Malawi is a small, landlocked country in Southern Africa. It had an estimated population of 17.6 million in 2018, a 35 percent increase from 13.1 million in 2008. The country is predominantly rural with 84 percent of the population living in rural areas, and 16 percent living in urban areas. The urban population in Malawi has increased from about two million in 2008 to 2.8 million in 2018, a 40 percent increase over 10 years. This increasing rate of urbanisation has the potential to drive the growth of housing demand and related infrastructural facilities.

Real gross domestic product (GDP) growth was four percent in 2018, declining from 5.2 percent in 2017. Despite this, the economic outlook is positive as real GDP growth is projected to rebound to 4.5 percent in 2019, mainly because the favorable weather conditions the country has experienced in 2019, supporting increased agricultural output, the mainstay of the Malawian economy and exports. Meanwhile, after being in the double digits for six consecutive years, inflation for June 2019 was nine percent. The gradual slowdown in inflation is attributed to tight monetary policy, favorable weather patterns and exchange rate stability. Meanwhile, according to the latest World Bank annual ratings, Malawi's Ease of Doing Business marginally dropped to 111 in 2018 from 110 in 2017.

Malawi’s construction sector, which accounts for about three percent of overall GDP, grew by 4.5 percent in 2018, surpassing the growth of 4.4 percent in 2017. The growth was partly attributed to resumption of some government construction works, such as the construction of a dual carriageway in both Lilongwe and Blantyre. Nationally, the total stock of housing units is 4.8 million with each household averaging 4.4 members.

Access to finance

The banking sector's assets are approximately 52.1 percent of the total assets of the financial sector. Total assets of the banking sector, on a quarterly basis, increased by 4.4 percent to K1 744.1 billion (US$2.3 billion) in June 2019. The sector is mainly concentrated around two major banks, the National Bank of Malawi and Standard Bank Malawi, which accounted for 47 percent and 49.3 percent of the banking sector’s total assets and deposits respectively, as at end-June 2019.
Affordability

Significantly to 20.3 percent in 2018 from 3.8 percent in 2014. Borrowing by the real estate sector remained relatively low at 1.4 percent of the total private sector credit percentage in July 2019, from 1.7 percent in December 2018. Financial institutions have a variety of credit options such as asset-based loans with five years tenure, consumer loans with three years tenure and home improvement loans.

The RBM revised the Policy Interest Rate downwards to 13.5 percent from 14.5 percent in May 2019. Banks responded by adjusting downwards their lending rates to an average of 13.9 percent as at end June 2019 from 24.78 percent in January 2019. Four of the nine commercial banks provide mortgages. The average mortgage interest rate is approximately 20 percent and interest on non-mortgage housing finance is 24.9 percent. Although these rates are higher in nominal terms, they are reasonable given historic double-digit inflation rates during the past few years. A positive outlook is envisaged as the cost of borrowing is expected to continue reducing in line with declining inflation.

The approval rate for mortgage loans is approximately 40 percent and most applicants are declined due to insufficient salaries. The average salary for all mortgage applicants is about K400 000 (US$526.14) a month and the minimum mortgage for a house that meets the standards of the National Bank of Malawi (NBM) is about K12 million (US$15 784.07) repayable over 20 years. NBM’s policy is that the applicant’s monthly repayment amount should fall within 30 percent of his/her monthly salary. With the current average mortgage rate of 20 percent this means the client is expected to repay about K199 159 (US$261.96) a month from a salary of K400 000 (US$526.14) for a K12 million mortgage. This repayment is above the 30 percent threshold of K120 000.00 (US$157.84), hence the rejections. Approved applicants whose salaries are around K400 000 (US$526.14) a month mostly have their mortgages subsidised by their employers, like the Malawi Revenue Authority. The contractor of a mortgage should have documents such as the title deed, Malawi Revenue Authority tax clearance certificate and a Credit Reference Bureau report.

Microfinance Institutions (MFIs) are also an important source of non-mortgage housing finance through general loans. The performance of the microfinance sector, which comprises 48 licensed MFIs, was positive during the first half of 2019, as improvements in the levels of NPLs were noted and liquidity for the sector remained satisfactory. For microfinance institutions, such as Wealth Net, potential non-mortgage housing finance ranges from K200 000 (US$263.1) to K2.5 million (US$3 288.4) and is repayable over 24 months. This financing is mainly for home improvements and land purchases.

The 2017 Global Findex report states that Malawi has made tremendous strides in ensuring increased financial access. The percentage of adults (15 years or older) with a bank account increased to 33.7 percent in 2018, from 18.1 percent in 2014. Similarly, the proportion of adults owning a mobile account increased significantly to 20.3 percent in 2018 from 3.8 percent in 2014.

Affordability

Malawi ranks 171st on the United Nations Development Programme (UNDP) Human Development Index global ranking and the GDP per capita in Malawi was K285.168.84 (US$375.1) in 2018, one of the lowest in the world. This poses a challenge for people to rent and buy decent houses, mainly in urban areas. The market for houses in urban areas can be categorised as low, middle and high income segments. The middle class prefers to buy land and rent on the peri-urban outskirts of the cities due to relatively lower prices, compared to more central urban areas which are predominantly sought after by higher income groups. Meanwhile, a low income household would on average spend 47 percent of their total non-food expenditure on rental to reside in a three-roomed house.

Affordable housing developers such as the Malawi Housing Corporation (MHC) state that the government of Malawi does not support them with financial subsidies. Despite this, affordable developers such as the MHC report that their rentals are affordable to most clients. For MHC, the major challenge is, however, balancing rising costs of building materials against low rentals.

Availability of data on housing finance

The main organisation that collects and shares data on housing finance through its reports is the Central Bank of Malawi. The central bank collects and publishes data such as mortgage interest rates, loans to the real estate sector, mortgage loans and NPLs of both MFIs and banks in Malawi.

Besides the Central Bank of Malawi, selected property market data is also readily available at institutions such as the National Statistics Office, National Construction Industry Council of Malawi, Department of Lands in the Ministry of Lands and Housing, Malawi Housing Corporation, City Councils, Surveyors’ Institute of Malawi, CCCODE, Suldec and the Microfinance Network of Malawi. The data is on request and also published on websites and in periodic reports by the institutions.

Data, such as number and names of private developers, is found on the website of the National Construction Industry Council. Commercial banks such as National Bank of Malawi also provide data on their websites such as mortgage interest rates and mortgage terms in years.

Other institutions such as city councils keep their data in files in offices and this data is not publicly available. Formal developers and land market agents such as CCCODE and Suldec have also provided data for the land and housing markets, for instance the number of houses completed in 2018.

However, the data gaps include the number of housing construction loans, value of housing construction loans in local currency, number of transfers financed with a mortgage, number of microfinance loans, value of microfinance loans, and the number mortgages outstanding. In addition, city councils do not have digital records of data such as the number of title deeds and number of residential resale transactions.

To ease the capital costs of electricity supply connections to land buyers, organisations like Sustainable Urban Land and Shelter Development Consultants Limited (Sulsdec) have gone into a public-private partnership agreement with the Electricity Supply Corporation of Malawi (ESCOM), whereby Suldec provides ESCOM with materials for supplying electricity in areas where Suldec’s customers have bought plots.

Housing supply

Habitat for Humanity reports that Malawi needs approximately 21 000 housing units every year for the next 10 years to meet the demands of the current backlog and future growth. Of the 4.1 million housing units in Malawi in 2017, 85 percent were owner-occupied and 12 percent (554 738) were rented. Rural households registered a higher proportion (81 percent) of households that own their dwelling units than urban households (39 percent).

MHC is the major institutional supplier of houses in Malawi. In 2019, it is constructing 60 units of two-bedroomed houses, 20 units of three-bedroomed houses and 10 units of three-bedroomed houses. The Centre for Community Organisation and Development (CCCODE) and Habitat for Humanity are also constructing 100 housing units each in 2019 for low income people in urban and rural areas. Both MHC and CCCODE are planning to construct 200 and 100 units respectively in 2020.

Of the total demand for houses of approximately 21 000 per year, MHC receives at least 10 000 applications for rental houses a year. This demand is partly driven by the relatively high urbanisation rate in Malawi of 3.97 percent and the limited number of housing providers.

This supply and demand mismatch is more pronounced among the middle income demographic and this demand is pushing rental prices high in urban areas. The middle class demands two- to three-bedroomed houses, yet suppliers are providing bigger houses which are relatively expensive for this category. In general, the
demand in all the sectors of the property market, including commercial, residential and office, outweighs the supply mainly in Lilongwe and Blantyre.\textsuperscript{32}

**Property markets**

The custodian of land is the Ministry of Lands, Housing and Urban Development. The Ministry protects ownership, ensures safety and determines the rateable value and development fees of leased land. The city councils and district assemblies are responsible for distributing government-owned land in urban areas for commercial and residential purposes, collecting city rates and development fees, and they also register the lands and properties, among others. The cost for registering land is K261 800 (US$344.36) and it takes about 300 days to complete registration.\textsuperscript{33}

The private land market consists of formal and informal economic agents. A formal agent, Suldec Green Villages, acquired and registered 30 hectares of land on the outskirts of Lilongwe and Blantyre and the company is now selling plots measuring 450m\textsuperscript{2}. The residential resale market is also made up of formal and informal institutions. Formal institutions comprise registered property management organisations and real estate agents such as Press Properties and Knight Frank. According to the Surveyors Institute of Malawi, there are 37 registered formal estate agents in Malawi. Informal institutions include unregistered estate agents, which are estimated at more than 1 000 across Malawi, individual developers and local leaders.\textsuperscript{34}

In the residential market, rentals for low-income houses registered a 13 percent increase from K46 250 (US$60.83)\textsuperscript{35} in June 2018 to K46 313 (US$60.92)\textsuperscript{36} in June 2019. Meanwhile, rentals for middle and higher-income houses are reported to have increased by 40 percent a year.\textsuperscript{37} Despite the increase in rentals of private houses, rentals of houses owned by the Malawi Housing Corporation have not changed since January 2018.

Currently, the government is creating a conducive environment for the property market through increasing the supply of electricity, enacting laws such as the new Land Act of 2016 and reducing interest rates. However, the introduction of initiatives such as Know Your Customer (KYC) and enforcement of money laundering policy has having negative consequences on property markets. Press Properties said that implementing the money laundering policy and KYC initiative by commercial banks, which disclose buyers’ income, is slowing down transactions in the property markets. In addition, interest rate reductions by monetary authorities are affecting revenues of MFIs whose nominal interest rates, for instance, have dropped from 10 percent to six percent.\textsuperscript{38}

The property market is expanding, though at a slow pace, with new projects and stakeholders entering the market such as Alliance Properties and ICON Properties. Many individual developers are also constructing two- and three-bedroomed residential houses.

**Policy and regulation**

Several policies, legal and regulatory frameworks have been launched in recent years and some are being implemented. First, in 2019 the Malawi government launched the National Urban Policy. This policy was developed in response to a need for a comprehensive policy framework to guide the urbanisation agenda.\textsuperscript{39}

Second, the Customary Land Act of 2016 and Customary Land Regulations are now in force in Malawi with effect from 1 March 2018.\textsuperscript{40} The Customary Land Act has established customary estates through which rural people will secure tenure and register their land and properties.

Third, the new Land Act and Physical Planning Act of 2016 are being piloted in districts like Phalombe and Chikwawa. The Physical Planning Act of 2016 has made all the land in Malawi, both urban and rural, eligible for planning and development purposes.

**Opportunities**

Significant investment opportunities exist in the housing sector to meet unmet demand of the middle and low income segments. Key housing developers in Malawi are looking for major financial investors in the housing sector such as banks and non-governmental organisations.\textsuperscript{41}

To support the property market, the government has provided a conducive environment. First, there is a stable macroeconomic environment characterised by a declining inflation rate, a reduction of the bank lending rate to 13.5 percent and relatively stable exchange rates.\textsuperscript{42} City councils and assemblies are also poised to provide non-financial support and land for industrial development, large-scale housing projects and shopping malls to both foreign and local investors.

Despite these opportunities, there are also some challenges in the property market. First, there is a special tax imposed on housing materials, which is pushing prices up and either slowing down construction activities or completely hindering the development of houses.\textsuperscript{43} Second, property investment analytics are impeded by the lack of a co-ordinating unit that can compile statistics and keep records of all the housing market projects in Malawi.

**Additional sources**


Websites
Blantyre City Council http://bclcmw.com/
CCODE http://www.cccodemw.org/
Department of Lands in the City of Blantyre http://www.lands.govmw/
Habitat for Humanity https://www.habitat.org/where-we-build/malawi
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