The Zimbabwean economy has de-industrialised and become increasingly informal since 1999, when the country suffered an economic contraction, with negative economic growth for nine out of ten years. Since 2009, though, the country has seen strong economic growth, peaking at 11.9 percent in 2011. This growth has slowed down recently, dropping to 1.5 percent in 2015 from 3.5 percent in 2014, partly due to limited access to capital, policy uncertainty and the high cost of doing business. Exacerbating this has been significant public debt, at US$ 8.4 billion, of which US$ 1.73 billion was in arrears in July 2015.

Recently, from 2014, Zimbabwe has had deflation, which went as low as -3.29 percent in October 2015. This, in part, reflects a correction of domestic prices, after the country struggled with hyperinflation, which went as high as an estimated 79.6 billion percent in mid-November 2008.

While the construction industry grew by 3.9 percent in 2015, it is constrained by limited access to credit. One of the few large-scale developments—Budiriro Housing Project—faced difficulty when it came to selling its 3,102 units, despite favourable mortgage rates and relatively affordable housing. In response to these difficult conditions, many firms have sought different, innovative approaches. An example is that some organisations have shifted their work to developing serviced-stands and providing credit for households to purchase them, creating opportunities for households to incrementally construct their own housing. This points to promising prospects for the housing sector, as a relatively sophisticated finance sector and a slowly resurgent economy provides a sound platform for future market development.

This note covers a broad overview of housing and housing finance markets in Zimbabwe. In October 2015, CAHF launched the 6th edition of the Housing Finance in Africa Yearbook, this time covering 48 countries and 5 regions across the continent. The full Zimbabwe profile regional profile can be found here.

Housing Finance in Africa Yearbook 2015 | A Country Overview of Housing Finance Markets in Zimbabwe

Despite the challenges in the operating environment, the Zimbabwean financial sector remains well developed and quite stable. There are 17 operating banking institutions, comprising of 13 commercial banks, one merchant bank, three building societies and one savings bank. There are also 16 asset management companies and 147 microfinance institutions. As of 30 June 2015, total credit provided by the financial sector amounted to a reported US$ 4 billion, an increase from US$ 3.8 billion of 30 June 2014. The country has a loans-to-deposit ratio of 71.4 percent.

Yet the sector still faces issues that constrain access to credit. Credit risk remains a concern, with a non-performing loan rate of 14.52 percent at the end of June 2015. Zimbabwe ranked 79th on the ease of getting credit indicator, according to Doing Business. Despite registering growth in recent years—driven by mobile money and other electronic payment systems—, Zimbabwe’s rate of financial inclusion was 32 percent in 2014, while only four percent of adults had formal borrowings and five percent of adults had formal savings.
Mortgages advanced by building societies were 11.92 percent of credit in May 2015, and grew to 12.42 percent in June 2015, according to the Reserve Bank of Zimbabwe. Mortgage lending is largely undertaken by the Central African Building Society (CABS), CBZ Bank, FBC Bank, ZB Building Society, and Zimbabwe Mortgage Company (all members of the African Union for Housing Finance). Mortgage lending rates range from 15 – 20 percent depending on the institution.

For most banks, low income earners (earning US$ 750 per month and above) would qualify for mortgages between US$ 15 000 and US$ 20 000, depending on the institution. There are increasingly options for those who cannot qualify for mortgages; CBZ has introduced a product called the Cash-Plus Housing Savings Account that targets the informal sector. It involves the potential borrower saving with the institution for 12 months, after which the client qualifies for a loan equivalent to the accumulated savings.

Limited availability of affordable long-term finance impacts negatively on the ability of mortgage lenders to provide affordable mortgages. To alleviate this issue, as part of a downward review of lending rates, the Reserve Bank of Zimbabwe established affordable credit facilities for lenders. The government of Zimbabwe also, in January 2015, waived stamp duty on cession of mortgage bonds.

Key Figures

Zimbabwe's economy is slowly recovering from its prolonged contraction, hence the deflation, which is unusual for an African country. In the same vein, after undergoing de-urbanisation (32.50 percent of the total population lives in urban areas, compared to 34.59 in 2002), Zimbabwe’s urbanisation rate is now 2.66 percent.

The cost of a 50 kilogram bag of cement is high, at US$ 12, compared to US$ 5.4, US$ 6 and US$ 5.35 in neighbouring Botswana, Mozambique and South Africa respectively. This has not severely impacted the price of the cheapest, newly built house by a formal developer, which, at US$ 18 000, costs less than the equivalent in any neighbouring country. This equates to US$ 375 per a square metre. The cost to register a property is 7.6 percent, lower than the Sub-Saharan average of 8.3 percent. Registering a property, according to Doing Business, involves five procedures and takes 36 days, both also lower than the Sub-Saharan average.

Mortgage penetration is expectedly low, considering past economic instability and the dollarisation of the economy. With GDP per capita of US$ 475, there will be a large percentage of the population who will be unable to access mortgages without considerable economic growth.

Click the image to see the stats. Visit the Yearbook for sources.

Housing Affordability

Using C-GIDD (Canback Global Income Distribution) 2014 income data for Zimbabwe and 2015 CAHF survey input, we have explored housing affordability. The following graph suggests the market segments where investors and developers might target their efforts. The number of rural and urban households is illustrated per income bracket defined. Additionally, 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.
As with other similar countries, housing affordability, even for the cheapest newly built house, is low. In 2015, the cheapest newly built house in Zimbabwe cost US$ 18 000. Calculated using key assumptions for the mortgage interest rate (15 percent), the term (20 years) and the down-payment (20 percent), the average annual household income needed for the cheapest newly built house is US$ 9 202 an annum—only slightly higher than the average annual urban household income of US$ 8 308. This means that only about 12.86 percent of urban households can afford the cheapest newly built house by a formal developer.

There have been attempts to increase the affordable housing stock. The most well-known attempt involved an agreement, signed in late 2012, between Harare City Council and CABS, to build 3 102 core houses for low income earners in Budiriro, Harare. As part of this deal, CABS was to provide affordable mortgage finance. Up to February 2015, only 500 houses were sold, out of the completed 3 102 units. Due to this low uptake by the prospective home seekers, the bank revised the mortgage terms; the upfront deposit of 10 percent is now required upon application, down from the initial 25 percent, while the term is now 20 years.

The graph below shows investment potential in terms of market segments across urban areas in Zimbabwe, 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 shown assuming a bond term of 20 years, an interest rate of 15 percent and a 25 percent contribution of the household’s income. The 12.86 percent of households that can afford the cheapest newly built house (US$ 18 000 in 2015) is indicated by the darker shading on the graph. The graph also highlights that the sweet spot for market opportunity—the affordable and middle-income bands—, which includes households earning an annual income of between US$ 5 000 to US$ 14 000. This is illustrated by the purple shading indicating that the 37.37 percent urban households can contribute to 395 008 unrealised loans. This would make up a considerable portion of the 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 just under US$ 4.73 billion from 37.37 percent of its household population. If GDP was about US$ 14.2 billion in 2014, housing in this market segment would be equal to just over 33.3 percent of GDP. The graph also makes a stark suggestion that there is an adequate market size for mortgage financing—that is, if the cost of housing could be reduced to match the affordability of lower income Zimbabweans.

An important component of Zimbabwe’s housing market is the relatively strong supply of serviced stands. ZB Bank offered serviced stands in Springvale that range from US$ 11 000 to US$ 26 000 (300 – 600 square metres), while, for comparison, they developed 10 garden flats in Hatfield that range from US$ 109 000 to US$ 130 000. CBZ developed the
Nehosho Housing Project in Gweru that consists of 1 095 undeveloped low cost-residential stands with prices ranging from US$ 15 000 to US$ 23000. A minimum of 25 percent deposit is required and monthly repayments for the land range from US$ 200 to US$ 300.

Fidelity Life Assurance is developing a total of 5 304 serviced stands in Southview, Harare. Fidelity first developed 317 stands in phase one of Manresa Fidelity Park in Arcturus in 2011. National Social Security Authority (NSSA) came on board to provide housing stock as efforts to implement Zim-Asset; currently it is working on 680 low cost housing stands in Masvingo, with plans to develop between 800 and 1 000 serviced stands in Bulawayo.

According to the Zimbabwe National Association of Housing Cooperatives (ZINAHCO), an apex body that represents housing cooperatives, since the year 2000, through its membership, more than 20 000 stands were serviced and more than 10 000 housing units were developed. The cooperatives acquire land from private owners, government or local authorities and then service it using subscriptions from members.

Other projects include Bulawayo City Council commissioning a new suburb by unveiling 391 medium density residential housing stands in Emhlangeni in March 2015. The project is the third in a series of pre-sale housing projects that the Bulawayo City Council is implementing. The Emhlangeni contract was implemented at a cost of US$2. 9 million and work started in September 2013.

**Housing Types**

The following of example of affordable housing for sale in Zimbabwe:

- A house in Hatfield, Harare, which was on sale for US$ 18 000.
- A house in Glenwood, near Harare, which was on sale for US$ 18 500.
- A house in Glenwood, near Harare, which was on sale for US$ 20 000.

**Housing Policy**

Housing in Zimbabwe has a strong institutional and regulatory framework. Important acts include the *Regional, Town and Country Planning Act* [Chapter 29:12], *Urban Councils Act* [Chapter 29:15], *Land Survey Act* [Chapter 27:06], *Deeds Registry Act* [Chapter 20: 05], *Consolidated Land Acquisition Act* [Chapter 20:10] and *Rural Land Occupiers Act*. The *Deed Registries Act* [Chapter 20: 05] regulates the issue of loan security and provides for the registration of mortgage bonds and notarial bonds.

The *National Housing Policy* of 2012 was adopted to stimulate and regulate the housing delivery. It addresses the need for more housing designs and development models, and an increased range of permissible building materials and construction models.
Useful Websites

Visit the CAHF website and filter for the latest housing finance news relating to Zimbabwe. Other useful website include:

- **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 Zimbabwe economy.
- **African Union for Housing Finance** - An association of 50 mortgage banks, building societies, microfinance institutions, housing corporations and other organisations involved in the mobilisation of funds for shelter and housing on the African continent. Members in Zimbabwe include CBZ Building Society, Central Africa Building Society (CABS), FBC Building Society, National Building Society, Vantage Affordable Housing Company, ZB Building Society and Zimbabwe Mortgage Company. The AUHF has just accepted two new members from the country, People's Own Savings Bank and EMPIIAprojects.
- **Doing Business** - 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.
- **Housing Finance Information Network (HOFINET)** - A project to consolidate global housing finance information and knowledge. The results for the survey on Zimbabwe includes general macro-economic data, and data on housing finance systems and housing policy.
- **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.
- **UN Habitat** - A United Nations programme working towards a better urban future, listing the latest news and all its work in Zimbabwe.
- **World Bank** - For data and research on Zimbabwe.

CAHF News

- **Housing and Construction in Africa** | Explore our data on house prices, construction costs and income across Africa with our latest interactive dashboard.
- **Angola’s Housing Sectors** | Read our report, published by CAHF and Development Workshop Angola, on understanding housing market dynamics, performance and opportunities in Angola.
- **Housing and Africa’s Growth Agenda** | 14 - 16 September | Abuja, Nigeria | Open to all
Read about the upcoming 32nd Annual African Union for Housing Finance Conference and AGM, hosted by the AUHF in association with [Nigeria Mortgage Refinance Company](#).

Comment on the Best Use of State Property Assets: [The Case of Tafelberg, Sea Point](#) | Read our submission to the Western Cape Province, South Africa.

[Mortgage Affordability Calculator](#) | Use our interactive calculator to see how affordable mortgages are across Africa!