



## TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2016.

### 1. Highlights:

- The mortgage market in Tanzania registered a **growth of 16 percent** for the year 2016. Although the growth was below last year's growth (45 percent), it is still above the overall GDP growth in Tanzania.
- During the year 2016, 2 new mortgage lenders joined the list of lenders in Tanzania offering the mortgage product to make the total number of 28 lenders compared to 26 lenders in 2015. The new entrants in 2016 were Diamond Trust Bank (T) Ltd and Standard Chartered Bank.
- Outstanding mortgage debt as at 31 December 2016 stood at **TZS 416.94 billion<sup>1</sup>** equivalent to **US\$ 191 million** compared to TZS 359 billion as at 31 December 2015.
- Average mortgage debt size was TZS 118 million, which is equivalent to around US\$ 54,200 (TZS 106 million as at 31 December 2015)
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.45 percent (0.45 percent as at 31 December 2015).
- Mortgage debt advanced by top 5 lenders accounts for 69 percent of the total outstanding mortgage debt.
- Typical interest rates offered by mortgage lenders ranged between 16 -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 7 percent over the past decade (7.1 percent in year 2015), the fast-growing Tanzanian population which is estimated to be 53.47 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.
- 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 28 by

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<sup>1</sup> Bank of Tanzania Quarterly Mortgage Market Statistics as at 31 December 2016

December 2016, and the average mortgage interest rate in falling from 22 percent to 16 percent<sup>2</sup>.

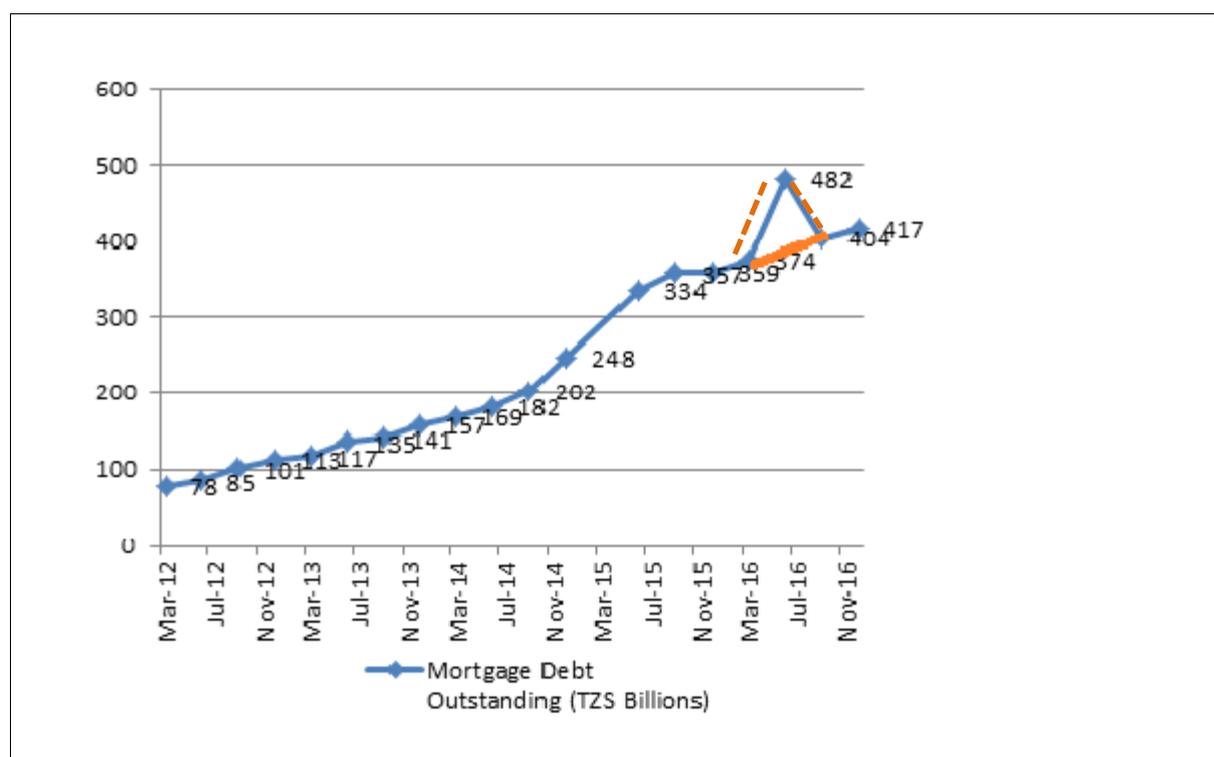
- High interest rates and lack of affordable housing remain the major constraints on market growth.
- **Tanzania Mortgage Refinance Company (TMRC) continues to extend refinancing to non-member banks as well as its member banks.**

## 2. Mortgage Market Growth:

The mortgage market in Tanzania has registered an annual growth rate of **16 percent** during 2016. As at 31 December 2016 total lending by banking sector for the purposes of residential housing was TZS 416.94 billion, which is equivalent to US\$191 million. This represents a growth of **3 percent** from total mortgage lending of TZS 404 billion as at 30 September 2016.

Factors attributed to this increase is the increased awareness on mortgage among borrowers as a result of various public awareness campaigns by banks offering mortgage loan product as well as increased competition as new lenders enter the market. **Figure 1** below shows the trend of mortgage lending in terms of amounts over the years;

**Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding<sup>3</sup>**



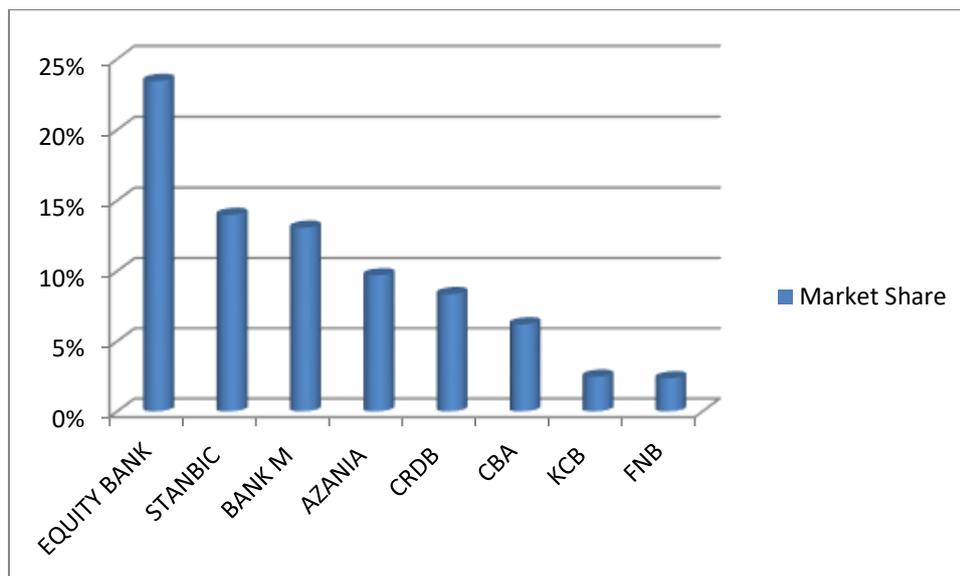
<sup>2</sup> <http://www.tanzaniainvest.com/construction/realestate/tanzania-real-estate-sector-report>

<sup>3</sup> A significant part of the increase in mortgage balances from TZS 374Bn in Q1 2016 to TZS 482Bn in Q2 2016 (29 percent increase), was attributed to incorrect reporting by banks. The misreporting was corrected in Q3 2016 where the mortgage balances declined to TZS 404Bn (a decline of 16% from Q2 2016). Hence overall there has been an increase of 8 percent from Q1 2016 to Q3 2016.

### 3. Increasing Competition in the Mortgage Market:

As at end of the fourth quarter of 2016, 28 different banking institutions were offering mortgage loans, with no new entrants in the market after the entrance of Diamond Trust Bank and Standard Chartered Bank in 2016. The number of mortgage lenders has increased from 26 lenders as at 31 December 2015, and is expected to increase further as more lenders continue to launch their mortgage loan products. During the quarter, the mortgage market was dominated by five top lenders, who amongst themselves command about 69 percent of the mortgage market. Equity Bank was a market leader commanding 23 percent of the mortgage market share, followed by Stanbic Bank (14 percent), Bank M (13 percent), Azania Bank (10 percent) and CRDB (8 percent). More positive developments are expected in the market with more banks now launching their mortgage loan products as competition in the traditional banking products continues to intensify. Whereas large banks such as National Microfinance Bank (NMB), CRDB and National Bank of Commerce launched their mortgage products in previous years, Standard Chartered Bank and Diamond Trust Bank which ranked 4<sup>th</sup> and 7<sup>th</sup> respectively in terms of banking sector market share in 2015 did enter the market during the first half of 2016. **Figure 2** below shows market share for top eight mortgage lenders as at 31 December 2016, 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. The current housing deficit in Tanzania is estimated at three million housing units with a 200,000 unit annual demand<sup>4</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 average Tanzanians. High interest rates offered by mortgage lenders also pose as another impediment to the growth the mortgage market. During the fourth quarter of 2016, interest rates offered by mortgage lenders were reported to range between 16 – 19 percent. Though the 182 days T Bill rate slightly declined from 15.49 percent recorded towards end of September 2016 to 14.54 percent recorded towards the end of December 2016, it still remains on the high side therefore negatively affecting all forms of long term debt, including mortgages. The government has however expressed its commitment to ensure the loan interest rates are reduced in order to enable many Tanzanians to acquire 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 recently completed projects in Dar-es-Salaam include Victoria Place (consisting of 16 flats and 88 two to four bedroom apartments, kids playing area, swimming pool, gymnasium and shopping mall)<sup>5</sup> and Eco Residence (consisting of 120 three bedroom housing units with prices ranging from TZS 213 million to TZS 254 million VAT exclusive).<sup>6</sup> Major ongoing projects in Dar-es-Salaam include Kawe (which is on sale since December 2015, a satellite city covering 5.84 acres, consisting of 711 two to four bedroom apartments with prices ranging from TZS 297 million (US\$135 510.63) to TZS 672 million (US\$306 609.91) VAT exclusive)<sup>7</sup>, the Golden Premier Residence Project (covering 1.86 acres), Mwongozo Estate (consisting of 216 two to three bedroom and town houses sold between TZS 44.7 million to TZS 128 million VAT exclusive) and Morocco Square. 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. The project construction cost is estimated to be over TZS 150bn. Morocco square consists of four blocks including a shopping mall with a total of 28,827 square metres which will accommodate 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 will have two office blocks with a total of 47,793 square metres, whereby one of the towers will be known as Stock Exchange Tower that stands to accommodate and upgrade the current Dar es Salaam Stock Exchange (DSE)<sup>8</sup>. On the other hand, the residential and hotel tower will have a total of 24,924 and 8,456 square metres respectively.

NHC has launched a country-wide project known as 'My Home My Life' offering 5 000 affordable housing units countrywide with prices quoted for the first and second phases of the project ranging

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<sup>4</sup> NHC Strategic Plan 2010-2015

<sup>5</sup> <http://www.nhctz.com/victoriaplace/>

<sup>6</sup> <http://www.nhctz.com/eco/buy.php>

<sup>7</sup> <http://www.nhc.co.tz/en/711details>

<sup>8</sup> <http://www.dailynews.co.tz/index.php/home-news/42800-nhc-launches-morocco-mega-housing-project>

between TZS 43.4 (US\$19 801.89) million to TZS 95.3 million (US\$43 482.03).<sup>9</sup>Currently the project has covered number of regions including Mkinga (Tanga), Mvomero (Morogoro), Mnyakongo-Kongwa (Dodoma), Mkuzo (Songea), Mtanda (Lindi), Mrara (Babati), Unyankumi (Singida), Bomba Mbili (Geita), Ilemba and Iyonga (Katavi), Uyui (Tabora), Longido and Monduli (Arusha) and Mlole (Kigoma) as well as Kibada and Mwongozo (Kigamboni, Dar-es-Salaam).<sup>10</sup>

Additionally in line with the government's plan to move the administrative capital of Tanzania to Dodoma, NHC plans to develop Iyumbu Satellite Centre in Dodoma which will consist of 300 affordable housing units to cater for government employees and other potential buyers. Initial engagements with strategic partners for the project are currently ongoing.

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 the first phase which focuses on construction of houses in the administrative regions of Dar es Salaam, Coast/Pwani, Tanga, Arusha, Mwanza, Shinyanga, Mtwara, Lindi, Tabora, Dodoma, Morogoro, Kilimanjaro, Ruvuma and Mbeya is ongoing. In November 2015 WHC launched a construction drive of 590 houses in four regions namely Morogoro at Mkundi area (50), Mwanza at Kisesa Township (59) and Dar es Salaam which will receive the bulk of the houses to be built in Kigamboni (329), Bunju (64) and Magomeni Usalama (88). The Magomeni Usalama project will involve construction of two flat buildings with 12 floors each. The project is located right at the heart of a historical part of Dar es Salaam which used to be the home for a good number of middle-ranking civil servants of independent Tanzania Mainland (Tanganyika), and is set to change the area's scenery. Besides Dar es Salaam, Morogoro, Tanga and Mwanza regions benefitting in the construction of the low cost descent houses under the WHC's first phase project, other regions to benefit from the project in the near future are Dodoma, 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.

In addition, in July 2016 WHC had an agreement with Tanzania Education Association (TEA) to construct 40 houses for secondary school teachers living in the remote areas in the regions of Rukwa (1), Kigoma (1), Katavi (2), Njombe (1), Ruvuma (2), Iringa (2), Mbeya (2), Singida (1), Dodoma (2), Tabora (2), Shinyanga (2), Mwanza (2), Geita (2), Simiyu (2), Mara (1), Kagera (2), Lindi (2), Mtwara (3), Tanga (2), Arusha(1), Manyara (1), Kilimanjaro (2), Dar es Salaam (1), Pwani (1), and Morogoro (1) where each house will accommodate 6 families. The project is currently ongoing where construction of 15 units is at completion stage.

Most Pension funds are also actively involved in housing projects. The National Social Security Fund (NSSF) is currently embarking on a project in Kigamboni (the Dege Eco Village satellite city) which will bring to the market a supply of 7,460 housing units by 2017. Total project costs are estimated at around US\$544.5 million<sup>11</sup>.

On the side of private developers, Avic International has continued with implementation of Avic Town project in Kigamboni comprising 5,000 housing units in the next 3 years. This is a large scale luxury villas and bungalows project, with target customers being the social elite. The first phase of

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<sup>9</sup> <http://www.nhctz.com/mhml/index2.php>

<sup>10</sup> <http://www.ippmedia.com>

<sup>11</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

infrastructure has been completed. The main gate, landscape avenue and sample houses were shown to the public in June 2015<sup>12</sup>. The project was scheduled to deliver its first phase of villas and bungalows by October 2016. The developer has already partnered with six banks namely CBA, CRDB, NMB, Stanbic, Exim and BOA to provide loans for purchase of houses.

Furthermore, Tanzania Buildings Agency (TBA) has continued to implement a special project of constructing 10,000 affordable housing units for Public Servants in various regions of the country under the initiative of the government. By July 2015, TBA reported to have spent TZS6 billion (US\$2.8 million) for construction of 850 units in Bunju B area in Dar-es-Salaam.<sup>13</sup> As of recent the Agency has reported to re-direct its efforts into constructing 100 houses for Civil Servants in Dodoma as a result of the President’s directive to relocate the government to Dodoma by 2020. The houses were initially planned to be constructed in Dar-es-Salaam and other regions.<sup>14</sup>

Additionally, M Mortgage Finance, a greenfield mortgage finance bank which was set up in partnership with the International Finance Corporation (IFC), Bank M Tanzania Limited, HFDC India and prominent investors received its license to commence operations from Bank of Tanzania during 2016. The company is the first specialized mortgage lender in Tanzania.

Overall all these initiatives are expected to foster growth of the mortgage market in Tanzania.

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

Compared to other countries in the East Africa region, Tanzania still has a relatively smaller mortgage market, although it is growing rapidly. Outstanding Mortgage Debt as a proportion of Tanzanian GDP was around 0.45 percent as at the end of the fourth quarter of 2016. This is lower than its East African neighboring countries but growing at an accelerated pace. **Figure 3** below shows mortgage debt to GDP for selected countries including Kenya, Uganda and Rwanda.

**Figure 3 – Outstanding Mortgage Debt to GDP – East African Countries Comparison<sup>15</sup>**

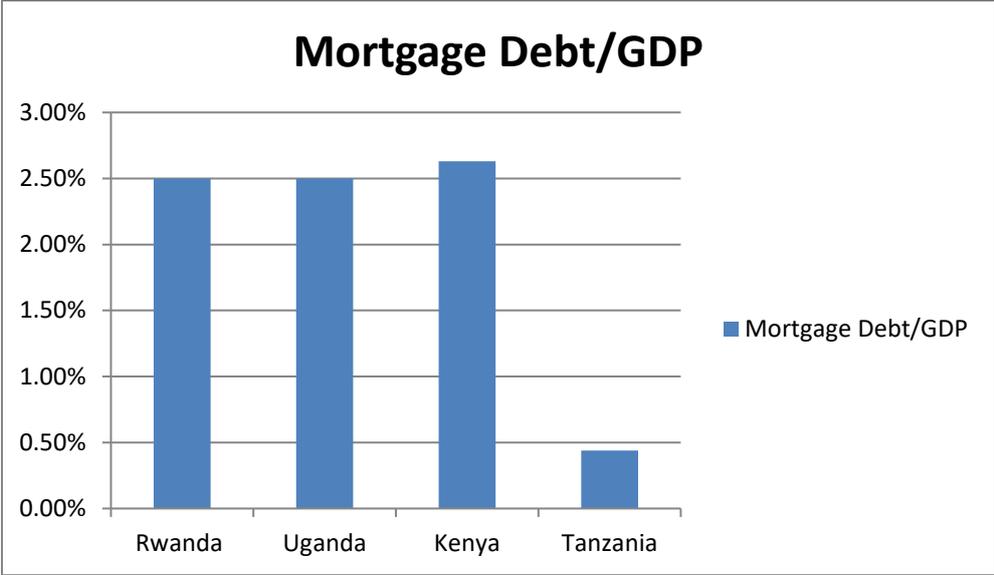
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<sup>12</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

<sup>13</sup> <http://www.ippmedia.com>

<sup>14</sup> <http://allafrica.com/stories/201608290996.html>

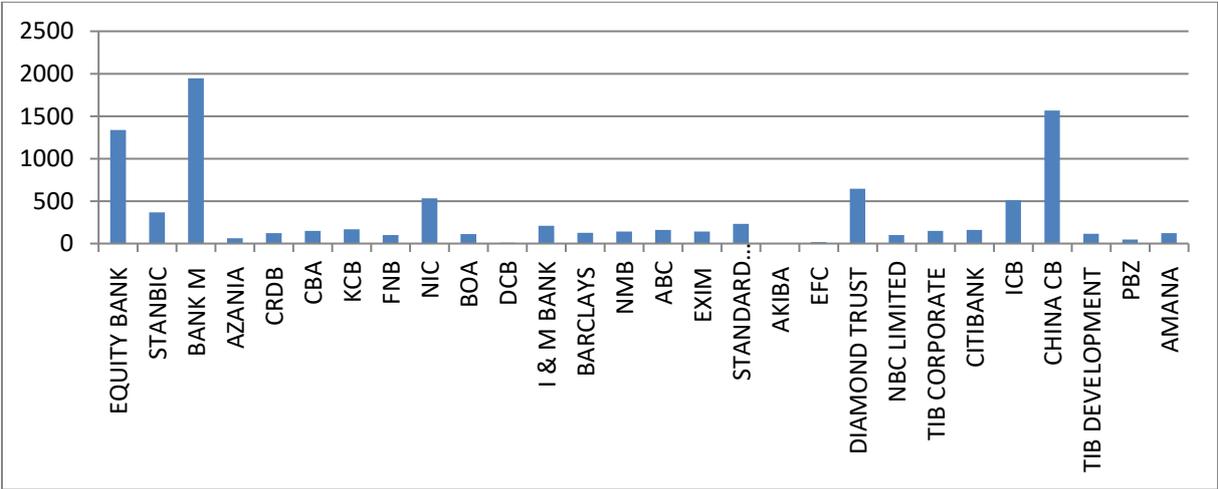
<sup>15</sup> Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing Finance in Africa 2016 Yearbook



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

Average loan size as at 31 December 2016 was TZS 118 million which is equivalent to US\$ 54,200. This is an increase from average loan size of TZS 106 million (US\$ 48,490.39) reported as at 31 December 2015. 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 the likes of Stanbic Bank whose average loan size was TZS 367 million (US\$ 167,729.68). **Figure 4** below shows average mortgage loan sizes across different lenders.

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



**8. TMRC Contribution to Growth of Mortgage Market:**

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 Government of Tanzania in collaboration with the World Bank in line with Tanzania's five-year National Strategy for Growth and Poverty Reduction (MKUKUTA) and the Tanzania Development Vision 2025. The project is being implemented by the Bank of Tanzania and focuses on affordable housing, access to finance, and capital market development.

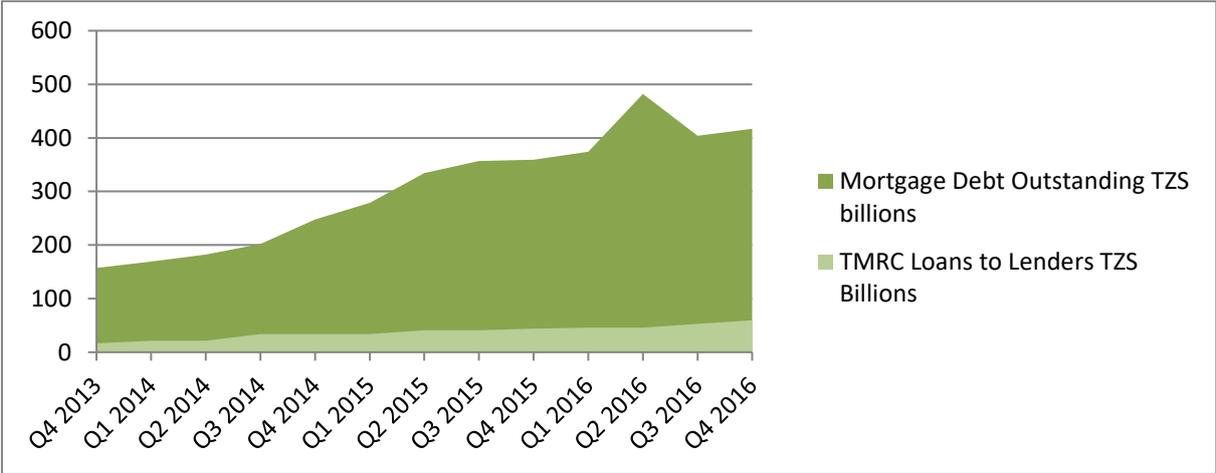
**Figure 5** below shows the overall contribution of TMRC in the mortgage market over the years. TMRC currently has 12 borrowing members (all of which are now offering mortgage loans), and has already extended loans worth TZS 59.6billion (US\$ 27,720,135.06) to nine of its member banks and one non-member bank. Additionally, in July 2016 the company opened up lending to non-member banks as part of its strategy to expand its customer base and effectively fulfill its role of being a catalyst to mortgage lending in the country. As at 31 December 2016, refinancing and pre-financing mortgages advanced by TMRC to its member banking institutions was equivalent to 14 percent of the total outstanding mortgage debt.

With additional funding of US\$ 60 million extended by the World Bank through the International Development Association (IDA) to scale-up the activities under the Housing Finance Project in 2015, 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 HFP which is playing a key role in developing the mortgage market.

In the six 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 28 in 2016, and mortgage repayment period increased from the maximum of 7 years that was previously offered to 20 years that banks offer now. In May 2016, the African Development Bank (AfDB) approved a Partial Credit Guarantee of up to US\$ 4 million (in Tanzanian Shillings) to support TMRC's Medium Term Note program to mobilize long term funding from the local currency bond markets as part of the company's strategy to ensure its continued sustainability. The additional IDA funds and partial credit guarantee from AfDB will put TMRC on a stronger path to sustainability by supporting the company to raise its own funding through local bond issuance.

Another initiative under the HFP is the establishment of Housing Microfinance Fund (HMFF) which is geared to providing long-term loans for lower income earners who currently may not access to housing finance either for the purchase of a home or for home improvements. The Fund officially began its operations last year and on 31 July 2015, the first disbursement of TZS 1 billion (US\$ 457,456.54) was made to DCB Commercial Bank Plc with the total credit line to the bank being TZS 3 billion (US\$ 1.4 million). This marked the first step towards significant progress of the microfinance sector. To date, two more facilities have been disbursed under the fund to EFC Tanzania M.F.B Limited (TZS 4 billion equivalent to US\$ 1,829,826) and Yetu Microfinance Bank Plc (TZS 2 Billion equivalent to US\$ 914,913.08). Further, DCB Commercial Bank has fully utilized the credit line of TZS 3 billion.

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



**9. Annex – Data Tables**

**Table 1 – Total Mortgage Debt Outstanding by Lender as at 31 December 2016**

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	73	97.75	23.4%
2	STANBIC BANK (T) LTD	159	58.30	14.0%
3	BANK M TANZANIA PUBLIC LIMITED COMPANY	28	54.53	13.1%
4	AZANIA BANK LIMITED	629	40.40	9.7%
5	CRDB BANK PLC	285	34.82	8.4%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	175	25.84	6.2%
7	KCB BANK TANZANIA LIMITED	62	10.31	2.5%
8	FIRST NATIONAL BANK TANZANIA LIMITED	99	9.80	2.4%
9	NIC BANK TANZANIA LIMITED	18	9.61	2.3%
10	BANK OF AFRICA TANZANIA LIMITED	85	9.47	2.3%
11	DCB COMMERCIAL BANK PLC	844	8.56	2.1%
12	I & M BANK TANZANIA LIMITED	41	8.54	2.0%
13	BARCLAYS BANK (T) LIMITED	62	7.76	1.9%
14	NATIONAL MICROFINANCE BANK (T) PLC.	36	5.16	1.2%
15	AFRICAN BANKING CORPORATION (T) LTD	32	5.14	1.2%
16	EXIM BANK TANZANIA LIMITED	29	4.11	1.0%
17	STANDARD CHARTERED BANK (T) LTD	17	3.97	1.0%
18	AKIBA COMMERCIAL BANK LTD	547	3.93	0.9%
19	EFC M.F.B TANZANIA LIMITED	209	3.59	0.9%
20	DIAMOND TRUST BANK (T) LTD.	4	2.58	0.6%
21	NBC LIMITED	25	2.51	0.6%

22	TIB CORPORATE BANK LIMITED	15	2.26	0.5%
23	CITIBANK TANZANIA LIMITED	14	2.24	0.5%
24	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	2.04	0.5%
25	CHINA COMMERCIAL BANK LIMITED	1	1.57	0.4%
26	TIB DEVELOPMENT BANK LIMITED	9	1.02	0.2%
27	PEOPLES BANK OF ZANZIBAR	13	0.63	0.2%
28	AMANA BANK LIMITED	4	0.50	0.1%
	<b>TOTAL</b>	<b>3,519</b>	<b>416.94</b>	<b>100.0%</b>