



Understanding Mozambique's Housing Finance Market

23 March 2016

Mozambique, with 68.8 percent of its population living in rural areas, is urbanising rapidly at a rate of 3.28 percent an annum. Behind this dynamic is strong economic growth and sustained high levels of foreign direct investment (FDI). These capitals flows tend to typically pass through the capital, Maputo, which is the locus of political power and the city out of which most businesses operate. Yet, Mozambique continues to have high levels of poverty—at 55 percent of the population—and an average GDP per capita of only US\$ 619 between 2010 and 2014; the country ranks 178th out of 187 countries on the United Nations Development Programme's (UNDP) Human Development Report 2014. It is hoped that if the country's economic growth continues, driven by its National Strategy for Development, launched in 2015, its ranking would improve, and access to housing finance will simultaneously increase.

This note covers a broad overview of housing and housing finance markets in Mozambique. In October 2015, CAHF published the [6th Edition of the Housing Finance in Africa Yearbook](#), this time covering 48 countries and five regions across the continent. The full Mozambique profile can be found [here](#) and the profile of the South African Development Community (SADC) profile can be found [in the Yearbook](#).



AUHF | Seminar on Housing Finance in Mozambique | Maputo, Mozambique | 28 April 2016

In cooperation with [Financial Sector Deepening Mozambique \(FSDMoç\)](#), the [African Union for Housing Finance \(AUHF\)](#) is hosting a seminar on housing finance in Mozambique, open to all interested parties and stakeholders. The seminar will include, among more, presentations by the AUHF, CAHF, as well as by FSDMoç on the findings of their Access Frontiers research. [Let us know](#) if you're interested in the event and we'll keep you updated.

Housing Finance in Africa Yearbook 2015: A Country Overview of Housing Finance Markets in Mozambique

Access to finance in Mozambique is limited, with only three percent of the population able to access formal credit and over 90 percent of the population without a bank account. Those with bank accounts likely use any of the five biggest banks, which account for 87 percent of the financial sector, out of the 19 banks that are registered.

Though many of these banks offer mortgages, mortgage loans are equivalent to only 0.6 percent of GDP. UN Habitat believes that banks mortgage portfolios account for 8.3 percent of total loans to individuals and 2.24 percent of total outstanding loans. Conditions for mortgage loans are generally rigorous, with loan-to-value ratio typically 70 percent. Mortgages have a maturity of 12 to 25 years, and only, approximately, 15 percent of residential properties with mortgages have legal titles. For construction loans, banks request another property or fixed assets as collateral, at least until the construction is 80 percent completed. Interest rates for mortgages are calculated using the average annual effective interest rate, which is based on the prime rate of 15 percent plus a markup of up to five percent depending on the client's credentials (typically totalling 19 percent). The minimum loan amount may be as low as MZN 300 000 (US\$10 000). To access a home loan for one of the few mortgageable properties at the very bottom of the market, a monthly income of MZN 45 000 (US\$ 1 174) is required—only 1.71 percent of urban households currently earn enough to afford this mortgage.

Banks also offer unsecured construction and renovation loans, for three to five years, at higher interest rates, usually 22.5 percent. For some of these loans, the lender requires a guarantee or other form of collateral. Some banks, to make home loans more accessible, offer leasing or rent-to-buy schemes, in which the property is made available on a rental basis to a tenant who has an option to buy the property at the end of the lease. There is also the arrangement the Fund for Housing Promotion (FFH) has with several banks to make mortgage loans accessible for beneficiaries of FFH projects. Developer finance is limited and expensive, with rates of up to 23 percent.

Despite having a vibrant microfinance sector, only five microfinanciers offer housing microfinance as a product. One of these microfinanciers is Socremo, which, at a very small scale, offers housing loans for home improvements and rehabilitation. Another, Hluvuku-Adsema Fundo, reported to the MixMarket in 2014 as having a gross loan portfolio of US\$ 4 million, 6 852 active borrowers, and an average loan balance of about US\$ 581 per borrower. The significant changes in the finance sector over the past few years have yet to increase the depth of financial intermediation.



Key Figures

The Metical (MZN), like many developing economy currencies, has suffered a depreciation in recent years, from as low as 27 MZN/USD in 2011 to its current level of around 50 MZN/USD. Despite this, inflation has been relatively stable, though slowly creeping higher. The lending interest rate is high at 22.5 percent, while price to rent ratio are as low as 3.62 in city centres. The cement price is low at US\$ 6 for a 50 kilogram bag, while 54.7 percent of the population lives below the poverty line.

According to the World Bank's Doing Business Indicators, Mozambique ranks fourteenth among African countries in terms of ease of doing business. Though it is first among African countries in terms of getting a construction permit, Mozambique places twelfth in terms of registering a property. It takes six procedures and 40 days to register property, at a cost of 9.9 percent of the property value. Comparatively, it's cheaper to register a property in neighbouring South Africa and Tanzania, at 6.2 percent and 4.4 percent respectively.

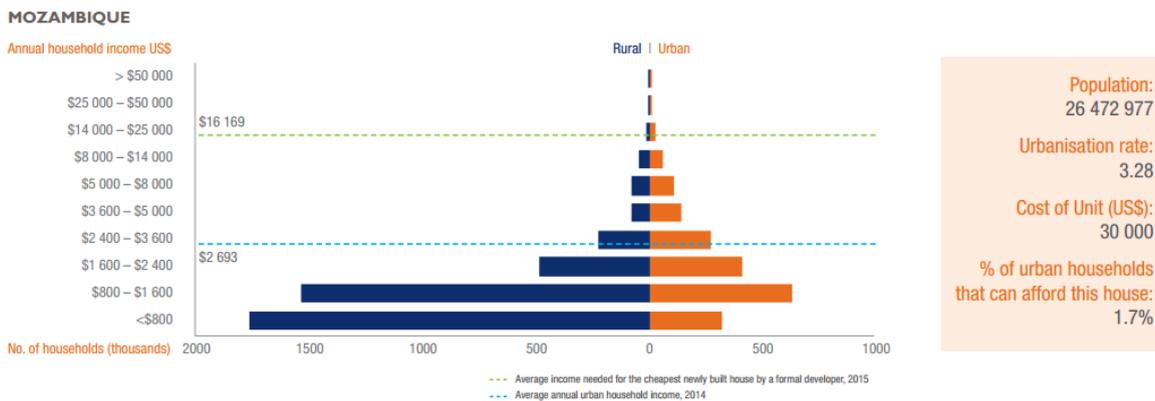
Click the image to see the stats. Visit the [Yearbook](#) for sources.

KEY FIGURES

Main Urban Centres	Maputo (capita), Beira Matola, Nampula
Exchange Rate: 1 US\$***	38.34 New Mozambican Metical (MZN)
Inflation 2013 2014 (est.) 2015 (prov.) 2016 (prov.) *	4.2 2.4 5.1 5.6
Population^ Population growth rate (2013)^	26 472 977 2.44
Urban population (% of total)^ Urbanisation rate (% in 2013)^	31.93 3.28
GDP / capita (current US\$)^ GDP growth rate (annual %)^	618.96 7.37
GNI / capita, Atlas method (current US\$) ^	630
Population below national poverty line*	54.7
Unemployment rate (%)*	7.5
Gini co-efficient (year of survey)^	45.66 (2008)
HDI (Global Ranking)* HDI (Country Index Score)*	178 0.393
Lending Interest Rate^	22.50
Mortgage Interest Rate (%) Mortgage Term (years)#	19.00 25
Credit % of GDP^	33.12
Average Mortgages % of GDP#	0.14% (2008)
Price To Rent Ratio City Centre** Outside City Centre**	3.62 6.76
Gross Rental Yield City Centre** Outside of City Centre**	27.6% 14.79%
Outstanding home loan (% age 15+)##	...
What is the cost of standard 50kg bag of cement (in US\$)? #	6.00
What is the price of the cheapest, newly built house by a formal developer or contractor (in US\$)? #	...
What is the size of this house (in m²)? #	...
What is the average rental price for a formal unit (in US\$/month)#	3 000 – 7 000
What is the minimum plot size for residential property (in m²)#	...
Ease of doing business rank !	127
Number of procedures to register property !	6
Time (days) to register property !	40
Cost (% of property value) to register property !	6.90

Housing Affordability

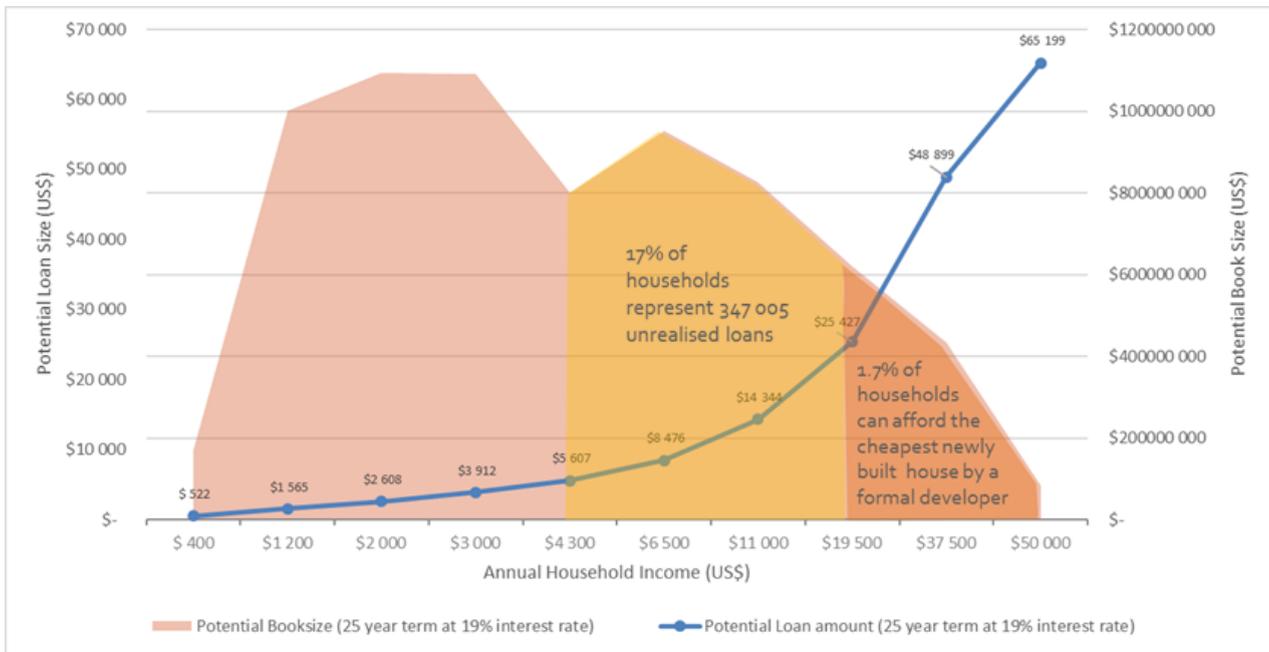
The following graph suggests the market segments where investors and developers might target their efforts in Mozambique. For this, we used C-GIDD ([Canback Global Income Distribution](#)) 2014 data and the CAHF 2015 survey data. The number of rural and urban households is illustrated for each income bracket. The graph provides the national average annual urban household income in 2014 and the average annual household income needed to afford the cheapest newly built house by a developer. This was calculated by [CAHF](#), and is based on a number of assumptions.



68 percent of Mozambican households live in rural areas, with most concentrated in the lower income brackets demarcated. In 2015, the cheapest newly built house in Mozambique was US\$ 16 169. Assuming mortgage interest rate (19%), a long bond term of 25 years and an average down-payment of 30 percent, the average annual household income needed for the cheapest newly built house would be US\$ 16 200 an annum—affordable only to those in the top three income brackets.

The graph below shows the affordability of market segments across urban areas in Mozambique, in terms of the potential book size that might be achieved if each household in the band were to access the loan they could afford. This is assuming a bond term of 25 years, an interest rate of 19 percent and a 25 percent installment to income ratio. The 1.7 percent of households that can afford the cheapest newly built house is indicated by the darker shading on the graph. The graph also highlights the sweet spot for opportunities in the affordable market (the middle-income bands), households earning an annual income of US\$ 3 600 to US\$ 14 000. They might be able to afford to purchase a house, with a mortgage, that costs between US\$ 5 607 to US\$ 14 344 (houses that cost less than the upper limit are not unheard of elsewhere on the continent). This is illustrated by the orange shading indicating that the 17% of the household population can contribute to 347 005 unrealised loans, which could make up a considerable portion of a potential book size. Broadly, this shows that if the challenges

hindering housing supply in this market segment could be solved, housing has the potential to create a book size of over US\$ 2.57 billion just from these households. If the Mozambican GDP was about US\$ 15.6 billion in 2013, housing in this market segment could be the equivalent of 16.47% of national GDP.



Yet, despite this opportunity, current developments in housing markets are not affordable for the majority of urban households. The prices for newly built houses remain stickily high: the 100 completed units of Casa Jovem, a development on the outskirts of Maputo, sell for between US\$ 47 000 and US\$ 130 000. Another development, constructed by a Chinese firm in partnership with the state, in the southern city of Matola, will eventually number 5 000 units, and will also sell for between US\$ 47 000 and US\$ 130 000. A state partnership, with a Spanish construction group, will be slightly more affordable—the first of the 4 500 units start at US\$30 000.

Housing Types

The formal, urban Mozambican housing market has houses available for is low, middle and high income households.



Houses on the lower end of the formal market are typically found on the urban periphery, and can sell for as low as US\$ 10 000. For example, the three-bedroom house above, located in outer Maputo, is listed for US\$ 12 500 negotiable.



Middle income housing can range from anything between US\$ 30 000 and US\$ 80 000, depending on the location, size and quality of the house. These houses tend to be single story, have between two and four bedrooms and have relatively large stand sizes. For example, the first house above, located near the circular road, quite far from the city centre, it listed at US\$ 48 000. The red and grey house above is located closer to the city centre, has four bedrooms, and is listed at US\$ 66 600.



High income housing tends either to be in modern high rises in the city centre or large, modern houses in upper-income suburbs. Prices in this range vary greatly; for example, the five-bedroomed house above is listed at US\$ 500 000.

These housing types provide a broad understanding of housing of the formal, urban market in Mozambique. The data and images were sourced from [Property Maputo](#). The data presented is by no means exhaustive and is merely presented as an indication of housing in the country. It does not include lower down in the market, and houses in the informal sector.

- Feel free to [contact us](#) with any updated information.

Housing Policy

Mozambique has a number of laws of policies that are relevant to the housing finance sector:

- [Articles 109, 110 and 111 of Mozambique's Constitution](#)

All ownership of land vests in the state, all Mozambicans have the right to use and enjoy land, while 'the state shall recognise and protect land rights acquired through inheritance or by occupation, unless there is a legal reservation or the land has been lawfully granted to another person or entity.'

- [Land Law of 1997](#)

Reasserts the state's ownership of land and provides long-term or perpetual rights to use and benefit from land, while protecting the customary rights of communities to their traditional territories and recognises rights obtained through traditional and good-faith land occupancy as equivalent to rights obtained by government grant. Nationals have unrestricted rights of access to land; foreign individuals and entities must have local residence and an approved investment plan.

- [Rural Land Law Regulations of 1998](#)

Regulations for the acquisition and transfer of use-rights of land. Further, the process for identifying and recording the rights of local communities and good-faith occupants is governed by the Technical Annex to the Land Law Regulations of 2000.

- [National Land Registry and Real Estate Cadastre Decree of 2003](#)

Established new provisions for the registration of inherited use-rights and secure rights to customary rights-of-way.

- [Urban Land Regulations of 2006](#)

Applies to existing areas of towns and villages, as well as areas subject to an urbanisation plan. The regulations govern the preparation of land use plans, access to urban land, and the rights and obligations of owners of buildings.

For more information, see USAIDS' [Mozambique Profile on Property Rights and Resource Governance](#), FAO's [Current Land Policy Issues in Mozambique](#), and Doing Business Indicators' [Land Law Legislation Guide](#).

Useful Websites

- [African Development Bank \(AfDB\)](#) - Established with the mandate to spur sustainable economic development and reduce poverty in Africa. AfDB mobilises and allocates resources for investment in African countries, while providing policy advice and technical assistance in order to support development efforts.
 - [African Economic Outlook](#) - An excellent yearly publication looking at all aspects of the Mozambican economy.
 - [Banco de Moçambique](#) - The central bank of Mozambique's website is a source of relevant statistics, laws, monetary policies and much more.
 - [Doing Business Indicators](#) - A World Bank publication of quantitative indicators on business regulations and the protection of property rights that can be compared across 189 economies over time.
 - [Financial Sector Deepening Mozambique \(FSDMoç\)](#) - A financial inclusion facilitation unit, it seeks financial inclusion for households and businesses through a series of public and private sector partnerships. FSDMoç is targeting increased access and improved quality of financial services for two million individuals and 650 businesses in Mozambique by 2019.
 - [Global Housing Indicators \(GHI\)](#) - Comparable information on the policy environment for adequate and affordable housing, featuring data on Maputo.
 - [Making Finance Work for Africa](#) - An initiative to support the development of African financial sectors.
 - [Mix Market](#) - A data hub where microfinance institutions (MFIs) and supporting organisations share institutional data to broaden transparency and market insight.
 - [Property Maputo](#) - An online property portal, featuring residential sales and rentals in US dollars.
 - [UN Habitat](#) - A United Nations programme working towards a better urban future, listing the latest news and all its work in Mozambique.
 - [World Bank](#) - For data and research on Mozambique.
-

CAHF News



[CAHF's Case Study Series](#) addresses themes as diverse as housing microfinance, mortgage liquidity facilities, cement block-banking, home loan guarantees for the informally employed, and infrastructure financing, highlighting experiences from countries across the continent.



CAHF wishes to appoint service providers to undertake surveys of the housing finance market in [Morocco](#) and [Zambia](#), on behalf of HOFINET. Visit our [website](#) for more information.

Copyright © 2016 Centre for Affordable Housing Finance in Africa. All rights reserved.

[follow on Twitter](#) | [like on Facebook](#) | [follow in LinkedIn](#)

[visit our website](#) | [sign up to our mailing list](#)

Our mailing address is:
Centre for Affordable Housing Finance in Africa
PO Box 72624,
Parkview, Gauteng,
South Africa, 2122

[add us to your address book](#) | [unsubscribe](#) | [update subscription preferences](#)

The MailChimp logo is displayed in a white, cursive font within a dark grey rounded rectangular button.