TANZANIA MORTGAGE MARKET UPDATE – 31ST MARCH 2017.

1. Highlights:

- Mortgage loans value increased by 11.3% in Q1 2017 as compared to Q1 2016 , this is lower than 34% achieved in Q1 2016 as compared to Q1 2015.
- The number of banks reporting to have mortgage portfolios increased from 27 banks in Q1 2016 to 29 banks reported in Q1 2017 an increase of 7.4%.An increasing trend was also noted in Q1 2016 in which 27 banks were reported as compared to 29 banks reported in Q1 2015, a significant increase of 35%.
- Number of banks reporting to have mortgage portfolio increased from 28 banks in Q4 2016 to 29 banks in Q1 2017 an increase of 3.6%. The new entrant during the Q1 2017 was **Letshego Bank (T) Limited**.
- There was decline in the number of accounts in Q1 2017 (3,469) accounts as compared to Q1 2016 (4,065 Accounts) a decline by 14.7%.
- There was flat growth of the number of accounts in Q1 2017 as compared to Q4 2016
- The mortgage market registered a flat growth during the First quarter of year 2017 (416.85 billion) compared to Q4 2016 (416.94 billion).
- Outstanding mortgage debt as at 31st March 2017 stood at **TZS 416.85 billion**[1] equivalent to **US$ 186.5 million** (TZS 374.5 billion as at 31st March 2016) an increase of 11.3%.
- Average mortgage debt size as ta 31st March 2017 was TZS 120 million, which is equivalent to around US$ 53,765.07 (TZS 92.1 Million as at 31st March 2016)
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.46 percent as at 31st March 2017 (0.46 percent as at 31st March 2016).
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.46 percent as at 31st March 2017 (0.45 percent as at 31st December 2016).
- Mortgage debt advanced by top 5 lenders accounted for 70 percent of the total outstanding mortgage debt as at 31st March 2017 (69% as at 31st Dec 2016)
- 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

[1] Bank of Tanzania Quarterly Mortgage Market Statistics as at 31st March 2017

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 29 by March 2017, and the average mortgage interest rate in falling from 22 percent to 16 percent[2].
- High interest rates and lack of affordable housing remain the major constraint on market growth.
- Tanzania Mortgage Refinance Company (TMRC) is continue to extend refinancing to non-member banks as well as its member banks

2. Mortgage Market Growth:

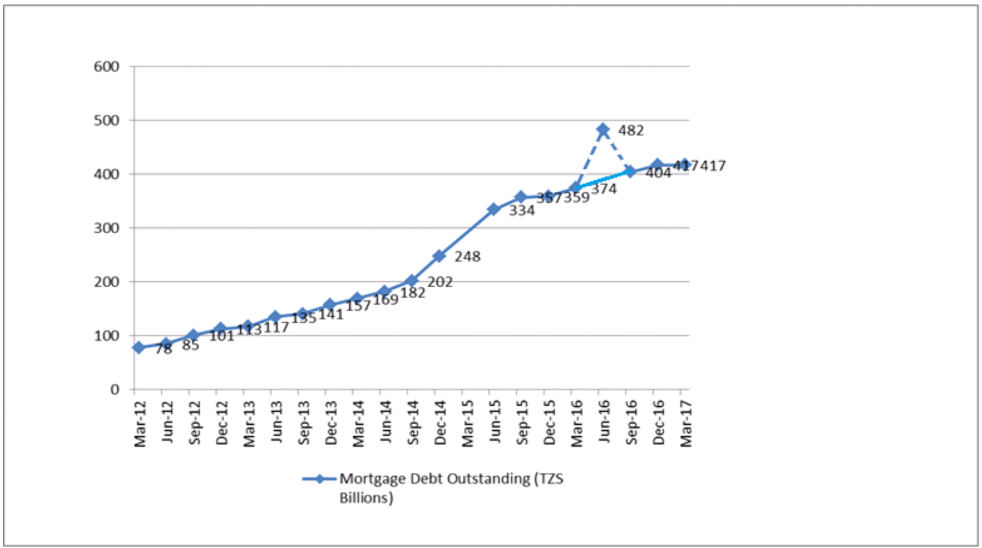
The mortgage market in Tanzania has registered an annual growth rate of **11.3 percent** through March 2016 to March 2017. As at 31st March 2017 total lending by banking sector for the purposes of residential housing was TZS 416.85 billion, which is equivalent to US$**186.5** million. This represents a very slight decline of **0.02 percent** from total mortgage lending of TZS 416.94 billion as at 31st December 2016.

The Flat growth in Q1 2017 as compared to previous quarter (Q4 2016) could be attributed by the changes market conditions which are temporary and envisaged to improve in the near future.

Overall year on year (March 2016 to March 2017) growth of 11.3% has been attributed to factors such as increased awareness on mortgage loans among borrowers as a result of various public awareness campaigns by banks offering the mortgage loan product and other awareness creation initiatives under the Housing Finance Project (HFP). Further, increased competition as new lenders enter the market (i.e. 3 new lenders have entered the market since March 2016) has also contributed positively to the observed growth. **Figure 1** below shows the trend of mortgage lending in terms of amounts over the years.

[2] http://www.tanzaniainvest.com/construction/realestate/tanzania-real-estate-sector-report

Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding

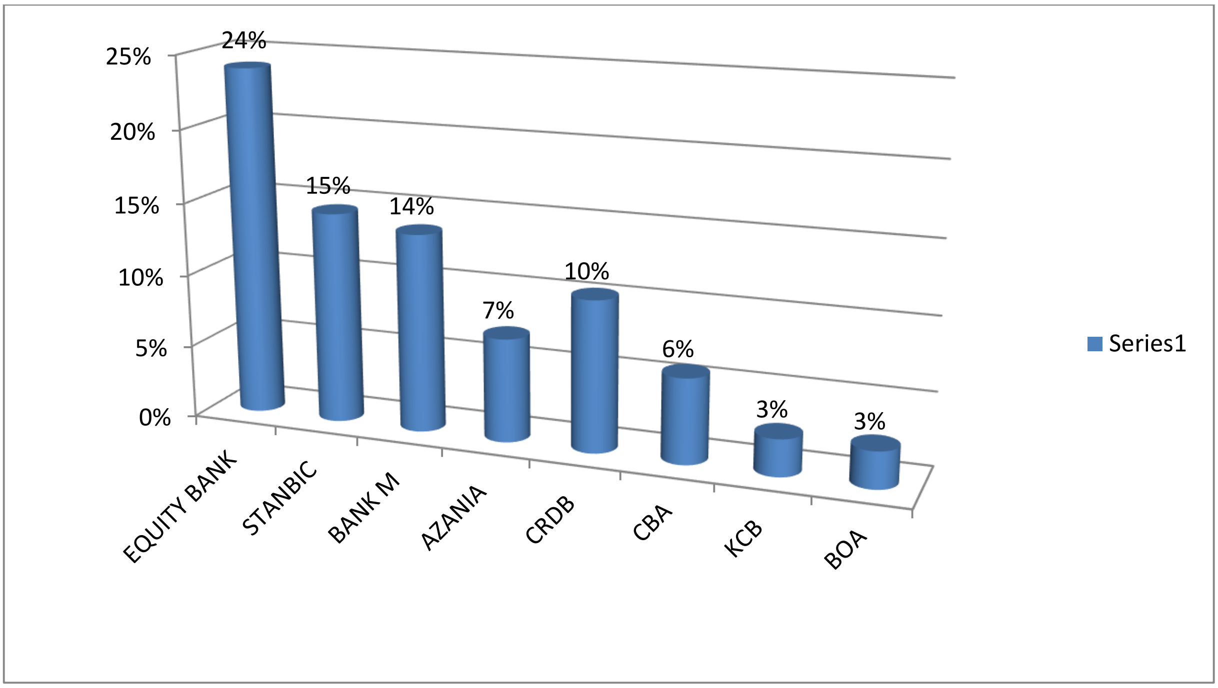


---- The high value in June 2016 was due to misreporting which was corrected in the September 2016 report.

3. Increasing Competition as New Lenders Enter the Market:

As at end of the first quarter of 2017, 29 different banking institutions were offering mortgage loans, with a new entrant in the market during this quarter being **Letshego Bank (T) Limited**. The number of mortgage lenders 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 70 percent of the mortgage market. Equity Bank was a market leader commanding 24 percent of the mortgage market share, followed by Stanbic Bank (15 percent), Bank M (14 percent), CRDB (10 percent) and Azania Bank (7 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. Large banks such as National Microfinance Bank (NMB), CRDB and National Bank of Commerce launched their mortgage products in previous years. **Figure 2** below shows market share for top eight mortgage lenders as at 31st March 2017, 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[3]. 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 another impediment to the growth of the mortgage market. During the first quarter of 2017, interest rates offered by mortgage lenders were reported to range between 16 – 19 percent. The 182 days T Bill rate remained at high end despite a decline from 14.54% reported in Q4 2016 to 13.28% reported as at 5th April 2017. The high rate on the 182 days T-Bill rate negatively affects 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)[4] and Eco Residence (consisting of 120 three bedroom housing units

[3] NHC Strategic Plan 2010-2015
4 http://www.nhctz.com/victoriaplace/

with prices ranging from TZS 213 million to TZS 254 million VAT exclusive).[5] 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)[6], 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)[7]. 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 between TZS 43.4 million (US$19 801.89) to TZS 95.3 million (US$43 482.03).[8] 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), Ilembo and Iyonga (Katavi), Uyui (Tabora), Longido and Monduli (Arusha) and Mlole (Kigoma) as well as Kibada and Mwongozo (Kigamboni, Dar-es-Salaam).[9]

Additionally in line with the government's movement of the administrative capital of Tanzania to Dodoma, NHC has developed Iyumbu Satelite Centre in Dodoma which consist of 300 affordable housing units for government employees and other potential buyers.

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 of 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 is set to build two flat buildings with 12 floors each. The buildings to be built right at the heart of a historical part of Dar es Salaam which used to be the home for a good number of mid-ranking civil servants of independent Tanzania Mainland (Tanganyika) are set to change once and forever the area's scenery. Besides Dar es Salaam, Morogoro, Tanga and Mwanza regions benefitting in the construction of the low cost, yet decent houses under the WHC's first phase drive, other regions lined up for the construction drive in the near future are Dodoma, Ruvuma, Mtwara, Mbeya, Kigoma, Mwanza,

5 http://www.nhctz.com/eco/buy.php

6 http://www.nhc.co.tz/en/711details

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

8 http://www.nhctz.com/mhml/index2.php

9 http://www.ippmedia.com

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 were also actively involved in housing projects. The National Social Security Fund (NSSF) is in the middle of constructing its housing development 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[10].

On the side of private developers, Avic International has continued with implementation 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 infrastructure has been completed. The main gate, landscape avenue and sample houses were shown to the public by June 2015[11]. The project was scheduled to deliver its first phase of 160 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.[12] 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 the designated capital city before 2020. The houses were initially planned to be constructed in Dar-es-Salaam and other regions.[13]

Additionally, the International Finance Corporation (IFC) in its efforts to support growth of the private sector in Africa through investments and advisory services has injected equity investment in M Mortgage Finance, a Greenfield mortgage finance bank being set up in partnership with Bank M Tanzania Limited, HFDC India and prominent investors. The company which has recently received its license from Bank of Tanzania will be the first specialized mortgage lender in Tanzania.

A number of positive changes have also been made on the regulatory framework governing mortgage financing from the review of Mortgage Finance Regulations for banks and financial institutions in 2015. Key changes include (i) the change in risk weight for residential mortgage loans from 100 percent to

---

[10] http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html
[11] http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html
[12] http://www.ippmedia.com
[13] http://allafrica.com/stories/201608290996.html

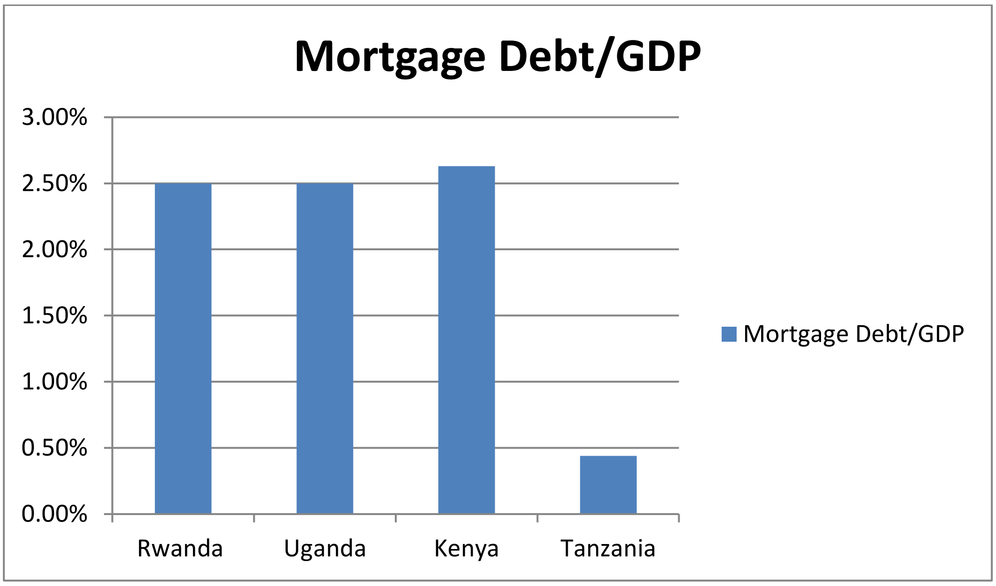
50 percent for computation of capital adequacy, (ii) the increase in the loan to value ratio for mortgage loans from 80 percent to 90 percent (which translates into a reduction in the down payment provided by mortgagors from 20 to 10 percent of the value), with an option to use fixed deposits, pension entitlement, collateral replacement indemnity or government securities to cover the down payment and (iii) the increase in the maximum tenor of mortgage loans to 25 years. Overall these changes have a positive effect on affordability hence making it easier for more Tanzanians to access mortgage loans. All these initiatives are expected to foster 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 around 0.46 percent as at the end of the first quarter of 2017. 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 – Mortgage Debt to GDP – East African Countries Comparison[14]

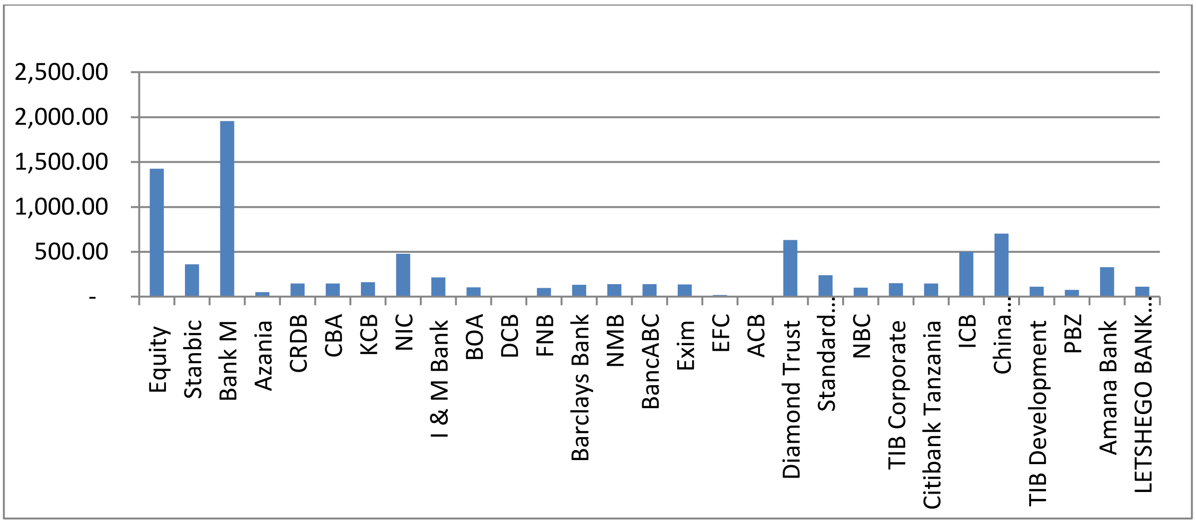


7. Trends on Average Loan Size:

Average loan size as at 31st March 2017 was TZS 120 million which is equivalent to US$ 53,765.07. This is an increase from average loan size of TZS 118 million (US$ 54,200) reported as at 31st December 2016. 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 362.5 million (US$ 162,181.43). **Figure 4** below shows average mortgage loan sizes across different lenders.

[14] Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing Finance in Africa 2016 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. The TMRC was established in 2010 under the Housing Finance Project (HFP) which was set up by the Ministry of Finance in collaboration with the World Bank and Bank of Tanzania in alignment with Tanzania's five-year National Strategy for Growth and Poverty Reduction (MKUKUTA) and the Tanzania Development Vision 2025, which highlight the importance of 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. As at 31st March 2017 TMRC had 13 borrowing members (12 of which are now offering mortgage loans), and has already extended loans worth TZS 59.6billion (US$ 26,667,143.93) to ten banks including one non-member bank (Barclay's Bank Tanzania Limited). 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 31st March 2017, refinancing facilities advanced by TMRC to its member banking institutions was equivalent to 14.3% percent of the total outstanding mortgage debt.

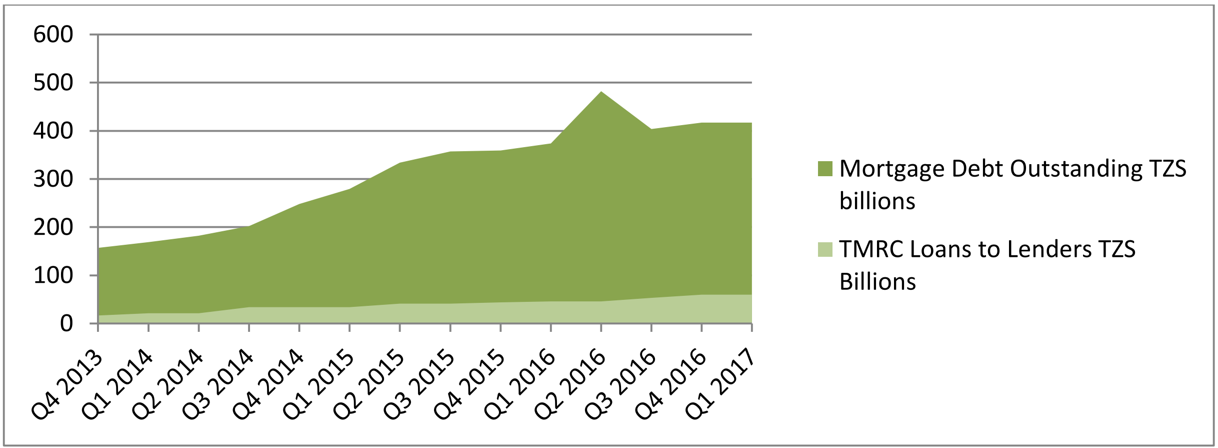
With the approval of US$ 60 million additional funding by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC's contribution to the growth of the housing market is expected to significantly increase over the coming years as the new financing will build on the achievements of the ongoing Housing Finance Project (HFP) which is playing a key role in developing the mortgage market.

In the five 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 29 in in March 2017, 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 set up under the Housing Microfinance Project (HFP) is the Housing Microfinance Fund (HMFF) which is geared to providing long-term loans for lower income earners who currently lack 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 under the fund 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. HMFF loans are meant to be on-lent to low income earners for home-improvement, incremental building and/or outright purchase of houses.

Figure 5: TMRC Refinancing Share of the Mortgage Market



9. Annex – Data Tables

Table 1 – Total Mortgage Debt Outstanding by Lender as at 31st March 2017

S/n	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	70	99.90	24%
2	STANBIC BANK (T) LTD	167	60.53	15%
3	BANK M (TANZANIA) LIMITED	29	56.78	14%
4	AZANIA BANK LIMITED	573	29.62	7%
5	CRDB BANK PLC	294	43.19	10%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	166	24.28	6%
7	EFC TANZANIA M.F.C LIMITED	192	3.36	1%
8	KCB BANK TANZANIA LIMITED	65	10.53	3%
9	BANK OF AFRICA TANZANIA LIMITED	100	10.48	3%
10	DCB COMMERCIAL BANK PLC	818	8.14	2%
11	I&M BANK	**38**	8.11	2%
12	BARCLAYS BANK (T) LIMITED	55	7.22	2%
13	AFRICAN BANKING CORPORATION (T) LTD	35	4.95	1%
14	FIRST NATIONAL BANK TANZANIA LIMITED	99	9.80	2%
15	NATIONAL MICROFINANCE BANK (T) PLC.	38	5.26	1%
16	EXIM BANK TANZANIA LIMITED	29	3.92	1%
17	AKIBA COMMERCIAL BANK LTD	578	4.21	1%
18	CITIBANK TANZANIA LIMITED	13	1.92	0%
19	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	1.99	0%
20	TIB CORPORATE BANK LIMITED	15	2.24	1%
21	TIB DEVELOPMENT BANK LIMITED	9	1.01	0%
22	NBC LIMITED	26	2.61	1%
23	STANDARD CHARTERED BANK (T) LTD	18	4.31	1%
24	CHINA COMMERCIAL BANK LIMITED	1	0.70	0%
25	PEOPLES BANK OF ZANZIBAR	13	1.00	0%
26	AMANA BANK LIMITED	4	1.31	0%
27	NIC BANK TANZANIA LIMITED	14	6.71	2%
28	**DIAMOND TRUST BANK (T) LTD.**	4	2.52	1%
29	**LETSHEGO BANK (T) LIMITED**	2	0.22	0%
	TOTAL	**3,469**	**416.84**	**100%**