



TANZANIA MORTGAGE MARKET UPDATE – 30 JUNE 2016.

1. Highlights:

- The mortgage market registered a significant growth rate of **29 percent** during the second quarter of year 2016 compared to a growth rate of only **4.2 percent** recorded in Q1 2016.
- 28 lenders were offering mortgage product as at 30 June 2016 compared to 27 lenders as at 31 March 2016, with Diamond Trust Bank (T) Ltd. being the new entrant in the mortgage market in Q2 2016.
- Outstanding mortgage debt as at 30 June 2016 stood at **TZS 481.63 billion¹** equivalent to **US\$ 220 million** (TZS 374.52 billion as at 31 March 2016).
- Average mortgage debt size was TZS 133 million equivalent to around US\$ 60,634.24 (US\$42,069.24 as at 31 March 2016)
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.53 percent (0.46 percent as at 31 March 2016).
- Mortgage debt advanced by top 5 lenders accounts for 67 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 almost 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 June 2016, and the average mortgage interest rate in falling from 22 percent to 16 percent².

¹ Bank of Tanzania Quarterly Mortgage Market Statistics as at 30 June 2016

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

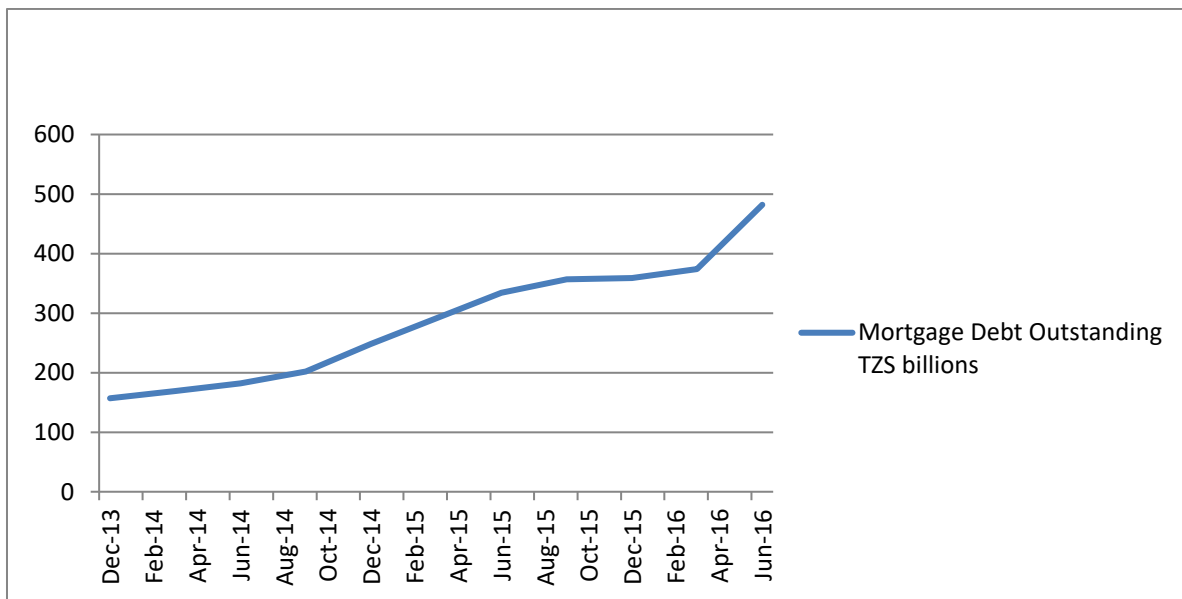
- High interest rates and lack of affordable housing remain the major constraint on market growth.
- **Tanzania Mortgage Refinance Company (TMRC) is now extending refinancing to non-member banks as well as its member banks.**

2. Mortgage Market Growth:

The mortgage market in Tanzania has continued to grow steadily as the pace of housing investment picks up. As at 30 June 2016 total lending by banking sector for the purposes of residential housing was TZS 481.63 billion, which is equivalent to US\$220 million. This represents growth of 29 percent from total mortgage lending of TZS 374.52 billion as at 31 March 2016 (44% annual growth rate through June 2015 - June 2016).

Factors attributed to this increase is the increased awareness on mortgage loans 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 year;

Figure 1 – Tanzania Mortgage Market – TZS outstanding

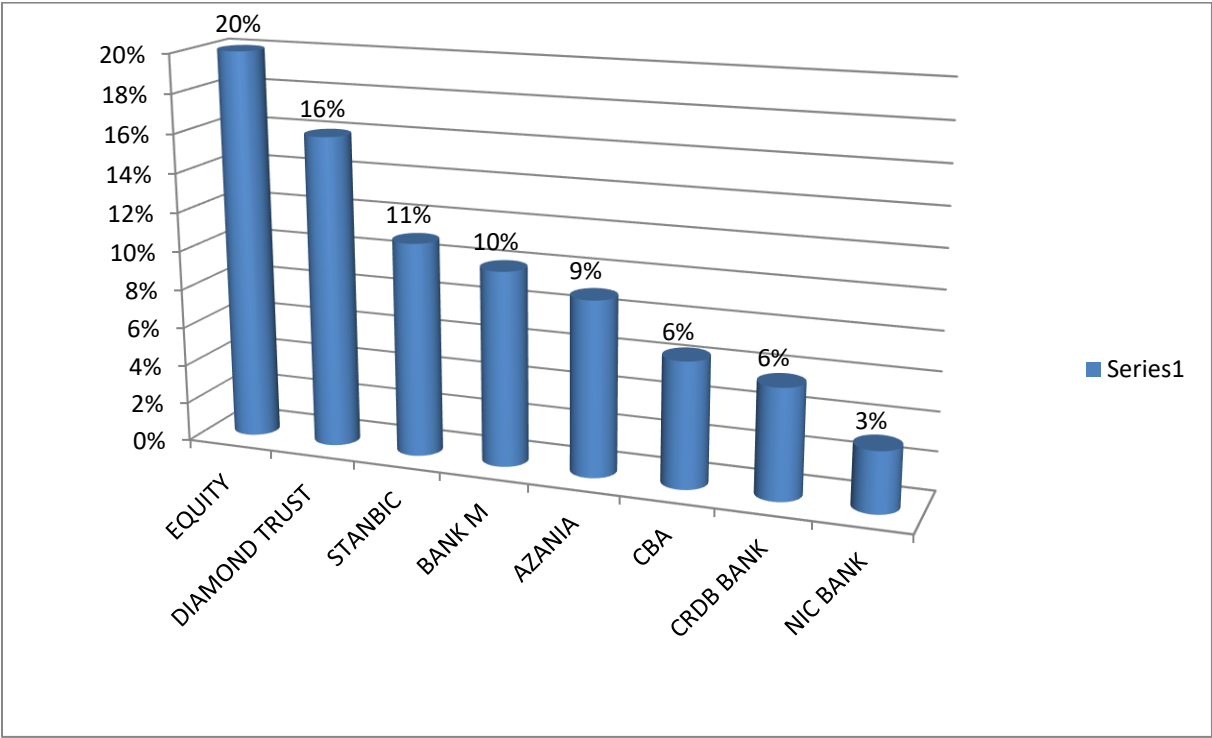


3. Increasing Competition as New Lenders Enter the Market:

As at end of the second quarter of 2016, 28 different banking institutions were offering mortgage loans after the entrance of Diamond Trust Bank in the mortgage market, compared to 27 lenders as at end of March 2016. The number of mortgage lenders is expected to increase even 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 67 percent of the mortgage market. Equity Bank was a market leader commanding 20 percent of the mortgage market share, followed by Diamond Trust (16 percent), Stanbic (11 percent), Bank M (10 percent) and Azania Bank (9 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 4th and 7th respectively in terms of banking market share in 2015 have entered the mortgage market during the first half of 2016. **Figure 2** below shows market share for top eight mortgage lenders as at 30 June 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 demand³. 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. During the second quarter of 2016, interest rates offered by mortgage lenders were reported to range between 16 – 19 percent. The 182 days T Bill rate continued with its upward trend to reach 15.73 percent at the beginning of August 2016 from 14.68 percent recorded by mid-May 2016. The rising trend 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.

³ NHC Strategic Plan 2010-2015

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 with prices ranging from TZS 213 million to TZS 254 million VAT exclusive).⁵ Major ongoing projects in Dar-es-Salaam include Kawe Project (which is on sale since December 2015, a satellite city 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, 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 consist 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' to offer 5 000 affordable housing units countrywide with prices quoted for the first and second phases of the project ranging between TZS 43.4 (US\$19 801.89) million to TZS 95.3 million (US\$43 482.03).⁸ Currently the project has covered a 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 Mlote (Kigoma) as well as Kibada and Mwongozo (Kigamboni, Dar-es-Salaam).⁹

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 5 phases. WHC has continued with implementation of its projects with the first phase being focused 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. In November 2015 WHC launched a construction drive of 597 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 (369), Bunju (71) and Magomeni Usalama (88). The Magomeni Usalama project is set to build two flat buildings with 12 floors each. The buildings to be constructed right at the heart of a historical part of Dar es Salaam which used to be the home for a good number of mid-

4 <http://www.nhctz.com/victoriaplace/>

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>

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 descent 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, 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 will be one of the mega-projects to be undertaken by WHC as it scales up the ladder of serving both civil servants and the nation.

Most Pension funds are also actively involved in housing projects. The National Social Security Fund (NSSF) is in the process of constructing houses 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 million¹⁰.

On the side of private developers, Avic International has continued with implementation Avic Town project in Kigamboni with plans to build 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 2015¹¹. The project is 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

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 provisional 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 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

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>

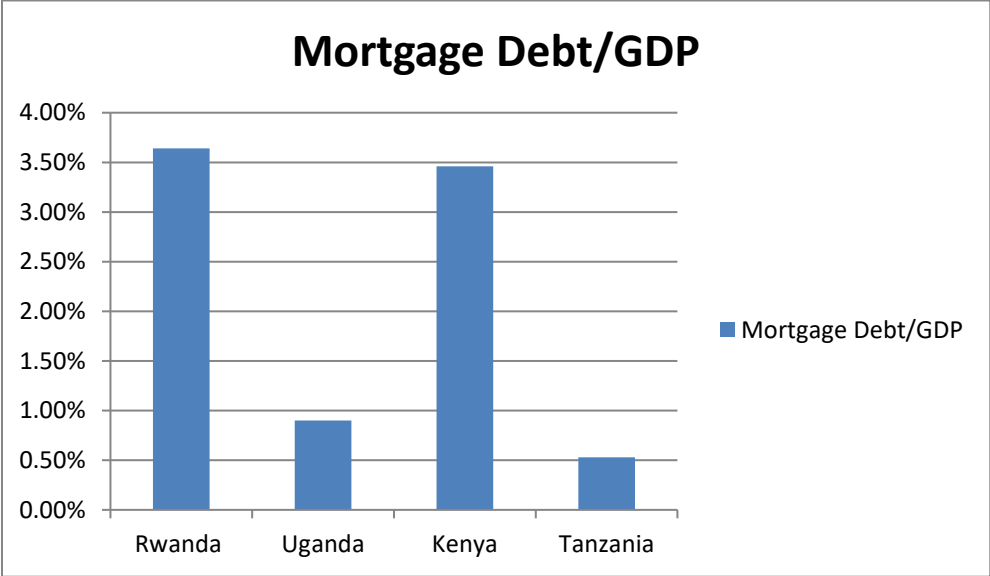
¹² <http://www.ipppmedia.com>

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 0.53 percent as at the end of the second 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 – Mortgage Debt to GDP – East African Countries Comparison¹³

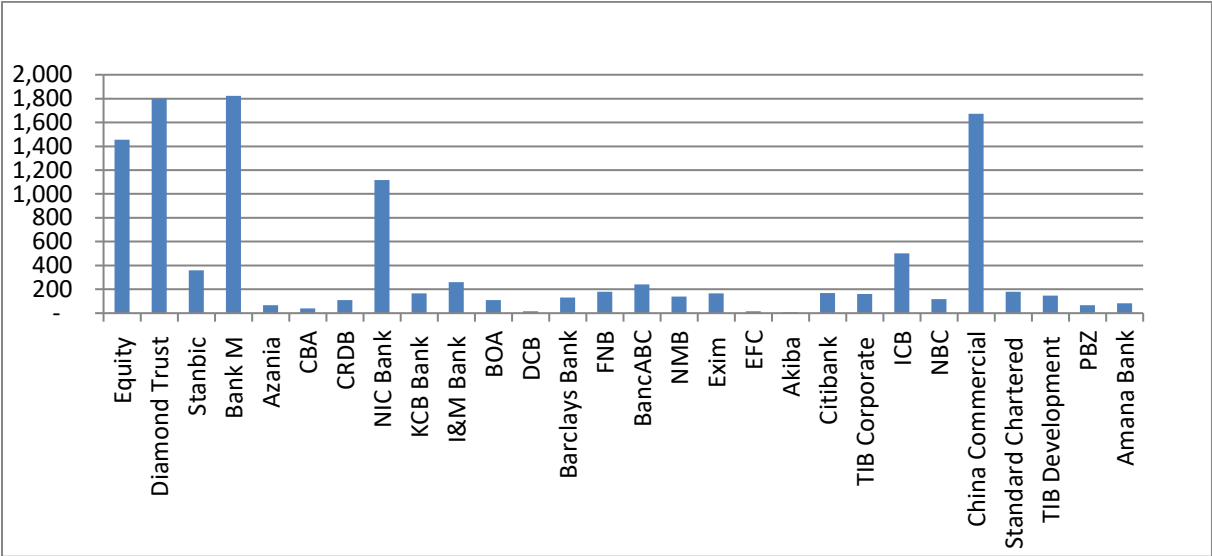


7. Trends on Average Loan Size:

Average loan size as at 30 June 2016 was TZS 133 million which is equivalent to US\$ 60,634.24. This is an increase from average loan size of TZS 92million (US\$ 42,069.24) reported as at 31 March 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 360 million (US\$ 164,638.78). **Figure 4** below shows average mortgage loan sizes across different lenders.

¹³ Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing Finance in Africa 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. 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. TMRC currently has 12 borrowing members (all of which are now offering mortgage loans), and has already extended loans worth TZS 45.9 billion (US\$ 27,720,135.06) to eight of its member banks. 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 30 June 2016, refinancing and pre-financing mortgages advanced by TMRC to its member banking institutions was equivalent to 10 percent of the total outstanding mortgage debt.

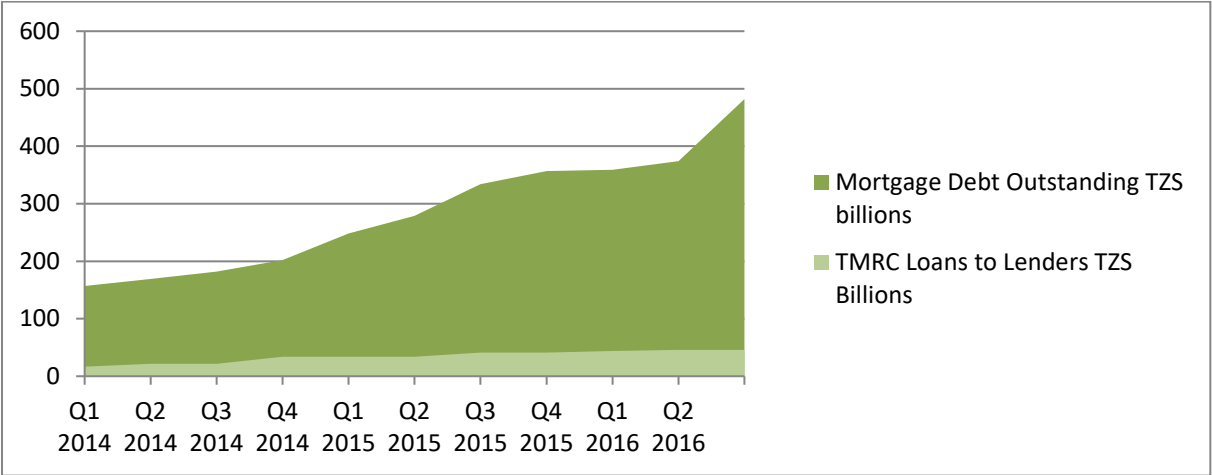
With the approval of US\$ 60 million additional funding by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC’s contribution to the growth of the housing market is expected to significantly increase over the coming years as 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 four 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 set up under the Housing Finance Project (HFP) is the establishment of 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 31st July 2015, the first disbursement of TZS 1 billion (US\$ 456,621) 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\$ 1,826,484) and Yetu Microfinance Bank Plc (TZS 2 Billion equivalent to US\$ 913,242).

Figure 5: TMRC Refinancing Share of the Mortgage Market



9. Annex – Data Tables

Table 1 – Total Mortgage Debt Outstanding by Lender as at 30 June 2016

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	66	95.99	20%
2	DIAMOND TRUST BANK (T) LTD.	43	77.38	16%
3	STANBIC BANK (T) LTD	151	54.44	11%
4	BANK M (TANZANIA) PUBLIC LIMITED COMPANY	27	49.21	10%
5	AZANIA BANK LIMITED	660	43.32	9%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	715	27.78	6%
7	CRDB BANK PLC	247	26.98	6%
8	NIC BANK TANZANIA LIMITED	15	16.73	3%
9	KCB BANK TANZANIA LIMITED	81	13.48	3%
10	I&M BANK TANZANIA LIMITED	38	9.89	2%
11	BANK OF AFRICA TANZANIA LIMITED	82	9.09	2%
12	DCB COMMERCIAL BANK PLC	575	8.51	2%
13	BARCLAYS BANK (T) LIMITED	60	7.90	2%
14	FIRST NATIONAL BANK TANZANIA LIMITED	35	6.29	1%
15	AFRICAN BANKING CORPORATION (T) LTD	22	5.31	1%
16	NATIONAL MICROFINANCE BANK (T) PLC.	35	4.90	1%
17	EXIM BANK TANZANIA LIMITED	26	4.30	1%
18	EFC TANZANIA M.F.B LIMITED	202	3.25	1%
19	AKIBA COMMERCIAL BANK LTD	470	3.18	1%
20	CITIBANK TANZANIA LIMITED	13	2.19	0%
21	TIB CORPORATE BANK LIMITED	13	2.09	0%

22	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	2.00	0%
23	NBC LIMITED	16	1.90	0%
24	CHINA COMMERCIAL BANK LIMITED	1	1.67	0%
25	STANDARD CHARTERED BANK (T) LTD	9	1.62	0%
26	TIB DEVELOPMENT BANK LIMITED	9	1.33	0%
27	PEOPLES BANK OF ZANZIBAR	8	0.53	0%
28	AMANA BANK LIMITED	4	0.33	0%
	TOTAL	3,627	481.63	100%