



TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2013

Highlights

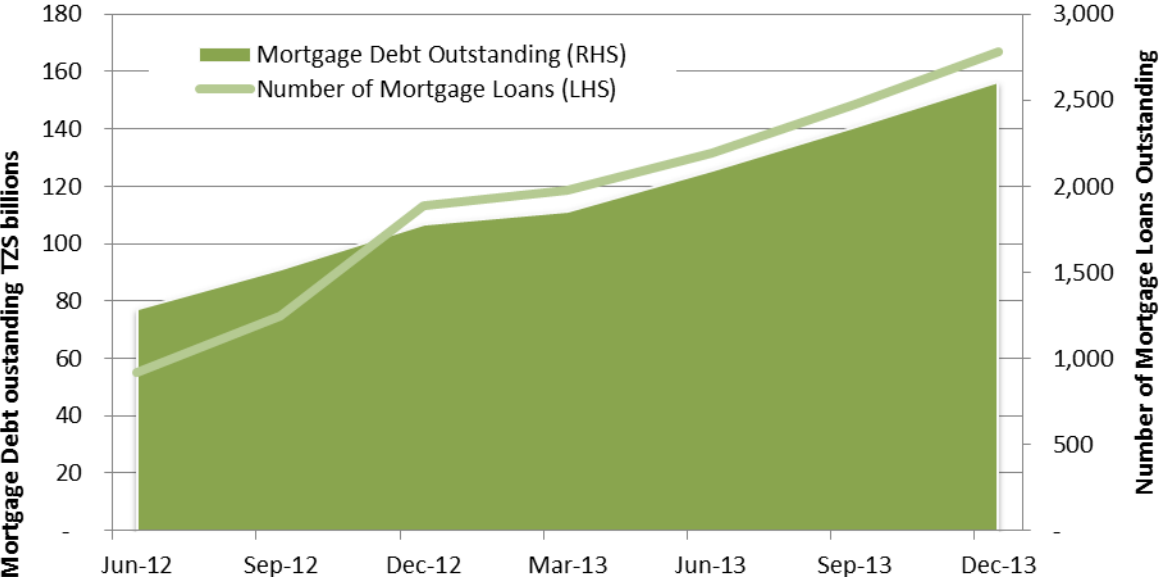
- The mortgage market continued to grow steadily, recording an annual growth rate of 46%
- 19 lenders are now offering mortgage products with more due to enter the market
- Outstanding mortgage debt stood at TZS 156 billion.
- Average mortgage debt size was TZS 62 million equivalent to around USD 38,000
- The ratio of Outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.36%
- Mortgage debt advanced by top 3 lenders account for 67% of total outstanding mortgage debt
- High interest rates and lack of affordable housing remain the major constraints on market growth.
- Mortgage debt advanced by Tanzania Mortgage Refinance Company (TMRC) to mortgage lenders accounted for 11% of the market's outstanding mortgage debt.

Mortgage Market Growth

The mortgage market in Tanzania has been growing steadily as the pace of housing investment picks up. As at 31st December 2013 total lending by banking sector for the purposes of residential housing was TZS 156.50 billion, which is equivalent to USD 96.8 million. This represents an annual growth of 46%. Total number of mortgage loans also grew rapidly, from 1,889 at the beginning of 2013 to 2,784 by end of December 2013, being an increase of 47%. Factors attributed to this increase include favorable interest rate environment during the year,

increased awareness on mortgage loans among borrowers, public awareness campaign by major banks as well as the launch of mortgage loan product by CRDB Bank Plc, Exim Bank and other TMRC member banks that had no such a product. **Figure 1** below shows the trend of mortgage lending both in terms of amounts and number of loans over the year.

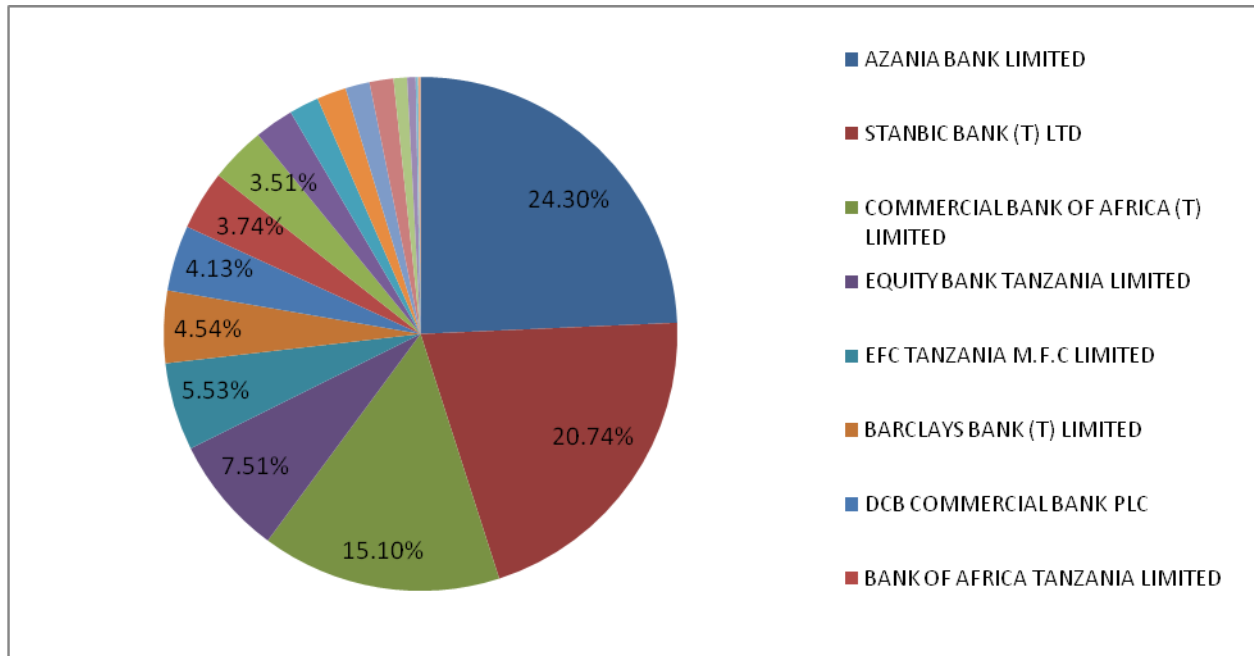
Figure 1 - Tanzania mortgage market -TZS outstanding and number of loans



Increasing Competition as New Lenders Enter the Market

As at the end of December 2013, 19 different banking institutions were offering mortgage loans, with the number expected to increase even further as more lenders continue to launch mortgage loan products. The mortgage market was dominated by three top lenders, who amongst themselves command about 67% of the mortgage market. Azania Bank, which has the longest presence in the mortgage market, was a market leader commanding 24% of market share, closely followed by Stanbic Bank with about 21% of the mortgage market share. The market experienced new entrants and there are prospects that large banking institutions such as NBC and NMB will enter the mortgage market as competition in the traditional banking products continue to intensify. **Figure 2** below shows market share for top eight mortgage lenders, in terms of outstanding mortgage debt.

Figure 2 - Mortgage Market Shares



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. Recent rise in the T-Bills rate to 15% (those with a maturity of 182 days) will have a negative impact on affordability of all forms of long term debt, including mortgages. Typical interest rates offered by lenders vary between 18% and 21%. The absence of affordable housing is another factor that impedes growth of mortgage market. Most lenders offer loans for home purchase but increasingly different products are emerging such as loans for self-construction and for equity withdrawal, which continue to be expensive and beyond the reach of the average Tanzanian.

Positive Initiatives to Boost the Mortgage Market

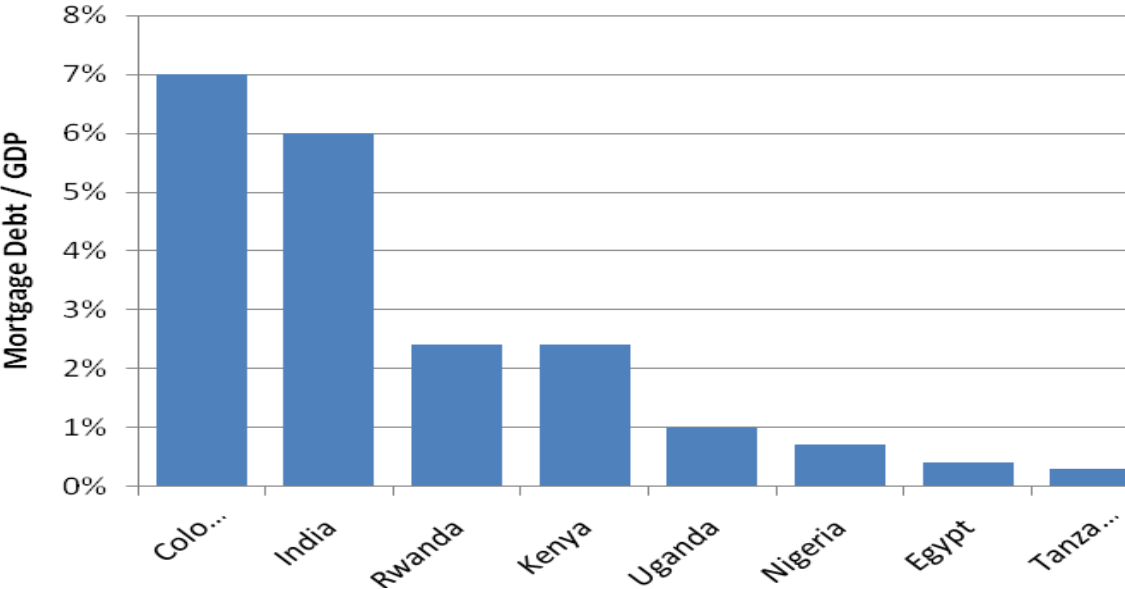
The construction of new houses by the National Housing Corporation (NHC) over the next 3 years will have a positive effect on the mortgage market as most of these will most likely be priced at affordable levels. Likewise new schemes such as the Civil Servants Housing Scheme which is expected to build 50,000 affordable houses in the next 5 years have the potential to boost the mortgage market even further. Most Pensions funds are also actively engaged in advancing mortgage loans to their members, something which will further boost the mortgage market in Tanzania.

The Government of Tanzania has also continued to demonstrate its commitment to ensuring the Tanzanian populace has access to affordable housing. The recent launching of a project for construction of 10,000 houses under the Tanzania Building Agency by the Vice President is a clear demonstration of such commitment, and it will boost further growth of mortgage market.

Tanzania Mortgage Market as Compared to the East African Neighbours

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 equivalent to around 0.36% of Gross Domestic Product (GDP). This is lower than its East African neighboring countries. **Figure 3** below shows mortgage debt to GDP for selected countries including Kenya, Uganda and Rwanda. Average mortgage debt outstanding as a proportion of GDP for EU countries (which is normally taken as a reference point) is 50%.

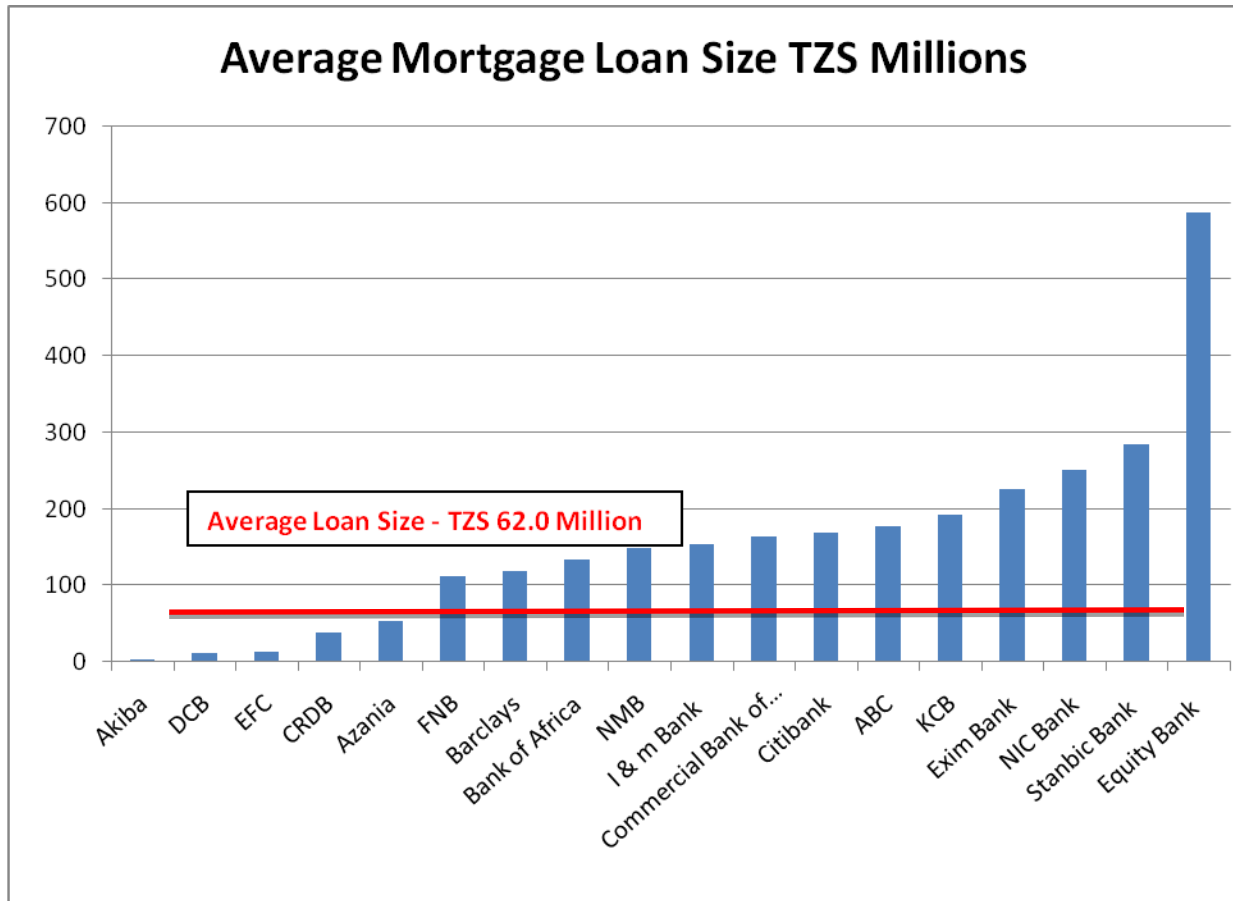
Figure 3 - Mortgage Debt to GDP - International Comparison



Typical loan size is reducing with some lenders targeting lower income market

Average loan size as at 31st December 2013 was TZS 62million, which is equivalent to USD 38,000. The average loan size for 2013 compares unfavorably with that of 2012 which was TZS 73 million. 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 Stanbic Bank whose average loan size was TZS300 million. **Figure 4** below shows average mortgage loan sizes across different lenders.

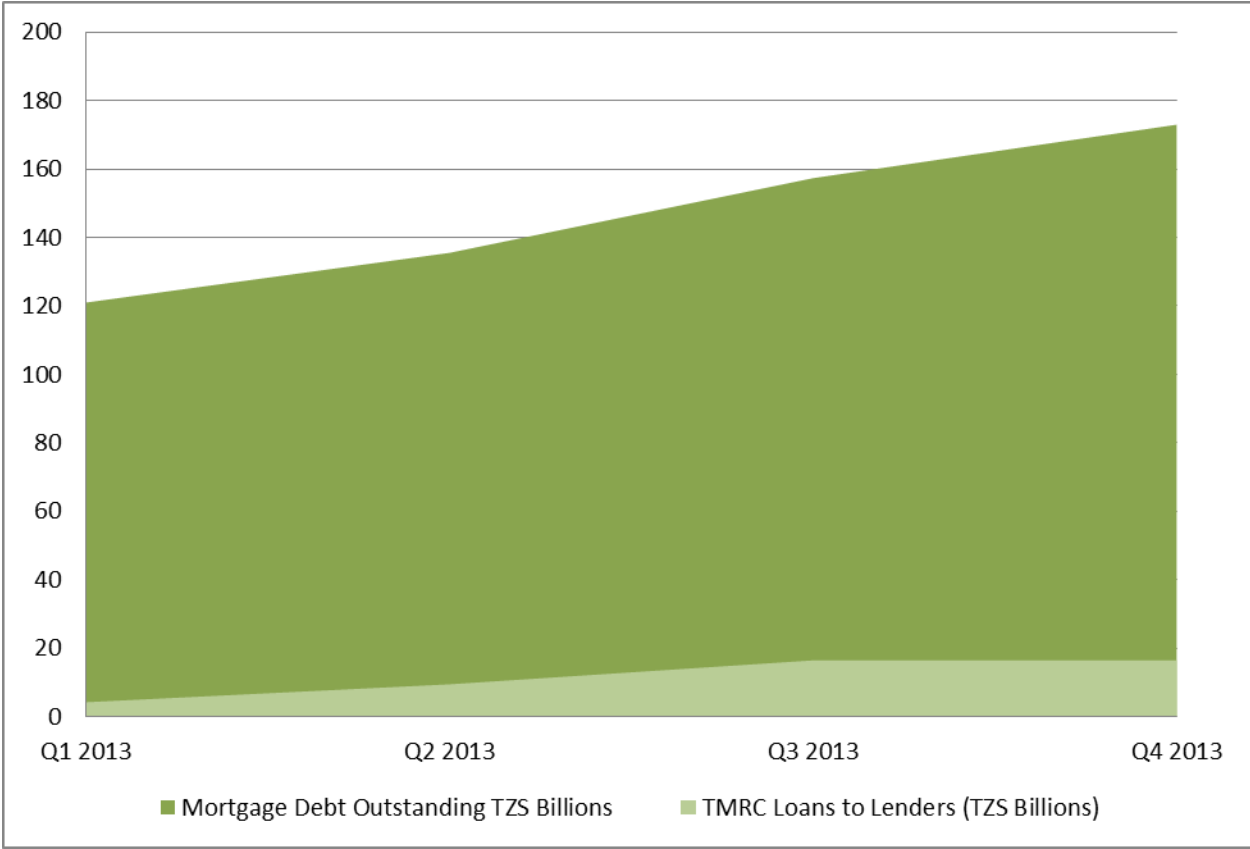
Figure 4 - Average Loan Size by Lender



TMRC supporting market growth through provision of longer term funds to lenders

A key element in the growth of the mortgage market has been the provision of long term funding both in the forms of refinancing and pre-financing by the TMRC. **Figure 5** below shows the overall contribution TMRC in the mortgage market, indicating a slow start but picking up over the past two quarters. Currently refinancing and pre-financing mortgages advanced by TMRC to banking institutions is equivalent to 11% of total outstanding mortgage debt.

Figure 5 - TMRC refinancing as a share of mortgage market



Annex – Data Tables

Table 1 - Total Mortgage Debt Outstanding by lender

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS billion	% market share
1	AZANIA BANK LIMITED	701	38.04	24.30%
2	STANBIC BANK (T) LTD	114	32.46	20.74%
3	COMMERCIAL BANK OF AFRICA (T) LIMITED	144	23.63	15.10%
5	EQUITY BANK TANZANIA LIMITED	20	11.75	7.51%
6	EFC TANZANIA M.F.C LIMITED	679	8.65	5.53%
7	BARCLAYS BANK (T) LIMITED	60	7.11	4.54%
8	DCB COMMERCIAL BANK PLC	580	6.47	4.13%
9	BANK OF AFRICA TANZANIA LIMITED	44	5.86	3.74%
10	AFRICAN BANKING CORPORATION (T) LTD	31	5.49	3.51%
11	I & M BANK TANZANIA LIMITED	25	3.85	2.46%
12	EXIM BANK TANZANIA LIMITED	13	2.93	1.87%
13	KCB BANK TANZANIA LIMITED	15	2.89	1.85%
14	NATIONAL MICROFINANCE BANK (T) PLC.	16	2.39	1.53%
15	CITIBANK TANZANIA LIMITED	14	2.36	1.51%
16	CRDB BANK PLC	35	1.34	0.85%
17	AKIBA COMMERCIAL BANK LTD	290	0.83	0.53%
18	NIC BANK TANZANIA LIMITED	1	0.25	0.16%
19	FIRST NATIONAL BANK TANZANIA LIMITED	2	0.23	0.14%
	TOTAL	2784	156.50	100%

END

Table 2 - Total Mortgage Debt Outstanding Q4 2011 to Q4 2013

Details	2011	2012				2013			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Nominal GDP in LCU* (TZS bn)	37,533	39,329	41,126	42,922	44,718	46,557	48,396	50,235	52,073
Mortgage Debt Outstanding (TZS bn)			77	91	107	111	126	141	156
Mortgage Debt Outstanding (USD m)			49	58	67	70	79	88	96.8
Mortgage Debt GDP			0.19%	0.21%	0.24%	0.24%	0.26%	0.28%	0.36%
Total Number of Loans			917	1,245	1,889	1,974	2,194	2,479	2784
Average loan size (TZS m)			84	73	57	56	57	57	62
New Mortgage Debt Outstanding (TZS bn)				14	16	5	14	15	15
Annual Growth rate							63%	55%	46%

*Data from IMF International Financial Statistics for end year. End 2013 is an EIU forecast. Quarterly data estimated using interpolation