



TANZANIA MORTGAGE MARKET UPDATE – 30 SEPTEMBER 2018.

1. Highlights:

- The mortgage market in Tanzania registered **an increase of 29 percent** in the value of mortgage loans during the third quarter of 2018, compared to a decline of 2.8 percent recorded in the second quarter of 2018.
- The number of mortgage lenders remained the same as the first quarter i.e. 31 lenders.
- Outstanding mortgage debt as at 30 September 2018 stood at **TZS 428.65 billion¹** equivalent to **US\$ 187.3 million** compared to TZS 331.49 billion as at 30 June 2018.
- Average mortgage debt size was TZS 81.94 million, which is equivalent to around US\$ 35,802 (TZS 81.62 million as at 30 June 2018).
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.41 percent (0.32 percent as at 30 June 2018).
- Mortgage debt advanced by top 5 lenders accounts for 69 percent of the total outstanding mortgage debt (59 percent as at 30 June 2018).
- Typical interest rates offered by mortgage lenders ranged between 15 -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 around 7.1 percent in 2017, up from 7.0 percent recorded in 2016, supported by improvements in infrastructure, stability of power supply and favourable weather conditions. The highest growth rates were recorded in the mining and quarrying (17.5 percent), water supply (16.7 percent), transport and storage (16.6 percent), information and communication (14.7 percent) and construction (14.1 percent) sectors². A slow-down was however experienced in the financial intermediation sector as the liquidity

¹ Bank of Tanzania Quarterly Mortgage Market Statistics as at 30 June 2018

² Bank of Tanzania (2018). Monetary Policy Statement 2018/2019.

condition in the banking system remained relatively tight with rising non-performing loans. The tight liquidity condition was reflected in the sustained slow-down in growth of private sector credit. According to the Bank of Tanzania Monthly Economic review for April 2018, annual growth of credit to private sector remained positive at 1.1 percent in March 2018 albeit lower than 3.3 percent in March 2017 and 1.4 percent in February 2018. In terms of non-performing loans, the ratio of non-performing loans to gross loans reached 11.3 percent as at end of April 2018, compared to 10.8 percent recorded in April 2017 reflecting deterioration in the quality of banking sector assets. The Bank continued implementing measures to reverse the non-performing loans trends by making the use of credit report mandatory during loans appraisal process, and directing all financial institutions to develop and implement strategies that strengthened credit application processing, credit management, monitoring and recovery measures.³

- During the quarter the Bank of Tanzania continued with implementation of its accommodative monetary policy stance aimed at stimulating private sector credit growth and broader economic activities.
- 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 June 2018, and the average mortgage interest rate in falling from 22 percent to 15 percent.
- Efforts to develop a number of housing projects by developers continue with a special focus on housing projects in Dodoma as the Government continues with the relocation of its administrative function to the capital city of Dodoma.
- High interest rates and lack of affordable housing remain the major constraints on market growth.
- Tanzania Mortgage Refinance Company (TMRC) continues to extend refinancing and pre-financing facilities to non-member banks as well as its member banks.

2. Mortgage Market Growth:

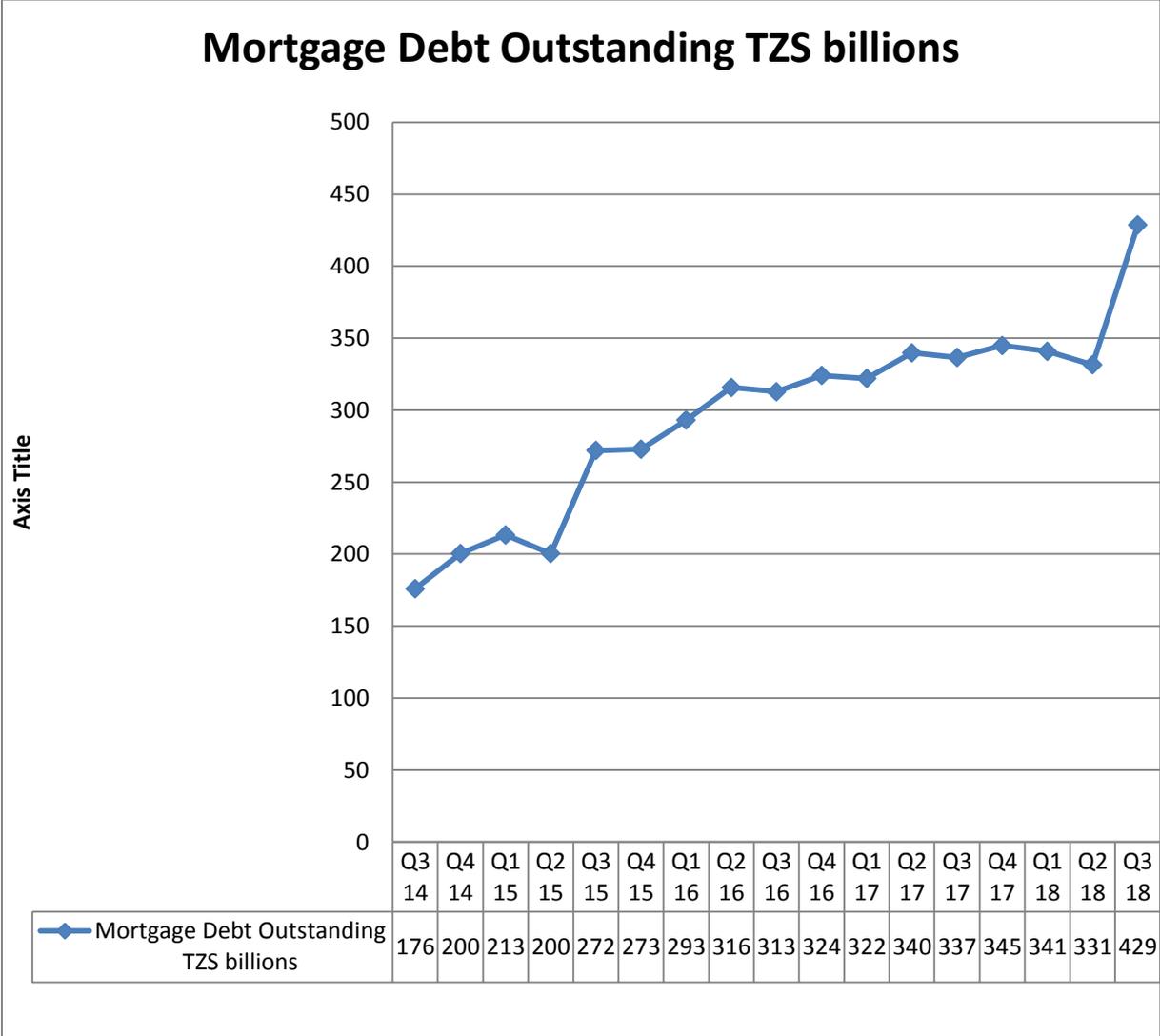
The mortgage market in Tanzania has registered an increase of 29 percent during the third quarter of 2018. As at 30 September 2018 total lending by banking sector for the purposes of residential housing was TZS 428.65 billion, which is equivalent to US\$ 187.3 million.

Despite positive trends in mortgage market, there has been a generally slow-down in credit growth during 2017 to date due to tight liquidity in the banking system and rising non-performing loans. During the quarter the Bank of Tanzania continued with implementation of its accommodative monetary policy stance aimed at boosting credit growth and supporting economic activities, where the Bank reduced its discount rate to 7 percent in August 2018, further down from the reduction to 9 percent in August 2017. This measure is expected to push for a further downward shift on banks' lending rates.

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

³ Bank of Tanzania (2018). Monetary Policy Statement 2018/2019.

Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding⁴



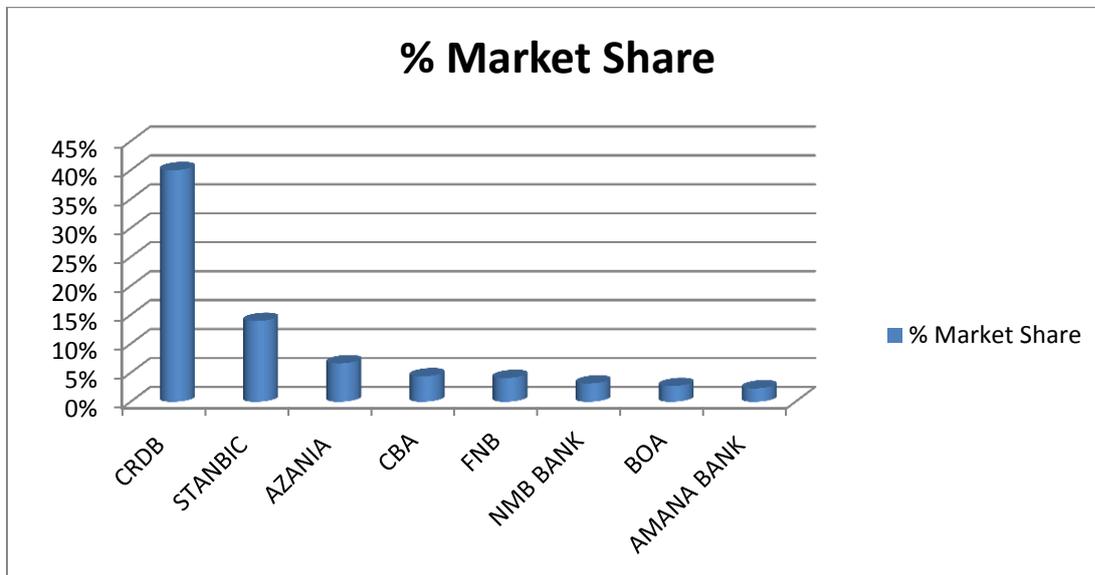
⁴ Some adjustments have been made to previously reported numbers to correct past misreporting

3. Increasing Competition in the Mortgage Market:

As at end of the third quarter of 2018, 31 different banking institutions were offering mortgage loans, there being no new entrant in the mortgage market during the quarter. As at 30 September 2018 the mortgage market was dominated by five top lenders, who amongst themselves command 69 percent of the mortgage market (59 percent as at 30 June 2018). CRDB Bank Plc. was a market leader commanding 40 percent of the mortgage market share, followed by Stanbic Bank (14 percent), Azania Bank (7 percent), Commercial Bank of Africa (4.4 percent) and First National Bank Tanzania Ltd. (4.1 percent). More positive developments are expected in the market as more banks continue to launch 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 30 September 2018, 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. 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.⁵ As of 31 August 2018 the project was at 30 percent completion stage. The Mwongozo Housing Estate located in Gezaulole Kibamboni some 18kms from the ferry and consists of 221 two to three bedroom and town houses. As at 31 August 2018 construction was completed with the units being almost sold out. 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)⁶. On the other hand, the residential and hotel tower have a total of 24,924 and 8,456 square metres respectively. Construction is in progress (88 percent completion stage as at 31 August 2018) with the project reported 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 (96 percent completion stage as at 31 August 2018) 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.⁷

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 300 housing units that cater for low, middle and high income citizens together with all the

⁵ <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>

⁶ <http://www.dailynews.co.tz/index.php/home-news/42800-nhc-launches-morocco-mega-housing-project>

⁷ Prime Location November 2017 edition

amenities and social services including business areas, entertainment joints, medical services, schools and police and fire rescue services.⁸

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 settlement⁹. In December 2017 the President of the United Republic of Tanzania inaugurated 150 houses constructed by the Corporation under the project. The houses are part of the 300houses to be built at the Satellite Centre. To date construction of 151 units has been completed with the units being in use while construction of the remaining 149 units has already commenced and in progress.

In addition to the Iyumbu project, NHC also runs the Medeli Housing project where 90 residential units are already occupied by public servants who keep on relocating to the new city. The Corporation is also in talks with the Tanzania Prisons in Dodoma for a joint housing project in Msalato area where over 1,000 hectares of land are set aside. The project is expected to kick off early in the coming fiscal year.¹⁰

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 November 2018. A total of 736 units will be constructed under phase 1. By end of July 2018 construction of 630 houses in four regions (namely Morogoro, Dodoma, Mwanza and Dar-es-Salaam) was nearing completion with construction of 50 housing units in Morogoro (Mkundi area) being 99 percent completed, 59 units in Mwanza at Kisesa Township being 100 percent completed and 39 housing units in Dodoma (Njedengwe) being 99 percent completed. In Dar es Salaam there are three projects namely Kigamboni (329 units) being 98 percent completed, Bunju (65 units) being 100 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 338 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

⁸ <http://www.thecitizen.co.tz/News/Lukuvi--Curb-haphazard-development-in-Arusha/1840340-4056102-format-xhtml-40o2yvyz/index.html>

⁹ <http://www.dailynews.co.tz/index.php/business/48457-300-nhc-units-on-sale-in-dodoma>

¹⁰ <https://www.jihabarishe.com/news/nhc-to-build-more-affordable-houses-in-dodoma-813/>

expected to be completed by end of December 2018. All WHC projects are on sale with the Magomeni Usalama project being sold out and Njedengwa-Dodoma project being fully booked from end of 2017.

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 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 29 units is already completed and construction of 2 units being 89 percent completed.

With effective 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.

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.

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.

Figure 5 below shows the overall contribution of TMRC in the mortgage market over the years. TMRC currently has 13 borrowing members, all offering mortgage loans, and has already extended loans worth TZS 96.1 billion (US\$ 41,987,250.91) to ten of its member banks and four non-member banks. As at 30 September 2018, refinancing and pre-financing mortgage loans advanced by TMRC to its member and non-member banking institutions were equivalent to 22 percent of the total outstanding mortgage debt. A significant opportunity therefore still exists for TMRC to refinance the remaining 78 percent of the mortgage market portfolio.

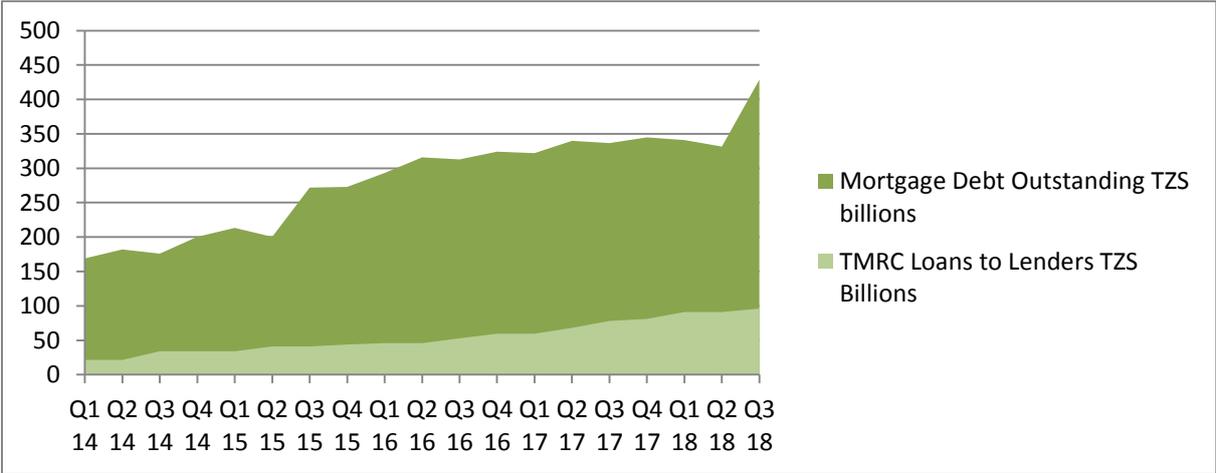
With the grant of US\$ 60 million additional funding to the initial US\$ 40 million by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC's contribution to the growth of the housing market has significantly increased as the 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 seven 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 Q3-2018, mortgage repayment period has increased from the maximum of 5-7 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 2 billion 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) and on 25 May 2018 officially launched its 5 years corporate bond issuance program worth TZS 120 billion, and offered to the public its first tranche of corporate bond to the tune of TZS 12 billion having received all approvals from CMSA and the Dar-es-Salaam Stock Exchange (DSE). By the closing date on 8th June 2018, applications worth TZS 12.52 billion had been received and accepted, marking an over-subscription rate of 4.3 percent. This is expected to further strengthen the funding base for TMRC to refinance banks' mortgage portfolios. The TMRC corporate bond was listed on the DSE on 5th July 2018.

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 17.9 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 Lenders as at 30 Sept 2018

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	CRDB BANK PLC	1461	171.57	40.0%
2	STANBIC BANK (T) LTD	183	59.88	14.0%
3	AZANIA BANK LIMITED	521	28.53	6.7%
4	COMMERCIAL BANK OF AFRICA (T) LIMITED	111	18.91	4.4%
5	FIRST NATIONAL BANK TANZANIA LIMITED	97	17.66	4.1%
6	NMB BANK PLC.	108	13.59	3.2%
7	BANK OF AFRICA TANZANIA LIMITED	119	11.65	2.7%
8	AMANA BANK LIMITED	215	9.95	2.3%
9	DCB COMMERCIAL BANK PLC	726	8.91	2.1%
10	BANK M TANZANIA PUBLIC LIMITED COMPANY	7	8.48	2.0%
11	KCB BANK TANZANIA LIMITED	57	8.00	1.9%
12	LETSHEGO BANK (T) LIMITED	196	7.99	1.9%
13	BARCLAYS BANK (T) LIMITED	56	7.44	1.7%
14	NIC BANK TANZANIA LIMITED	15	7.17	1.7%
15	I & M BANK TANZANIA LIMITED	37	5.81	1.4%
16	NBC LIMITED	49	5.81	1.4%
17	PEOPLES BANK OF ZANZIBAR	3	4.87	1.1%
18	EQUITY BANK TANZANIA LIMITED	14	4.85	1.1%
19	AFRICAN BANKING CORPORATION (T) LTD	39	4.59	1.1%
20	STANDARD CHARTERED BANK (T) LTD	20	4.51	1.1%

21	EXIM BANK TANZANIA LIMITED	39	3.73	0.9%
22	EFC M.F.B TANZANIA LIMITED	91	2.48	0.6%
23	AKIBA COMMERCIAL BANK LTD	373	2.23	0.5%
24	YETU MICROFINANCE PLC	520	2.20	0.5%
25	DIAMOND TRUST BANK (T) LTD.	7	1.77	0.4%
26	TIB CORPORATE BANK LIMITED	14	1.76	0.4%
27	CITIBANK TANZANIA LIMITED	10	1.40	0.3%
28	TIB DEVELOPMENT BANK LIMITED	9	0.97	0.2%
29	1st HOUSING FINANCE	6	0.84	0.2%
30	MUCOBA BANK PLC	126	0.71	0.2%
31	INTERNATIONAL COMMERCIAL BANK (T) LTD.	2	0.39	0.1%
	TOTAL	5,231	428.65	100%