

# TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2014

## 1. Highlights:

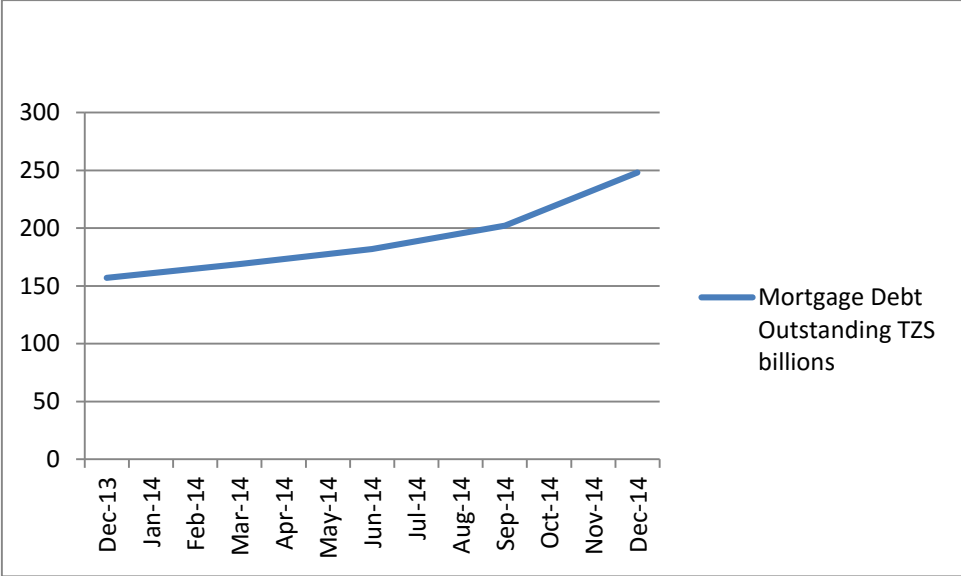
- The mortgage market has continued to grow steadily, recording an annual growth rate of 59% (with a growth rate of 23% recorded only in the last quarter of 2014).
- 19 lenders are now offering mortgage products with more due to enter the market
- Outstanding mortgage debt stood at TZS 248 billion.
- Average mortgage debt size was TZS 69 million equivalent to around USD 41,000
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.46%
- Mortgage debt advanced by top 4 lenders accounts for 67% of the total outstanding mortgage debt
- High interest rates and lack of affordable housing remain the major constraints on market growth
- Mortgage debt advanced by Tanzania Mortgage Refinance Company (TMRC) to mortgage lenders accounted for 14% of the market's outstanding mortgage debt.

## 2. Mortgage Market Growth:

The mortgage market in Tanzania has been growing steadily as the pace of housing investment picks up. As at 31<sup>st</sup> December 2014 total lending by banking sector for the purposes of residential housing was TZS 248.35 billion, which is equivalent to USD 146 million. This represents an annual growth of 59%. Total number of mortgage loans also grew rapidly, from 2,784 at the beginning of 2014 to 3,598 by end of December 2014, being an increase of 29%.

Factors attributed to this increase include increased awareness on mortgage loans among borrowers, public awareness campaigns by banks offering mortgage loan product, favorable interest rate environment during the year –with Bank of Africa's interest rates reduction campaign which ran for six months in 2014, interest rates on mortgage lending went as low as 16% (for Bank of Africa) from the common 18% to 21% range as offered by most lenders. **Figure 1** below shows the trend of mortgage lending both in terms of amounts over the year;

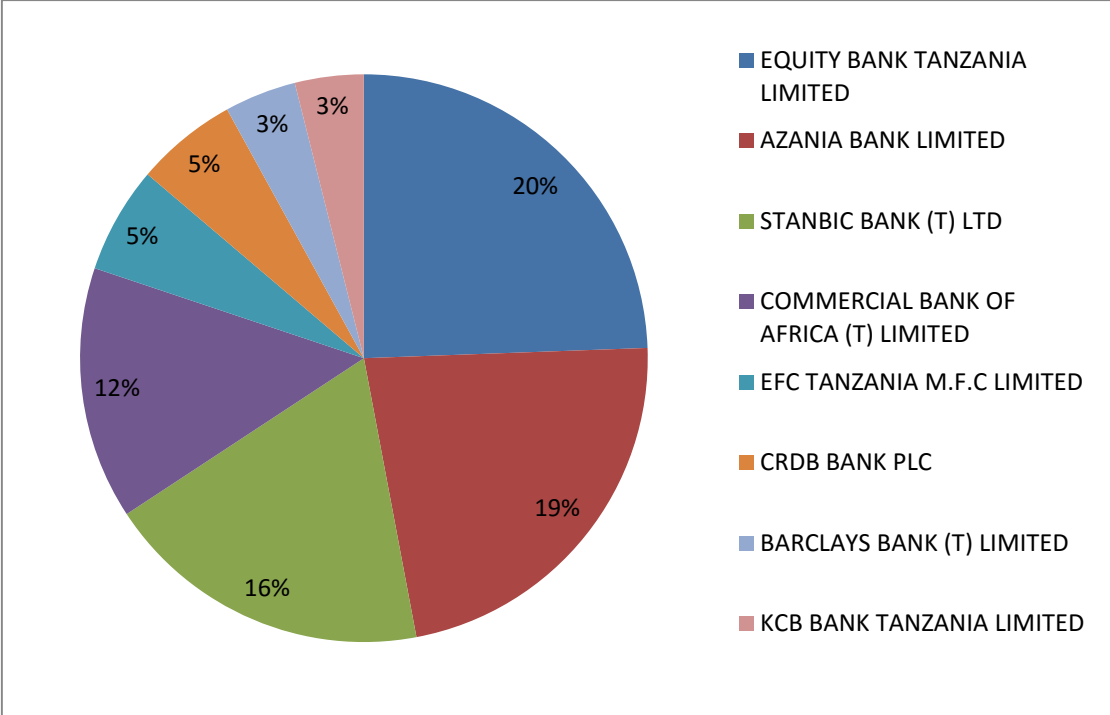
**Figure 1 - Tanzania Mortgage Market - TZS outstanding**



**3. Increasing Competition as New Lenders Enter the Market:**

As at end of December 2014, 19 different banking institutions were offering mortgage loans, with the number expected to increase even further as more lenders continue to launch their mortgage loan products. The mortgage market was dominated by four top lenders, who amongst themselves command about 67% of the mortgage market. Equity Bank was a market leader commanding 20% of the mortgage market share, closely followed by Azania Bank which has the longest presence in the market with about 19% of the market share. Stanbic Bank and Commercial Bank of Africa followed Azania Bank with 16% and 12% of the market share respectively. The market experienced one new entrant (TIB Development Bank) in the third quarter of the year and there are prospects that large banking institutions such as NBC and NMB will enter the mortgage market as competition in the traditional banking products continue to intensify. **Figure 2** below shows market share for top eight mortgage lenders, in terms of outstanding mortgage debt.

**Figure 2 – Mortgage Market Share**



**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. The current housing deficit in Tanzania is estimated at three million housing units with a 200,000 unit annual demand<sup>1</sup>. 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. High interest rates offered by mortgage lenders also pose as another impediment to the growth the mortgage market. The 182 days T-Bill rate ranged from 13% to 15% during 2014, whereas interest rates offered by mortgage lenders continued to vary between 18% to 21% (with Bank of Africa going as low as 16% in their six-month interest reduction campaign). The recent decline in the 182 days T-Bill rate as low as 8.99% towards the end of March is however promising a positive impact on all forms of long term debt, including mortgages.

**5. Positive Initiatives to Boost the Mortgage Market:**

The continuing projects by National Housing Corporation (NHC) being carried out from the company’s 2010-2015 strategic plan focusing on high, medium and low income earners are expected to have a positive impact on the mortgage market. Likewise the Public Servants Housing Scheme which is being administered by Watumishi Housing Company (WHC) is specifically tasked to build 50,000 affordable housing units in the next 5 years in various phases is expected to fill the affordable housing gap in the market as Public Servants will be able to buy the houses by taking cheap mortgages of between 10-and-13 per cent, repayable in 25 years.

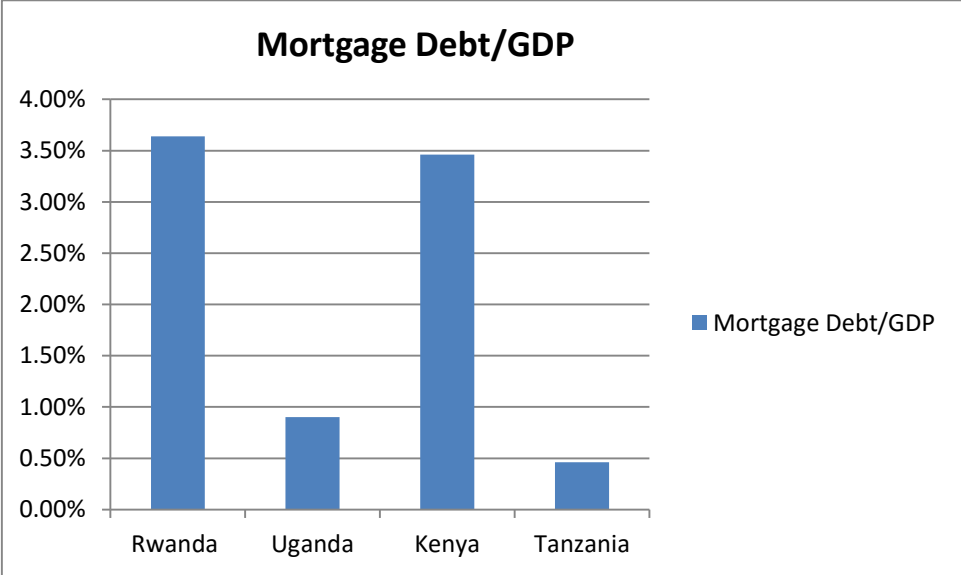
<sup>1</sup> NHC Strategic Plan 2010-2015

Most Pension funds are also actively engaged in advancing mortgage loans to their members. NSSF is also embarking on a large housing development in Kigamboni which will bring to the market a supply of 7,460 housing units in the next 3 years. It is also encouraging to see that private developers are also actively engaged on the supply of housing activities. Avic International is developing Avic Town in Kigamboni with plans to build 5,000 housing units in the next 3 years. Furthermore, Tanzania Buildings Agency has already embarked on a special project of constructing 10,000 affordable housing units under the initiative of the government. All these initiatives are expected to further boost the growth of the mortgage market.

**6. Tanzania Mortgage Market as Compared to the East African Neighbors:**

Compared to other countries in the region Tanzania still has a relatively smaller mortgage market, although it is growing rapidly. Mortgage debt outstanding as a proportion of Tanzanian GDP was equivalent to around 0.46% of Gross Domestic Product at the end of 2014. This is lower than its East African neighboring countries. **Figure 3** below shows mortgage debt to GDP for selected countries including Kenya, Uganda and Rwanda.

**Figure 3 – Mortgage Debt to GDP – East African Countries Comparison<sup>2</sup>**

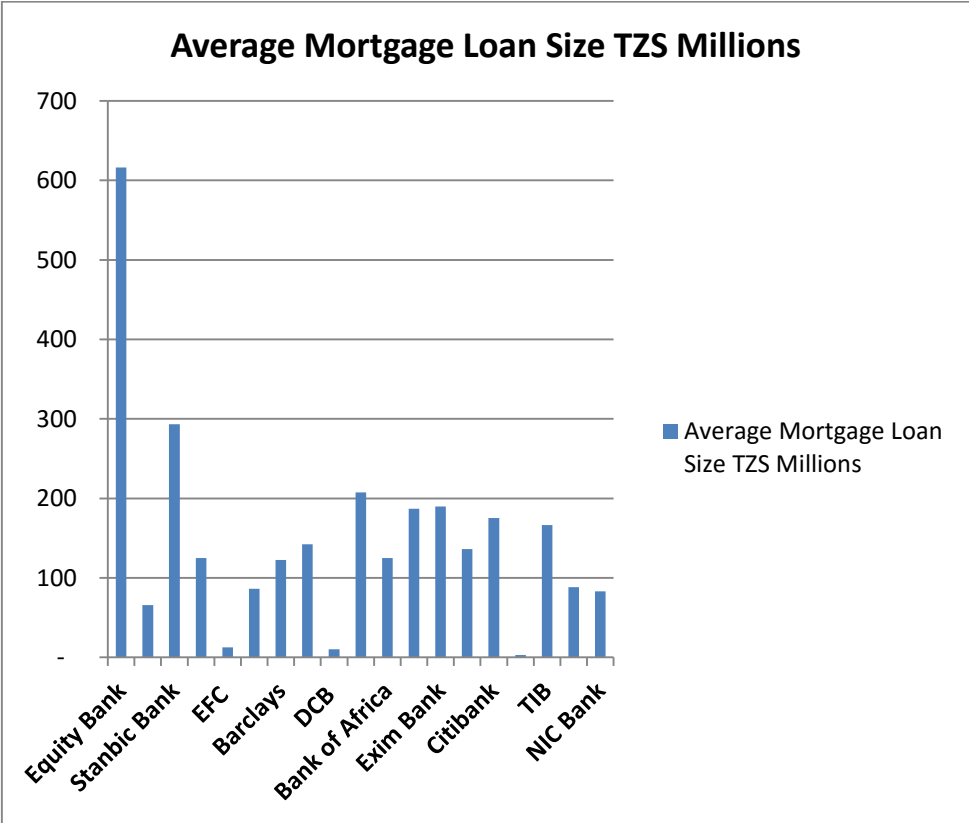


**7. Trends on Average Loan Size:**

Average loan size as at 31<sup>st</sup> December 2014 was TZS 69million, which is equivalent to USD 41,000. The average loan size for 2014 has slightly increased from that of TZS 62million (USD 38,000) in 2013. The average loan size across mortgage lenders varied greatly, reflecting different strategies and customer bases. Akiba, EFC and DCB who target lower income customers had much lower average mortgage loan sizes than say Stanbic Bank whose average loan size was TZS 293million. **Figure 4** below shows average mortgage loan sizes across different lenders.

<sup>2</sup> Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing 2014 Yearbook

**Figure 4 – Average Mortgage Loan Size TZS Millions**

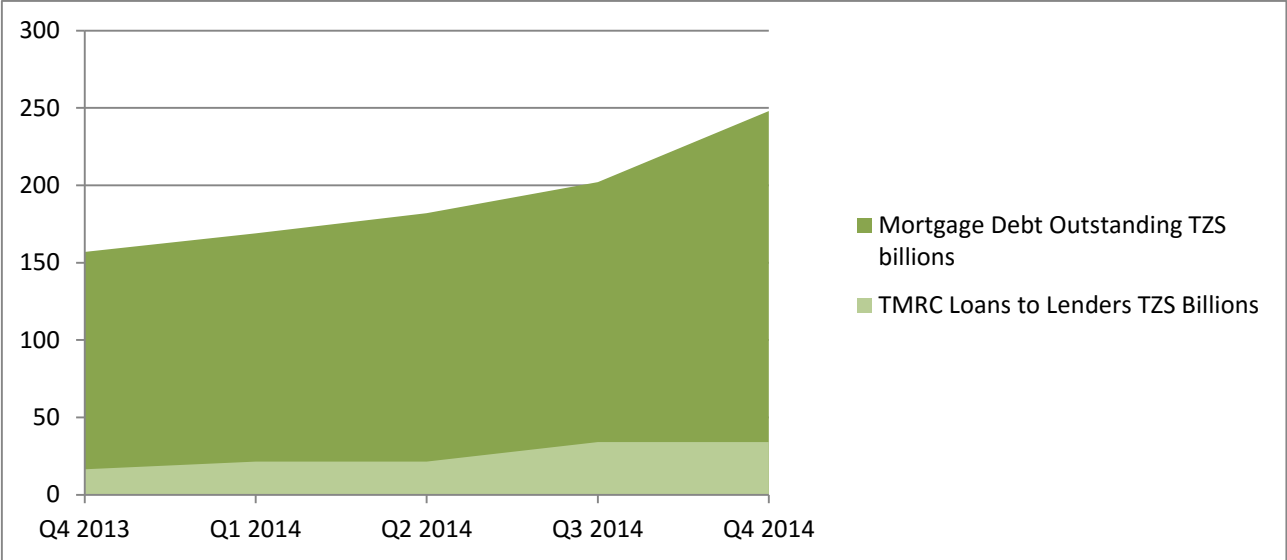


**8. TMRC Supporting Market Growth through Provision of longer Term Funds to Members:**

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. **Figure 5** below shows the overall contribution of TMRC in the mortgage market in 2014. Currently refinancing and pre-financing mortgages advanced by TMRC to banking institutions is equivalent to 14% of the total outstanding mortgage debt.

With the recent approval of USD 60 million additional funding by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania, TMRC’s contribution to the growth of the housing market is expected to significantly increase over the coming years as the new financing will build on the achievements of the ongoing 2010 Housing Finance Project (HFP) which has overseen the establishment of the Tanzania Mortgage Refinancing Company (TMRC) which is playing a key role in developing the mortgage market.

**Figure 5: TMRC Refinancing Share of the Mortgage Market**



## 9. Annex – Data Tables

**Table 1 – Total Mortgage Debt Outstanding by Lender**

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	82	50.52	20%
2	AZANIA BANK LIMITED	711	46.77	19%
3	STANBIC BANK (T) LTD	132	38.71	16%
4	COMMERCIAL BANK OF AFRICA (T) LIMITED	238	29.76	12%
5	EFC TANZANIA M.F.C LIMITED	990	12.57	5%
6	CRDB BANK PLC	139	11.97	5%
7	BARCLAYS BANK (T) LIMITED	69	8.45	3%
8	KCB BANK TANZANIA LIMITED	57	8.11	3%
9	DCB COMMERCIAL BANK PLC	771	7.94	3%
10	I & M BANK TANZANIA LIMITED	36	7.48	3%
11	BANK OF AFRICA TANZANIA LIMITED	59	7.37	3%
12	AFRICAN BANKING CORPORATION (T) LTD	35	6.55	3%
13	EXIM BANK TANZANIA LIMITED	26	4.94	2%
14	NATIONAL MICROFINANCE BANK (T) PLC.	23	3.13	1%
15	CITIBANK TANZANIA LIMITED	14	2.46	1%
16	AKIBA COMMERCIAL BANK LTD	207	0.61	0%
17	TANZANIA INVESTMENT BANK	3	0.50	0%
18	FIRST NATIONAL BANK TANZANIA LIMITED	5	0.44	0%
19	NIC BANK TANZANIA LIMITED	1	0.08	0%
	<b>TOTAL</b>	<b>3598</b>	<b>248.35</b>	<b>100%</b>

END