

Mozambique

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Overview

Mozambique is classified as a Sub-Saharan low income economy and is one of the poorest economies in the SADC region, despite having extensive natural resources.¹ The country's population was 28.8 million people in 2017.² Housing is a concern for most of the population, especially for the youth in the low- to middle-income segments. Most housing projects cater for households in the high-income brackets. Legislation on property is poor or insignificant, and so is widely disregarded by the market which continues to deliver housing. A few property groups have started to think about legislation of the sector and are consequently lobbying the Government.

Since 2015, Mozambique has been facing a particularly unstable macroeconomic environment. Ongoing governance issues have only deepened the crisis. That said, the annual inflation has decreased over the last three months from 4.0 percent in May 2019 to 3.6 percent in July. Annual economic growth in 2018 was 3.3 percent and the Gross Domestic Product (GDP) is currently MT898.7 billion (US\$14.5 billion), equal to GDP per capita of MT31 207 (US\$502). GDP growth is forecast to decelerate in 2019 with a gradual recovery in 2020, mainly driven by post-natural disaster reconstruction activities and the natural gas projects in the Rovuma Basin in Northern Mozambique.³ Foreign Direct Investment inflows remain depressed.⁴

Over the past decade, there has been a remarkable growth in the identification and initial exploitation of mineral and hydrocarbon resources. Growth of the sector has not been easy given the resources' remote locations and the related obstacles in access and infrastructure provision, along with commodity price volatility. A positive impact from the extractives sector is yet to be fully apparent. The government has, however, developed a comprehensive legislative framework to maximise the benefits for long-term economic growth and social development, and to regulate the sector's development.⁵

Access to finance

The Mozambique has 17 banks. Since 2015, the banking sector has been subject to a series of interventions by the Central Bank (the Bank of Mozambique – Banco de Moçambique) targeting foreign exchange reserves, inflation and currency devaluation. The stock exchange in Mozambique is the Bolsa de Valores de Moçambique, or the BMV. The BMV is a public institution which operates under

KEY FIGURES

Main urban centres	Maputo, Beira, Nampula
Exchange rate: 1 US\$ = [a] 1 July 2019	62.15 Mozambican Metical (MZN)
1 PPP\$ = [b]	22.27 Mozambican Metical (MZN)
Inflation 2018 [c] Inflation 2019 [c]	3.9 4.2
Population [b]	29 495 962
Population growth rate [b] Urbanisation rate [b]	2.9% 4.4%
Percentage of the total population below National Poverty Line (2017) [b]	46.1%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	25.0%
Proportion of the adult population that borrowed formally (2017) [b]	5.0%
GDP (Current US\$) (2018) [b]	US\$14 457 million
GDP growth rate annual [b]	3.3%
GDP per capita (Current US\$) (2018) [b]	US\$490
Gini co-efficient (2017) [d]	45.7
HDI global ranking (2017) [d] HD country index score (2017) [d]	180 0.437
Lending interest rate (2017) [b]	27.9%
Yield on 2-year government bonds	n/a
Number of mortgages outstanding	600
Value of residential mortgages outstanding (US\$)	n/a
Number of mortgage providers [f]	17
Prevailing mortgage rate [g]	27.5%
Average mortgage term in years [g] Downpayment [g]	25 10.0%
Ratio of mortgages to GDP	n/a
What form is the deeds registry? [e]	Computer - Scanner
Total number of residential properties with a title deed	44 000
Number of houses completed	n/a
Number of formal private developers/contractors (2014) [h]	2 097
Number of formal estate agents (2014) [h]	2 097
Cost of a standard 50kg bag of cement	360 MZN (US\$5.79)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) [i]	3 418 491 MZN
Size of cheapest, newly built house by a formal developer or contractor in an urban area [i]	65m ²
Average rental price for this unit in an urban area (local currency units) [j]	45 556 MZN
Number of microfinance loans outstanding	n/a
Number of microfinance providers [f]	7
Number of housing construction loans outstanding	n/a
Number of providers of construction finance [f]	18
World Bank Ease of Doing Business Rank [e]	135
Number of procedures to register property [e]	8
Time (in days) from application to completion for residential units in the main urban city [k]	150

NB: Figures are for 2019 unless stated otherwise.

[a] Coinmill	[g] Barclays Bank Mozambique
[b] World Bank World Development Indicators	[h] National Institute of Statistics
[c] IMF World Economic Outlook Database	[i] Casa Minha
[d] UNDP: Human Development Reports	[j] Numbeo
[e] World Bank Doing Business 2018	[k] Stefanutti Stocks

the Ministry of Economy and Finance. The country's corporate and government bonds are traded here, but the secondary and derivatives markets remains underdeveloped.⁶

Over 76.7 percent of the adult population has gained access to physical or electronic financial services, including banks, other financial institutions, and mobile money institutions. Of the urban population, 3.3 percent, have loans, compared to 0.6 percent in rural areas.⁷ The largest banks control 72 percent of the banking system assets, down from 80 percent in 2010.⁸ The sector has attracted foreign investors: NedBank, EcoBank, Credit Suisse and Banco BIG entered the Mozambican market in 2015.⁹

Notwithstanding the weakness in SME credit, financial inclusion indicators have improved over the years, with government authorities like the Ministry of Finance, Central Bank and FSD Mozambique executing a detailed inclusion strategy. The government posits that financial inclusion is still low in non-urban areas and has introduced rules for banks to expand activities through banking agents. These are expected to help bring services to underbanked rural areas. In addition, the government has introduced a national financial inclusion strategy for the period 2016 to 2022.¹⁰ This covers the access and use of financial services, strengthening of financial infrastructure, and better consumer protection and financial literacy and features specific interim and final targets with a monitoring and evaluation mechanism in place.¹¹

Mortgages in Mozambique have a maturity of 12 to 25 years. Lending criteria reflect the banking industry's cautiousness, and loan-to-value maximums are generally capped at 70 percent. Interest rates are still high at 16 to 22.5 percent. The property being mortgaged must be registered in the Property Registration section at Department of Ministry of Justice, Constitutional and Religious Affairs. Most mortgages are for properties in Maputo, neighbouring Matola, and surrounding suburbs, with hardly any in other towns. Some banks consider non-salary income when assessing a client's capacity to repay a loan. Because of a history of bad debts for unsecured housing loans in the 1990s, all the banks have strict requirements for loan security.¹²

Some banks offer construction and renovation loans for a period of three to five years at higher interest rates. Certain banks, to facilitate and expedite home loans, offer leasing or lease-for-purchase schemes whereby property is made available on lease to a tenant who has the option to buy the property at the end of the lease. Interest rates are as high as to 23 percent.¹³ The prime lending interest rate in Mozambique was reported at 27.9 percent in 2017.¹⁴

Affordability

The government is the largest local institutional investor in affordable housing in Mozambique. The government's main support for the housing market is the Fund for Housing Promotion (FFH), which is supervised by the Ministry of Public Works, Housing and Water Resources (MOPHRH). The FFH was created in 1995 and has a broad mandate to offer housing and construction finance, and to develop housing through public-private partnerships. FFH does not offer independent mortgage products. Its current business model is to build housing and sell it to targeted population groups through a 20-year payment program and fixed interest rates (old data from 2008 suggests these rates range between 5 percent and 10 percent).¹⁵

Given the above factors, much housing construction is financed through short- and medium-term consumer loans (up to five years) of up to MT300 000 (US\$4 839) at interest rates of 20 to 25 percent. This is still cheaper than the rates provided by micro-finance institutions. The value of housing construction loans is growing at approximately 10 to 15 percent a year. The banks do not control the application by the user of the funds and so no information is available on the volume of credit used for housing construction.¹⁶

Housing supply

Twenty-nine notable construction companies operate in the Mozambican market. Mozambique's construction sector is reviving despite the economic and financial crisis, while remaining below 2014 levels.¹⁸ The end of 2018 was marked by the slow start of some residential projects in the main areas of Maputo. However, most of the planned projects for the Maputo Ring Road area are still waiting for a better economic climate, except in the Dona Alice area, where buoyancy is evident. Transactions during 2018 were subdued, with housing values falling 16 percent in the Polana Cimento (middle and high income) zone and 4 percent in Sommerschild area (high income).

The middle and lower classes continue to rely on self-construction because not enough projects are adapted to their incomes.¹⁹ In African cities and towns, it is estimated that 75 to 90 percent of all new housing is built outside the official land development and construction processes and this is also likely the case in Mozambique. Most of this construction is done informally and incrementally.²⁰

Availability of data on housing finance

Additional data and information on households' access to finance can be accessed from FinScope Surveys. The last FinScope survey was undertaken in 2014, although FSD MOZ is currently working towards refreshing the survey with FinScope 2019. Generally, information in Mozambique is limited. Local official sources do not have up-to-date statistics, and most of the data is logged manually, although there are ongoing projects creating software to digitise the information. The available country information on the internet is out of date: many studies were done in the 1990s. Some information available that includes data on household income was produced in 2014-2015.

Information related to construction and planned projects must be collected at the relevant municipality through a letter requesting information from the Director or Engineer or through personal contacts and letters or e-mails directed at key officials in relevant departments such as the Urbanisation and Construction Department, or the Planning and Cooperation Department of the Ministry of Public Works, Housing and Water Resources. Information related to property registration can be obtained through direct written requests to officials from the House Registry Office. Information related to bank market share can be obtained through a letter requesting information from the Credit Institutions Division at the Central Bank of Mozambique.

The housing backlog in Mozambique in 2015 was 2 million with an urbanisation growth rate of 3.3 percent and an urbanisation of 32.2 percent.²¹ No systematic data is available on housing production. However, research finds that in both urban and rural areas of Mozambique, most households build their housing with their own labour or with the assistance of local craftsmen or construction firms if they can afford them. Most houses in urban areas, especially outside the Maputo metropolitan area, are still built of local materials. The use of conventional construction materials is on the rise as a result of increased cost of local materials in the urban areas, high maintenance requirements, and the increased availability of conventional construction materials.²² The aspiration of the urban citizen is typically a cement house, although costs of construction are high and rising with increasing cement prices. A comparison of formal sector housing construction costs with costs in major cities in neighbouring countries revealed that construction costs tend to be 34 to 73 percent higher in Maputo than in Johannesburg and Dar es Salaam.²³

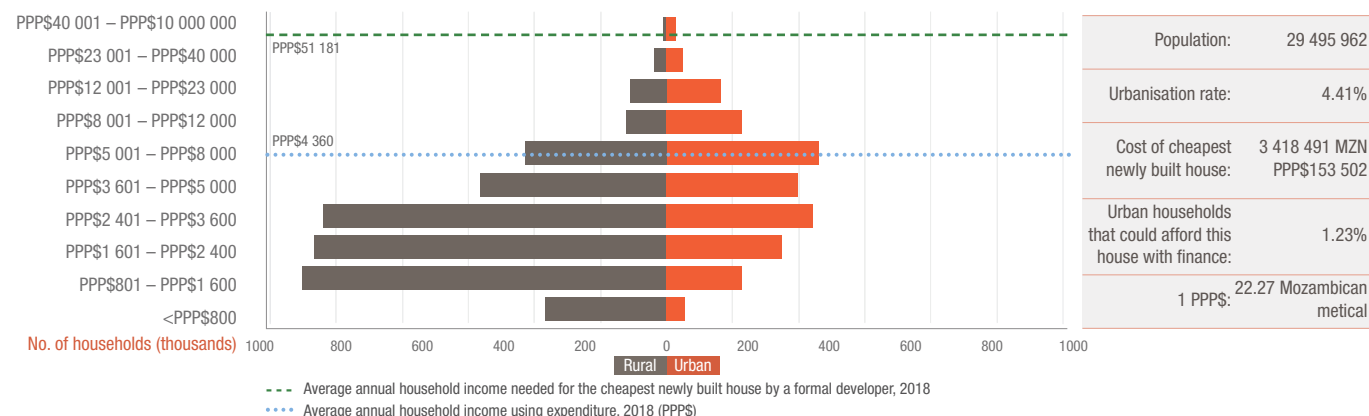
One of the key housing development projects in Mozambique is Project Zintava II. The project's foundation stone ceremony was presided over by the President and the project is expected to be completed in three years. The development comprises 1 840 3-room apartments to be built in Marracuene district, Maputo province, with an investment of approximately MT5.7 billion (US\$92 million). This project will benefit young people and civil servants in a first phase, with additional phases being extended to the general public.²⁴

A subsidiary company of the Chinese state-owned CITIC group will build 35 000 homes in Mozambique under a recently signed agreement with FFH. CITIC is expected to build 15 000 homes in the south, 10 000 in the centre and another 10 000 in the north of the country. The project aims to build housing at a cost that is accessible to young people and civil servants and low-cost construction techniques are planned to be used. Purchase prices should range between MT1.86 million (US\$ 30 000) and MT2.49 million (US\$ 40 000) per home.²⁵

In August 2019, affordable housing social enterprise Reall signed a partnership agreement with Casa Real to support capacity building and construction and to change the landscape of housing finance in Mozambique. A Memorandum of Understanding (MoU) was signed between Casa Real and Barclays Mozambique (already rebranded as ABSA Mozambique). The aim is to fund end-user financing for Casa Real's increasing affordable housing production, with a range of sale prices between MT621 544 (US\$ 10 000) to MT3.1 million (US\$50 000). Casa Real plans to develop 300 houses yearly by 2023. One of the projects under this programme is in the Inhamizua neighbourhood of the city of Beira, where construction began in 2018, a partnership between Beira Municipality and Casa

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Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/C-GIDD, 2019>

Real. Casa Real has also been engaged in post-cyclone repairs and upgrade work on Casa Real's houses in Beira after the effects of Cyclone Idai.²⁶

The FFH is also delivering the Mutuanha Project in Nampula with the first batch of 42 houses completed in July 2019.²⁷ These houses are designed for future expansion. The houses were offered to young people and public servants on 15-year credit with monthly instalments of MT12 012 (US\$ 193).²⁸

The Casa Minha project was initiated in 2016 in Maputo. The Casa Minha model involves the owner of the land-use rights giving the right to build to Casa Minha, which in turn builds two houses on each plot. One house is for the owner, and the other is to be sold at market price. Casa Minha helps the owner obtain title, with proceeds of the house for sale being used to finance construction. Houses under the Casa Minha project can be constructed in six to eight months, which is fast for Mozambique. Units come in different plan types, with plot sizes ranging from 70m² to 106m², and units occupying a floor area ranging from 51m² to 80m². Units normally have two bedrooms each. The first house under the Casa Minha project sold for MT2.8 million (US\$45 000), which would be accessible to an upper-middle income household. Presales will fund the next round of approximately 10 houses as one-third of the total cost is required as down payment.²⁹

The bottlenecks in the construction sector are of a regulatory nature and can be improved by increasing the State's organizational, technical and human capacity to enforce regulations, combat corruption, supervise licensing of works, bidding, importation of goods and services and land use management, and introduce up-to-date and efficient land registration systems.

Property markets

The limited financing available for housing in Mozambique is constricting the supply and quality of housing in the country. Most urban households (78.6 percent) own their homes. Only 12.7 percent live in rented accommodation, and 8.7 percent live in a borrowed home.

The government owns all land in Mozambique. In surveys, owning a house is therefore not restricted to ownership in the legal sense. Rather, it is understood broadly to include houses that are not rented, lent, or tied. In Maputo City, the percentage of household that rent is much higher than in other urban areas, because people from other regions of the country migrate to the capital seeking better living conditions; in Maputo 23 percent rent while 68 percent own the home.³⁰

Rental for a 1-bedroom apartment in the Maputo city centre is US\$733 per month. Outside the city, a similar apartment would cost US\$282. A 3-bedroom apartment in the city centre would rent for US\$1 324 and US\$732 outside the city centre.³¹ Registering a new building at the Property Registry take 43 days. Investors prefer large real estate projects in Maputo, and especially in the high-income areas such as Sommerschild, Coop and Polana.

Policy and regulation

For the government, the urbanisation theme is a challenge. Only approximately 31.9 percent of the population is urbanised, hence development strategies are still concentrated in rural areas, where poverty is more prevalent. The need to address urbanisation is, however, slowly being recognised. Informal construction and urban transport are growing topics for debate, land tenure being achieved through long-term temporary land rights, known as DUATS. Access to these rights for individuals and property developers has been complex, resulting in limited security of tenure. Few families have appropriate land registration and development rights, and municipal authorities face difficulties in issuing this document. Clear and secure land tenure also allows local authorities to charge fees and taxes that can be used to improve the city and provide public services such as garbage collection. In addition, the DUAT system is of limited use for mortgage-type housing developments. This prevents property developers complementing public efforts to build infrastructure for sustainable housing developments.

The Mozambican Government's Five-Year Government Plan 2015-2019 has several priorities, strategic objectives, and targets directly related to urbanisation and spatial planning. Priority II is to develop Human and Social Capital, with the strategic objectives of increasing access to water supply, sanitation, transportation, communications and housing. Mozambique does not have a specific urbanisation strategy, although there is a housing policy and strategy as of 2011, focusing on housing promotion in rural areas and especially in urban areas facing rapid population growth, and promoting land use planning and urbanisation design.

A 2007 study commissioned by USAID identifies several areas for potential legislative reforms. These include: the removal of constraints on transfer of rural land rights, the development of appropriate authorisation fees and taxes for land grants, allowing investors to recover and profit from real property improvements at the end of approved use periods, and shifting the government's current role from direct-management of land management and administration towards facilitating and enabling.³² A key issue is to limit government discretionary powers when reviewing existing and new project proposals and when DUATs are transferred between third parties.

Members of civil society are also calling for legislation to be introduced on community land governance functions, community consultations with investors, and other land management tasks. These changes would help communities and the private sector, which is increasingly interested in working with communities in a responsible and secure local environment. Donors have continued to provide technical assistance and support to the government as it engages in the process of collecting input on legislative reforms in the land sector, including proposed language and revisions.

Opportunities

Mozambique's housing market has considerable opportunity. Several affordable housing projects for low and middle income groups are under way, leveraging on the expansion of major cities. New projects should, however, concentrate outside the city centres and provide all facilities.

The investment type should adopt rent-to-buy systems for the first 15 years and focus on units priced at MTL 8 million (US\$30 000) to MTL 3.1 million (US\$50 000). Plots near of the city centre are expensive, and this makes affordable housing projects unfeasible in these locations.

Two new centres of significant urban development, namely Katembe Greater Nacala, are notable. Katembe is now a sparsely populated territory linking the city of Maputo via the Maputo River and is only accessible via a limited ferry connection from the capital. The launch of the new bridge between Maputo and Katembe should trigger the rapid development of southern Mozambique. Greater Nacala's urban development will transform the existing city of Nacala, including an airport city and links related to the expansion of its maritime port, East Africa's largest deep-water natural port.³³

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