



## TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2022

### 1. Highlights

- The mortgage market in Tanzania registered a **1.7 percent** growth in the value of mortgage loans as of 31 December 2022 as compared to the **2.54 percent** growth recorded in the previous quarter. On a year-to-year comparison, **7.12%** growth was registered in value of mortgage loans as of 31 December 2022.
- There was no new entrant into the mortgage market during the quarter. The number of banks reporting to have mortgage portfolios declined to 31 banks as of 31 December 2022 compared to 32 banks reported in the previous quarter following Yetu Microfinance Bank Plc put under statutory management by Bank of Tanzania.
- Outstanding mortgage debt as of 31 December 2022 increased to **TZS 531.98 billion**<sup>1</sup> equivalent to **US\$ 229.18 million** as compared to **TZS 522.95 billion**<sup>2</sup> equivalent to **US\$ 225.46 million** reported on 30 September 2022.
- Average mortgage debt size as at was **TZS 93.53 million** equivalent to **US\$ 40,292** marking a slight increase from **TZS 87.27 million** equivalent to **US\$ 37,628** reported on previous quarter.
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) increased to **0.32 percent** compared to **0.30 percent** recorded in the previous quarter.
- Mortgage debt advanced by the top 5 Primary Mortgage Lenders (PMLs) accounted for **65 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.
- Private sector credit growth was strong at 22.6 percent over year-on-year basis, almost tripling from 7.8 percent registered in November 2021. This reflects improving economic activity and impact of monetary and fiscal policies executed to limit adverse spill over effects of the global supply shocks. Almost all the major economic activities recorded increase in

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<sup>1</sup> Bank of Tanzania Quarterly Mortgage Market Statistics (31 December 2022)

<sup>2</sup> Bank of Tanzania Quarterly Mortgage Market Statistics (31 September 2022)

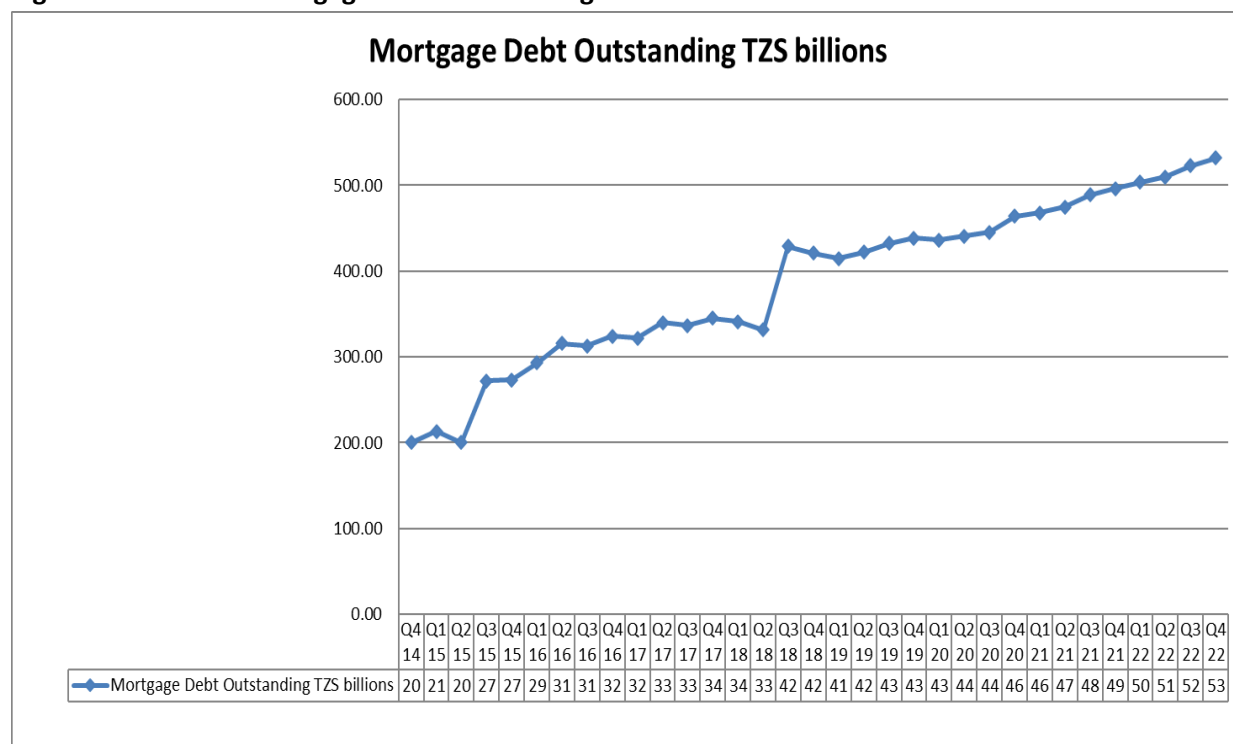
credit. Credit extended to agriculture continued to record the highest growth, partly due to monetary policy measures rolled out in July 2021 to support cost-effective credit intermediation to agriculture and agri-business activities. In terms of share, personal related activities, trade, manufacturing, and agriculture activities remained the major holders of the outstanding loans extended to the private sector by banks<sup>3</sup>.

- The Tanzanian housing demand (which is estimated at 200,000 houses annually and a total housing shortage of 3 million houses as per the 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 31 December 2022 and the average mortgage interest rate falling from 22 percent to 15 percent.
- Efforts to develop housing projects by developers continue with a special focus on 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 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 1.7 percent growth in the value of mortgage loans as of 31 December 2022. Total mortgage debt outstanding that resulted from lending by the banking sector for the purposes of residential housing was TZS 531.98 billion equivalent to US\$ 229.18 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**



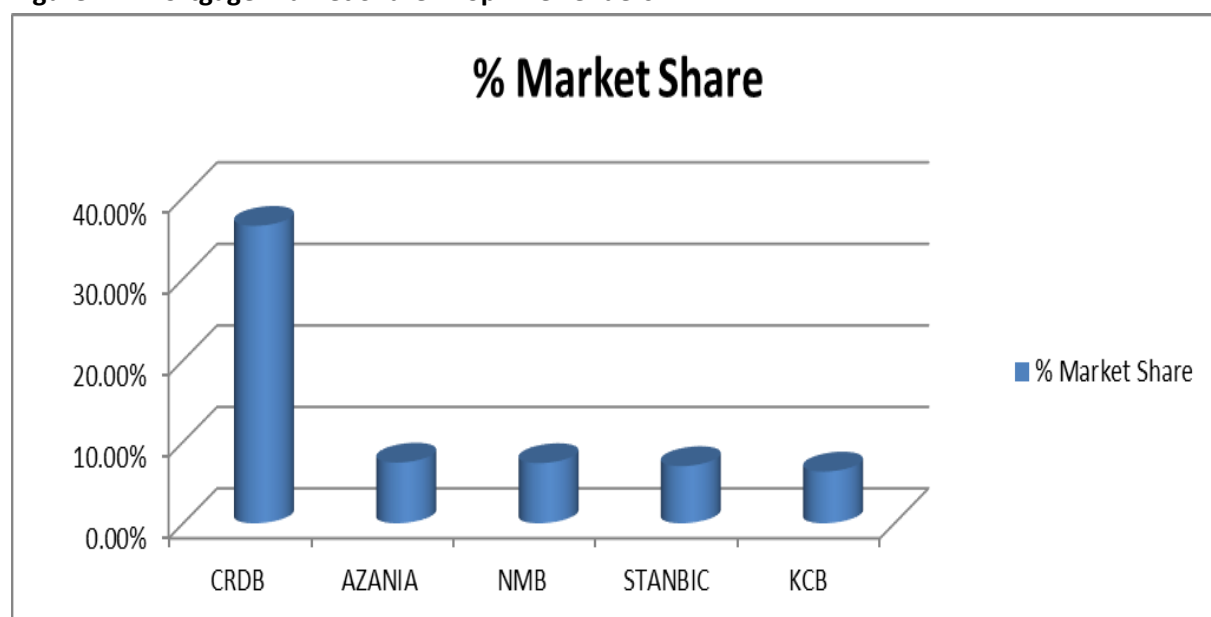
<sup>3</sup> Bank of Tanzania Monthly Economic Review (31 December 2022)

### 3. Increasing Competition in the Mortgage Market

As of 31 December 2022, 31 different banking institutions were offering mortgage loans. The mortgage market was dominated by five top lenders, who commanded 65 percent of the market. CRDB Bank Plc was a market leader commanding 36.49% of the mortgage market share, followed by Azania Bank (7.44%), NMB Bank Plc. (7.38%), Stanbic Bank (7.02%) and KCB Bank (6.34%).

**Figure 2** below shows the market share for the top five mortgage lenders as of 31 December 2022 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 an 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 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 the issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers' eligibility to access mortgage loans.

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.

## **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).

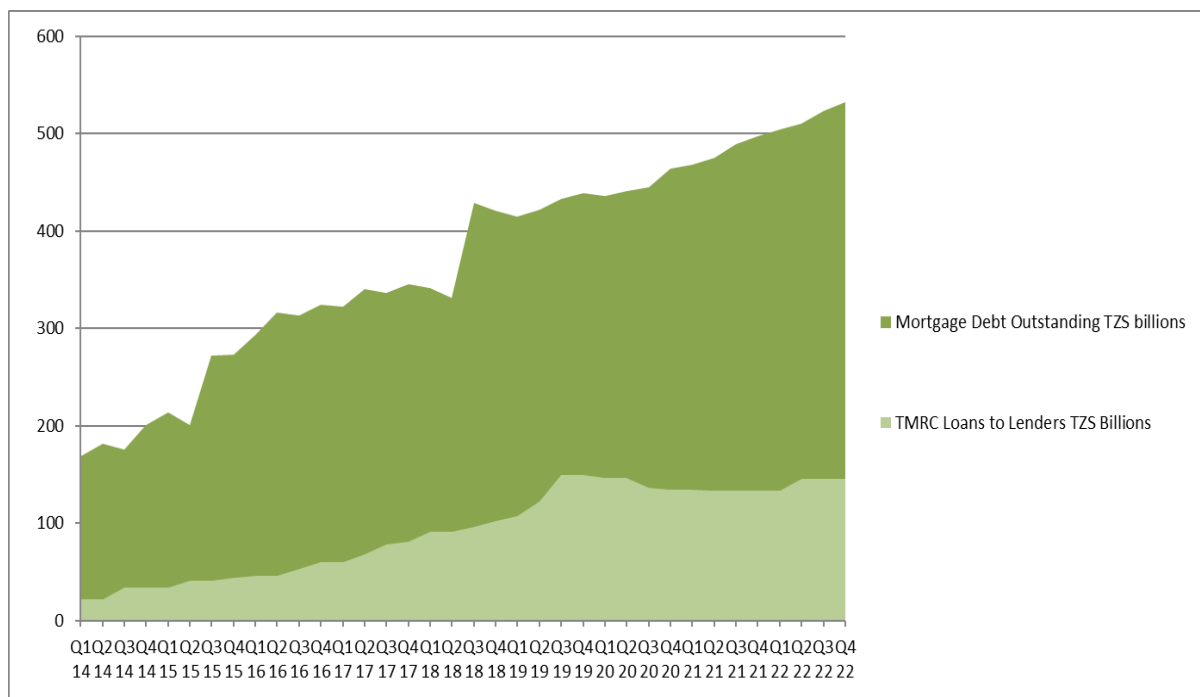
TMRC was established in 2010 under the Housing Finance Project (HFP) which was set up by the Ministry of Finance and Planning in collaboration with the World Bank and the Bank of Tanzania in alignment with Tanzania's five-year National Strategy for Growth and Poverty Reduction (MKUKUTA) and the Tanzania 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 31 December 2022, TMRC had extended loans worth TZS 145.20 billion (US\$ 62.55 million) to fifteen (15) 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 twelve 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 31 December 2022, 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. 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 in the microfinance sector including subsequent disbursements by HMFF.

### **Figure 3: TMRC Refinancing Share of the Mortgage Market**



## 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 mortgage loans 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. The initiative is at research phase and its implementation will provide a tailor-made infrastructure to reach this economic segment to include them in decent and affordable homes.

## 8. Annex – Data Tables

**Table 2 – Total Mortgage Debt Outstanding by Lenders as of 31 December 2022.**

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,622	194.13	36.49%
2	AZANIA BANK LIMITED	383	39.60	7.44%
3	NMB BANK PLC	374	39.26	7.38%
4	STANBIC BANK TANZANIA LIMITED	198	37.32	7.02%
5	KCB BANK TANZANIA LIMITED	148	33.75	6.34%
6	EXIM BANK TANZANIA LIMITED	168	23.74	4.46%
7	FIRST HOUSING FINANCE COMPANY LIMITED	135	19.78	3.72%
8	NCBA BANK TANZANIA LIMITED	76	18.54	3.48%
9	TANZANIA COMMERCIAL BANK PLC	448	17.67	3.32%
10	DCB COMMERCIAL BANK PLC	445	15.89	2.99%
11	ABSA BANK TANZANIA LIMITED	83	15.58	2.93%
12	NATIONAL BANK OF COMMERCE LIMITED	95	11.37	2.14%
13	EQUITY BANK TANZANIA LIMITED	99	10.85	2.04%
14	BANK OF AFRICA TANZANIA LIMITED	143	10.38	1.95%
15	AFRICAN BANKING CORPORATION TANZANIA LIMITED	74	7.51	1.41%
16	I & M BANK TANZANIA LIMITED	39	5.85	1.10%
17	AMANA BANK LIMITED	146	5.36	1.01%
18	LETSHEGO BANK TANZANIA LIMITED	80	4.57	0.86%
19	STANDARD CHARTERED BANK TANZANIA LIMITED	22	4.52	0.85%
20	DIAMOND TRUST BANK TANZANIA LIMITED	24	3.26	0.61%
21	MAENDELEO BANK PLC	526	2.53	0.48%
22	MWANGA HAKIKA BANK LIMITED	161	2.26	0.42%
23	MKOMBOZI COMMERCIAL BANK PLC	12	2.17	0.41%
24	ECOBANK TANZANIA LIMITED	12	1.46	0.27%
25	PEOPLES BANK OF ZANZIBAR LIMITED	10	1.16	0.22%
26	MUCOBA BANK PLC	32	1.15	0.22%
27	TIB DEVELOPMENT BANK LIMITED	8	0.92	0.17%
28	CITIBANK TANZANIA LIMITED	5	0.47	0.09%
29	AKIBA COMMERCIAL BANK PLC	107	0.37	0.07%
30	INTERNATIONAL COMMERCIAL BANK TANZANIA LIMITED	4	0.33	0.06%
31	BANK OF BARODA TANZANIA LIMITED	4	0.24	0.05%
	<b>TOTAL</b>	<b>5,683</b>	<b>531.98</b>	<b>100.00%</b>