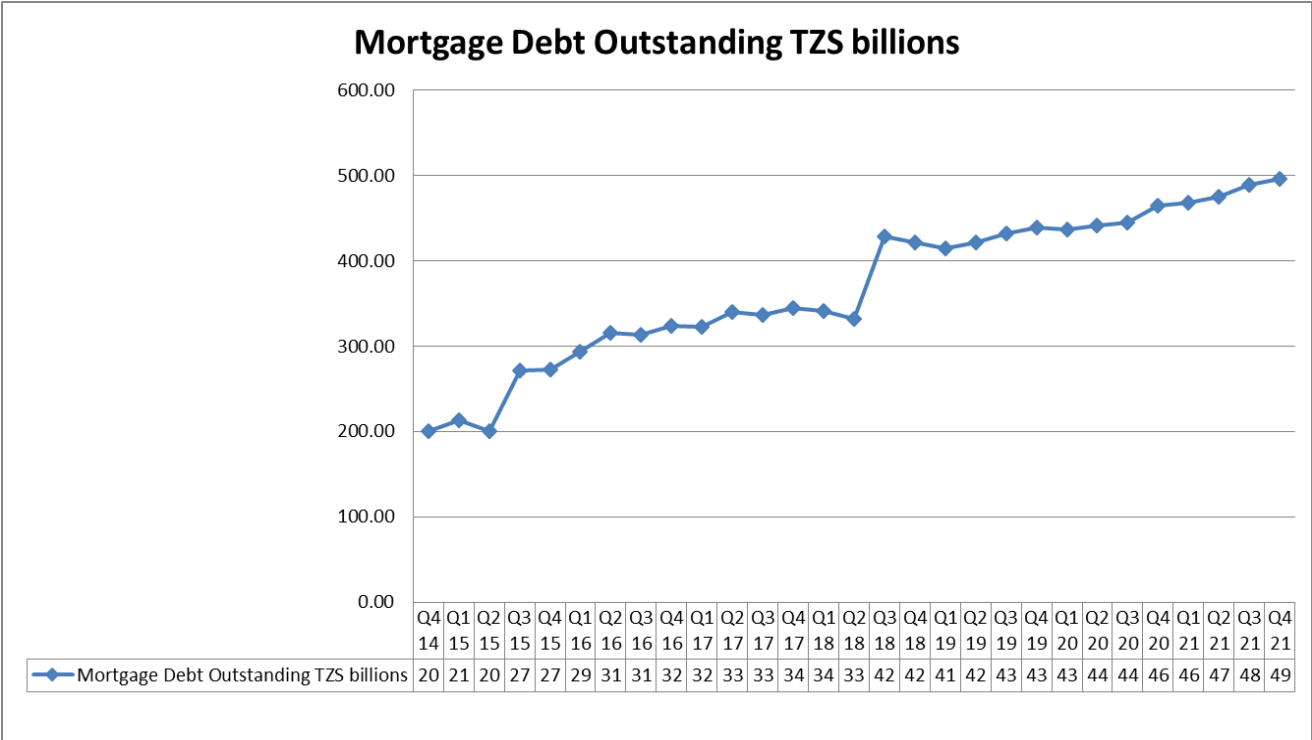
2. Mortgage Market Growth

The mortgage market in Tanzania registered a 7 percent annual growth in the value of mortgage loans as at 31 December 2021. Total mortgage debt outstanding that resulted from lending by banking sector for the purposes of residential housing was TZS 496.61 billion equivalent to US\$ 215.06 million.⁴ **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 Bank of Tanzania Monthly Economic Review (31 December 2021)

⁴ Bank Of Tanzania Indicative Foreign Exchange Market Rates (31 December 2021)

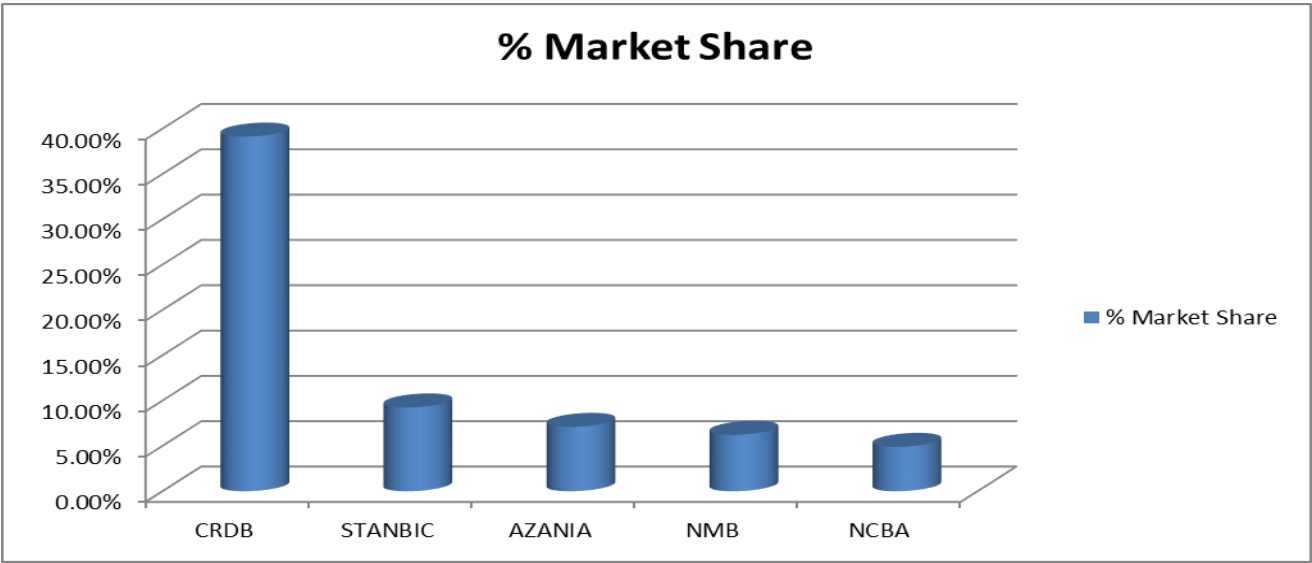


3. Increasing Competition in the Mortgage Market

As at 31 December 2021, 33 different banking institutions were offering mortgage loans. The mortgage market was dominated by five top lenders, who commanded 67 percent of the market. CRDB Bank Plc was a market leader commanding 39.13% of the mortgage market share, followed by Stanbic Bank (9.25%), Azania Bank (7.10%), NMB Bank Plc. (6.23%) and NCBA Bank (4.90%).

Figure 2 below shows market share for top five mortgage lenders as at 31 December 2021 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 beyond the reach of the average Tanzanians. While interests on mortgage loans 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 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.

Progress summary of ongoing affordable residential housing projects being undertaken by National Housing Corporation as at 31 December 2021;

S/N	PROJECT NAME	REGION	NO. OF HOUSES	CURRENT STATUS
1	Iyumbu and Chamwino	Dodoma	404	301 units for sale – under construction 95% complete 101 units for rental – under construction 90% complete

Similarly, Watumishi Housing Company (WHC) continues with the implementation of the Public Servants Housing Scheme, carrying out its various projects focusing on medium and low-income earners and continues to have a positive impact on the mortgage market.

Watumishi Housing has completed project in Dar-es-Salaam which are Gezaulole Kigamboni Residence and Bunju B Housing Estate. Gezaulole Residence project comprising of 329 units and was launched in 2015 and is one of the biggest projects in the country which is comprised of apartments, landed houses and shopping centre. Gezaulole Residence Apartments are currently being leased to employees while its landed houses are 98% sold. Bunju B Housing Estate consists of 65 landed houses of different sizes from two bedroom houses to three bedroom villas, kids' grounds, among others. The project is also 100% completed and occupied by tenants.

Mkundi Residence located in Morogoro 8km from Msamvu Bus Stand consists of 50 residential houses. The project has been completed and has already been occupied by tenants. Kisesa Residence in Mwanza along Magu Roads is a project consisting of 59 landed houses of which are completed and occupied by tenants.

Watumishi Housing Company is on the process of selling plots to employees in the country and will start by selling plots in USA – River Arusha. Surveying process is on-going in partnership with Arumeru Municipal Council.

6. TMRC Supporting Market Growth through Provision of longer Term Funds to Members

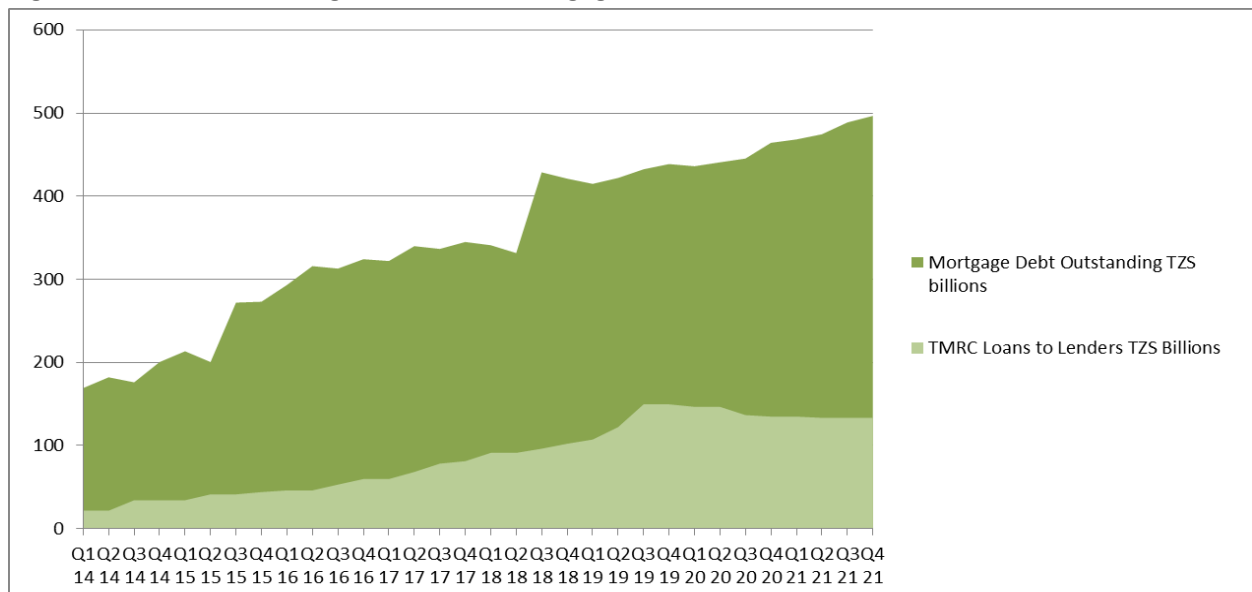
A key element in the growth of the mortgage market in Tanzania continues to be the provision of long term funding both in the forms of refinancing and pre-financing by the TMRC to facilitate PMLs matching their assets (mortgage) and liabilities (funding). TMRC was established in 2010 under the Housing Finance Project (HFP) which was set up by the Ministry of Finance and Planning in collaboration with the World Bank and 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 in the mortgage market over the years. As at 31 December 2021 TMRC had extended loans worth of TZS 133.20 billion (US\$ 57.68 million) to sixteen (16) primary mortgage lenders through Refinancing and pre-financing mortgage loans. The loans advanced by TMRC to PMLs were equivalent to 27 percent of the total outstanding mortgage debt hence a significant opportunity exists for TMRC to continue refinancing the remaining 73 percent of the mortgage market portfolio.

In the ten 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 33 by 31 December 2021, 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 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 include subsequent disbursements by HMFF. HMFF is currently operated by Bank of Tanzania.

Figure 3: TMRC Refinancing Share of the Mortgage Market



7. Annex – Data Tables

Table 2 – Total Mortgage Debt Outstanding by Lenders as of 31 December 2021

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,653	194.31	39.13%
2	STANBIC BANK TANZANIA LIMITED	217	45.92	9.25%
3	AZANIA BANK LIMITED	380	35.27	7.10%
4	NMB BANK PLC	312	30.94	6.23%
5	NCBA BANK (TANZANIA) LIMITED	134	24.32	4.90%
6	EXIM BANK TANZANIA LIMITED	117	18.60	3.75%
7	TANZANIA COMMERCIAL BANK PLC	407	16.21	3.26%
8	DCB COMMERCIAL BANK PLC	502	13.36	2.69%
9	FIRST HOUSING FINANCE COMPANY LIMITED	92	13.26	2.67%
10	ABSA BANK TANZANIA LIMITED	71	11.80	2.38%
11	EQUITY BANK TANZANIA LIMITED	84	10.22	2.06%
12	NATIONAL BANK OF COMMERCE LIMITED	76	9.33	1.88%
13	KCB BANK TANZANIA LIMITED	150	9.07	1.83%
14	FIRST NATIONAL BANK TANZANIA LIMITED	46	7.58	1.53%
15	BANK OF AFRICA TANZANIA LIMITED	94	7.43	1.50%
16	AFRICAN BANKING CORPORATION TANZANIA LIMITED	66	7.12	1.43%
17	LETSHEGO BANK TANZANIA LIMITED	79	6.72	1.35%
18	I & M BANK TANZANIA LIMITED	36	6.05	1.22%
19	AMANA BANK LIMITED	87	5.90	1.19%
20	STANDARD CHARTERED BANK TANZANIA LIMITED	18	4.68	0.94%
21	MAENDELEO BANK PLC	539	2.88	0.58%
22	MWANGA HAKIKA BANK	182	2.61	0.53%
23	MKOMBOZI COMMERCIAL BANK PLC	12	2.49	0.50%
24	DIAMOND TRUST BANK TANZANIA LIMITED	18	2.04	0.41%
25	AKIBA COMMERCIAL BANK PLC	277	1.68	0.34%
26	PEOPLES BANK OF ZANZIBAR LIMITED	13	1.42	0.29%
27	ECOBANK TANZANIA LIMITED	10	1.42	0.29%
28	MUCOBA BANK PLC	69	1.19	0.24%
29	TIB DEVELOPMENT BANK LIMITED	8	0.99	0.20%
30	YETU MICROFINANCE BANK PLC	417	0.74	0.15%
31	CITIBANK TANZANIA LIMITED	6	0.52	0.10%
32	INTERNATIONAL COMMERCIAL BANK TANZANIA LIMITED	4	0.39	0.08%
33	BANK OF BARODA TANZANIA LIMITED	1	0.16	0.03%
	TOTAL	6,177	496.61	100.00%