



## TANZANIA MORTGAGE MARKET UPDATE – 31 MARCH 2016.

### 1. Highlights:

- The mortgage market registered a slightly higher growth rate of **4.2 percent** during the first quarter of year 2016 compared to a growth rate of only 1 percent recorded in Q4 2015.
- 27 lenders were offering mortgage product as at 31<sup>st</sup> March 2016 compared to 26 lenders as at 31<sup>st</sup> December 2015, with Standard Chartered Bank being the new entrant in the mortgage market in Q1 2016.
- Outstanding mortgage debt as at 31 March 2016 stood at **TZS 374.5 billion** equivalent to **US\$ 171 million**<sup>1</sup> (TZS 359 billion as at 31 December 2015).
- Average mortgage debt size was TZS 92 million equivalent to around US\$ 42,069.24 (US\$ 48,417.16 as at 31 December 2015)
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.46 percent (0.45 percent as at 31 December 2015).
- Mortgage debt advanced by top 5 lenders accounts for 70 percent of the 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 12 percent of the market's outstanding mortgage debt.

### 2. Mortgage Market Growth:

The mortgage market in Tanzania has been growing steadily as the pace of housing investment picks up. As at 31<sup>st</sup> March 2016 total lending by banking sector for the purposes of residential housing was TZS 374.5 billion, which is equivalent to US\$ 171 million. This represents growth of 4.2 percent from total mortgage lending as at 31<sup>st</sup> December 2015 (34% annual growth rate through March 2015 - March 2016).

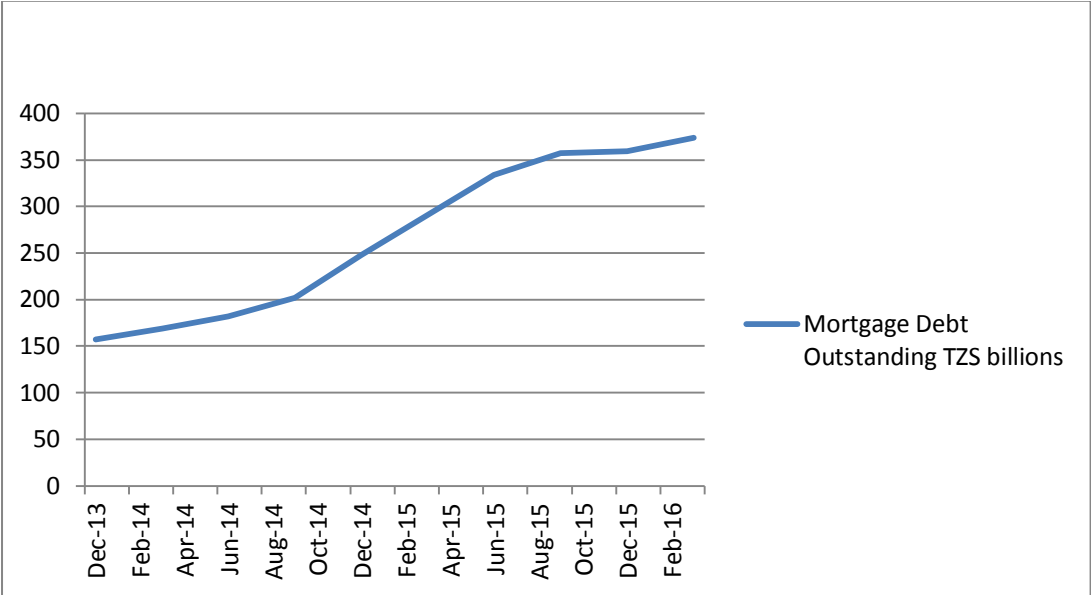
Factors attributed to this increase is the increased awareness on mortgage loans among borrowers as a result of various public awareness campaigns by banks offering mortgage loan product as well as

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<sup>1</sup> BOT Quarterly Mortgage Market Report as at 31 March 2016

increased competition as new lenders enter the market. **Figure 1** below shows the trend of mortgage lending in terms of amounts over the year;

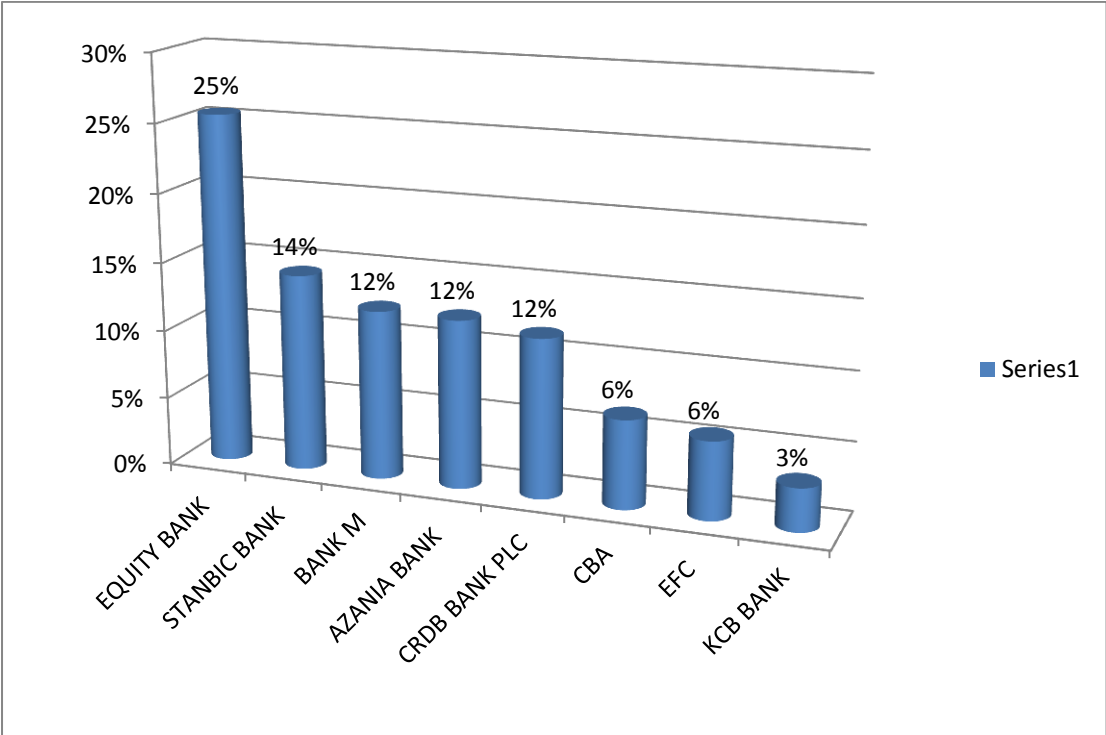
**Figure 1 – Tanzania Mortgage Market – TZS outstanding**



**3. Increasing Competition as New Lenders Enter the Market:**

As at end of the first quarter of 2016, 27 different banking institutions were offering mortgage loans after the entrance of Standard Chartered Bank in the mortgage market, compared to 26 lenders as at end of December 2015. The number of mortgage lenders is expected to increase even further as more lenders continue to launch their mortgage loan products. 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 25 percent of the mortgage market share, followed by Stanbic (14 percent), Bank M (12 percent), Azania Bank (12 percent) and CRDB Bank (6 percent). More positive developments are expected in the market with more banks now launching their mortgage loan products 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 (which ranked 4<sup>th</sup> in the banking industry in 2015 in terms of asset size) entered the market during the first quarter of 2016. **Figure 2** below shows market share for top eight mortgage lenders as at 31<sup>st</sup> March 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>2</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 the average Tanzanian. High interest rates offered by mortgage lenders also pose as another impediment to the growth the mortgage market. During the first quarter of 2016, interest rates offered by mortgage lenders were reported to range between 16 – 19 percent. An increasing trend was experienced on the 182 days T Bill rate from the third and fourth quarters of 2015 with the rate rising to reach as high as 17.79 percent towards mid February 2016. A shift was experienced towards the end of the first quarter of 2016 with the rate declining to reach as low as 14.68 percent 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.

High value added tax on houses has also posed another challenge on affordability of housing to lower income earners. The government has created a special task force at the Treasury to address the issue. Discussions are at an advanced level and the matter is set to be tabled in the coming budget.

<sup>2</sup> 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 and Eco Residence. Major ongoing projects in Dar-es-Salaam include 711 @ Kawe (which is on sale since December 2015), Golden Premier Residence, Mwongozo Estate (almost completed) 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)<sup>3</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 an ongoing country-wide project known as 'My Home My Life' to offer affordable housing to Tanzanians across the country. 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).<sup>4</sup>

Likewise, the Public Servants Housing Scheme which is being administered by Watumishi Housing Company (WHC) and specifically tasked to build 50,000 affordable housing units in various phases in the next 5 years 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 800 houses in four regions namely Tanga at Pongwe area (40), 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 (104). The Magomeni Usalama project is set to build two flat buildings with 15 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 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 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 the nation.

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<sup>3</sup> <http://www.dailynews.co.tz/index.php/home-news/42800-nhc-launches-morocco-mega-housing-project>

<sup>4</sup> <http://www.ippmedia.com>

Most Pension funds are 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<sup>5</sup>.

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. The first phase of infrastructure has been completed. The main gate, landscape avenue and sample houses were shown to the public by June 2015<sup>6</sup>. The project is scheduled to deliver its first phase of 160 villas and bungalows in two parts in May 2016 and 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 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>7</sup>

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 is currently waiting to receive its license from Bank of Tanzania will be the first specialized mortgage lender in Tanzania. All these initiatives are expected to further boost 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 equivalent to around 0.46 percent of Gross Domestic Product as at the end of the first 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.

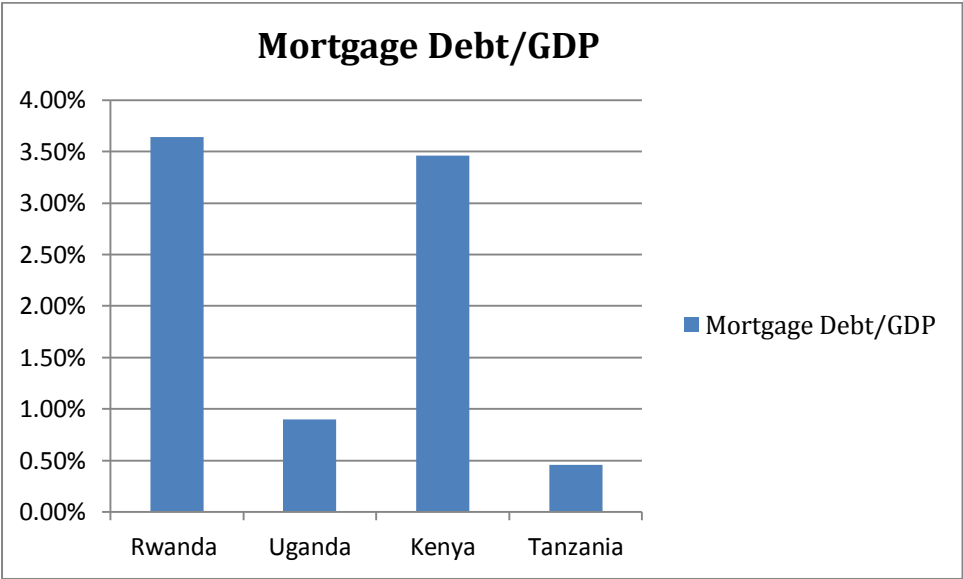
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<sup>5</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

<sup>6</sup> <http://tzexchange.blogspot.com/2015/04/tanzania-new-bridge-upgrades-kigamboni.html>

<sup>7</sup> <http://www.ippmedia.com>

**Figure 3 – Mortgage Debt to GDP – East African Countries Comparison<sup>8</sup>**

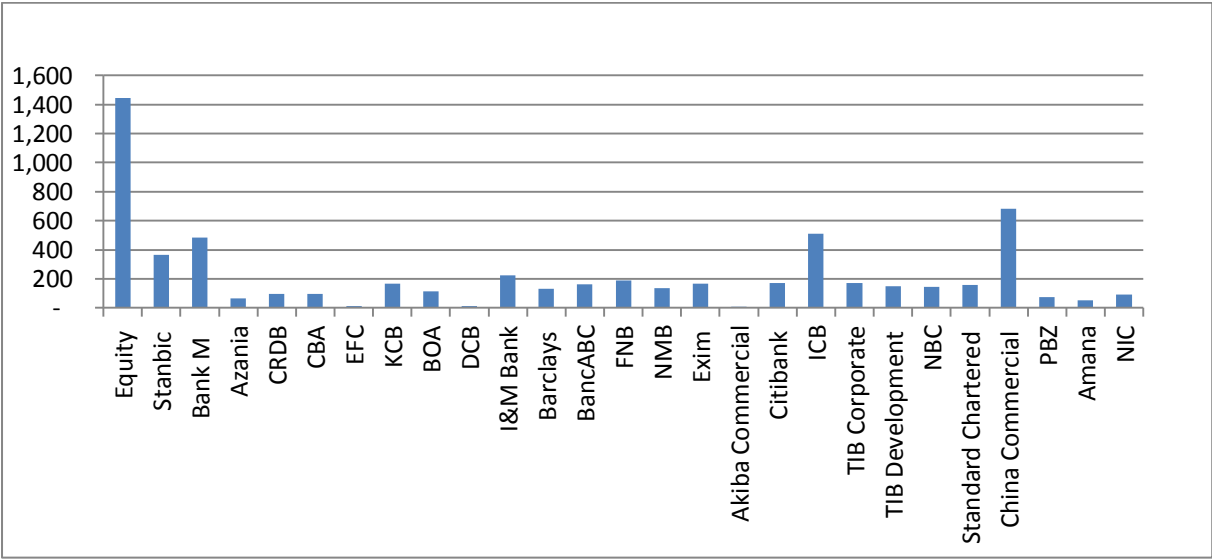


**7. Trends on Average Loan Size:**

Average loan size as at 31<sup>st</sup> March 2016 was TZS 92 million which is equivalent to US\$ 42,069.24. This is a decrease from average loan size of TZS 106million (US\$ 49,112.35) reported as at 31<sup>st</sup> 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 363 million (US\$ 165,834.27). **Figure 4** below shows average mortgage loan sizes across different lenders.

<sup>8</sup> Statistics for countries other than Tanzania obtained from the Centre of Affordable Housing 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. As at 31<sup>st</sup> March 2016, refinancing and pre-financing mortgages advanced by TMRC to its member banking institutions was equivalent to 12 percent of the total outstanding mortgage debt.

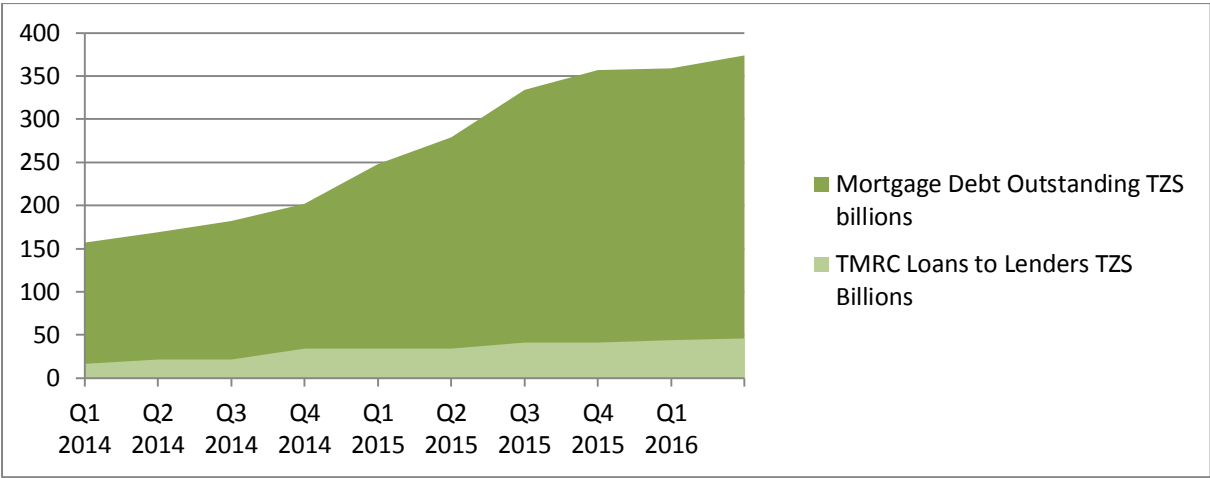
With the approval of US\$ 60 million additional funding by the World Bank through the International Development Association (IDA) for the Housing Finance Project in Tanzania in 2015, TMRC’s contribution to the growth of the housing market is expected to significantly increase over the coming years as the new financing will build on the achievements of the ongoing 2010 Housing Finance Project (HFP) which has overseen the establishment of TMRC 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 27 in 2016, and mortgage repayment periods increased from the maximum of 7 years that was previously offered to 20 years that banks offer now. The additional IDA funds will put TMRC on a

stronger path to sustainability by raising its own funding through other means, such as 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\$ 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. DCB is using the funds for on-lending to low income earners to renovate or construct new houses.

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





## 9. Annex – Data Tables

**Table 1 – Total Mortgage Debt Outstanding by Lender as at 31<sup>st</sup> March 2016**

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	EQUITY BANK TANZANIA LIMITED	66	95.36	25%
2	STANBIC BANK (T) LTD	148	53.75	14%
3	BANK M (TANZANIA) LIMITED	95	46.14	12%
4	AZANIA BANK LIMITED	660	43.32	12%
5	CRDB BANK PLC	248	24.18	6%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	217	21.23	6%
7	EFC TANZANIA M.F.C LIMITED	977	11.71	3%
8	KCB BANK TANZANIA LIMITED	57	9.40	3%
9	BANK OF AFRICA TANZANIA LIMITED	82	9.18	2%
10	DCB COMMERCIAL BANK PLC	813	8.84	2%
11	I&M BANK	37	8.21	2%
12	BARCLAYS BANK (T) LIMITED	61	8.02	2%
13	AFRICAN BANKING CORPORATION (T) LTD	35	5.67	2%
14	FIRST NATIONAL BANK TANZANIA LIMITED	30	5.65	2%
15	NATIONAL MICROFINANCE BANK (T) PLC.	35	4.75	1%
16	EXIM BANK TANZANIA LIMITED	27	4.51	1%
17	AKIBA COMMERCIAL BANK LTD	406	2.47	1%
18	CITIBANK TANZANIA LIMITED	13	2.22	1%
19	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	2.04	1%
20	TIB CORPORATE BANK LIMITED	12	2.04	1%
21	TIB DEVELOPMENT BANK LIMITED	10	1.49	0%

22	NBC LIMITED	10	1.43	0%
23	STANDARD CHARTERED BANK (T) LTD	9	1.41	0%
24	CHINA COMMERCIAL BANK LIMITED	1	0.68	0%
25	PEOPLES BANK OF ZANZIBAR	6	0.45	0%
26	AMANA BANK LIMITED	4	0.21	0%
27	NIC BANK TANZANIA LIMITED	2	0.19	0%
	<b>TOTAL</b>	<b>4,065</b>	<b>374.52</b>	<b>100%</b>