



TANZANIA MORTGAGE MARKET UPDATE – 31 MARCH 2020

1. Highlights:

- The mortgage market in Tanzania registered a **5 percent growth** in the value of mortgage loans as at 31 March 2020 compared to its corresponding quarter ended 31 March 2019.
- The number of mortgage lenders increased to 34 lenders as at 31 March 2020 compared to 32 lenders reported on 31 March 2019.
- Outstanding mortgage debt as at 31 March 2020 stood at **TZS 436.02 billion¹** equivalent to **US\$ 189.47 million** compared to TZS 414.79 billion as at 31 March 2019.
- Average mortgage debt size was **TZS 79.26 million**, which is equivalent to around **US\$ 34,442** (TZS 80.48 million as at 31 March 2019).
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) remained unchanged at **0.35 percent** compared to its corresponding quarter 31 March 2019.
- Mortgage debt advanced by top 5 lenders accounts for **68 percent** of the total outstanding mortgage debt (72 percent as at 31 March 2019).
- Typical interest rates offered by mortgage lenders ranged between an average of 15 -19 percent.
- The current real estate development projects that are underway have created several 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 6-7 percent over the past decade, the fast-growing Tanzanian population which is estimated 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.
- Money supply growth remained robust and grew by 9.9 percent in the year ending February 2020 responding to accommodative monetary policy and credit growth to private sector compared with 4.0 percent in corresponding period in 2019². The high growth of credit to the private sector was mostly absorbed by building and construction (48.8%), agriculture (20.9%), transport and communication (16.3%) and personal loans (13.6%) and trade (2.6%).

¹ Bank of Tanzania Quarterly Mortgage Market Statistics (March 2020)

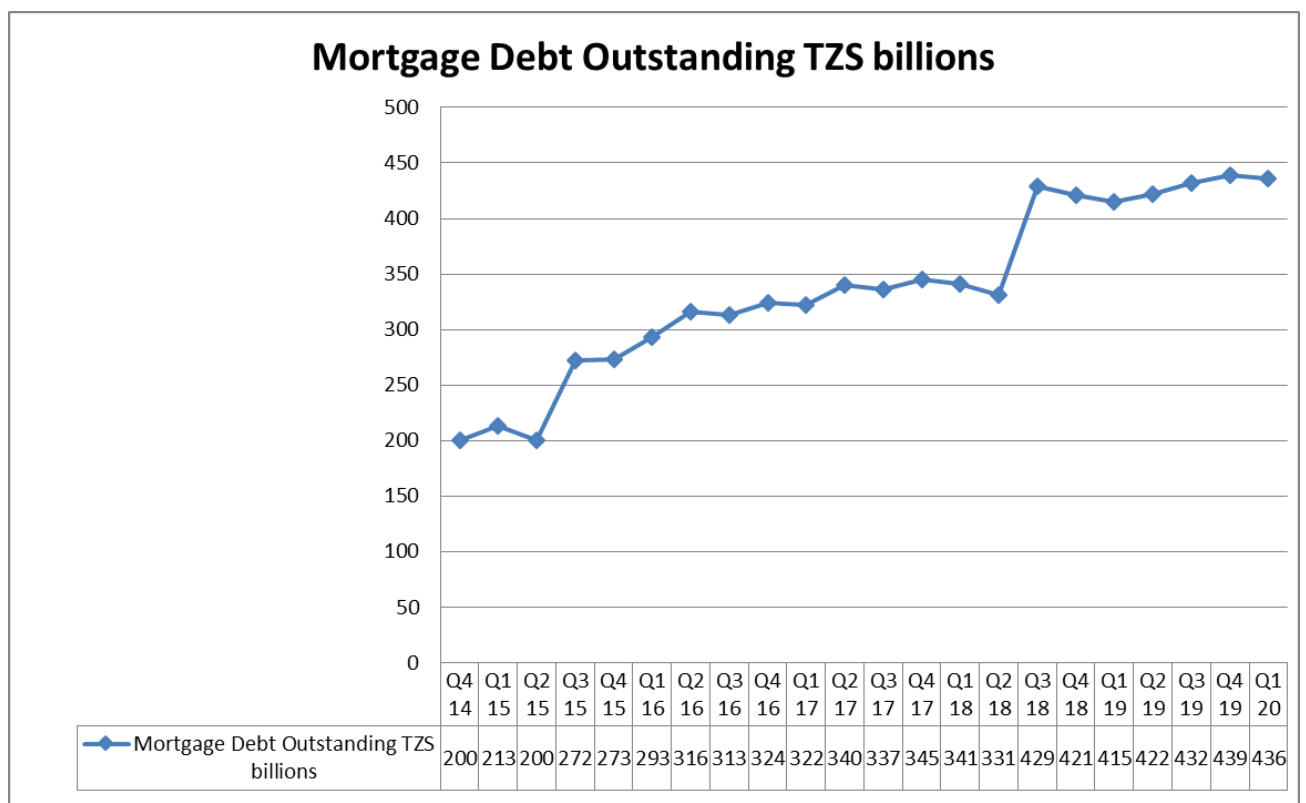
² Bank of Tanzania Monthly Economic Review (March 2020)

- 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 34 by 31 March 2020, and the average mortgage interest rate falling from 22 percent to 15 percent.
- Efforts to develop a number of housing projects by developers continue with a special focus on housing projects in Dodoma as the Government continues with the relocation of its administrative functions to the capital city of Dodoma.
- High interest rates and lack of affordable housing remain the prime constraints on market growth.
- Tanzania Mortgage Refinance Company (TMRC) continues to extend refinancing and pre-financing facilities to non-member banks as well as its member banks.

2. Mortgage Market Growth:

The mortgage market in Tanzania registered a 5 percent growth in the value of mortgage loans as at 31 March 2020 compared to its corresponding quarter ended 31 March 2019. As at 31 March 2020, total lending by banking sector for the purposes of residential housing was TZS 436.02billion, which is equivalent to US\$ 189.47million.³ **Figure 1** below shows the trend of mortgage lending in terms of amounts over the years;

Figure 1 – Tanzania Mortgage Market – TZS Billions outstanding

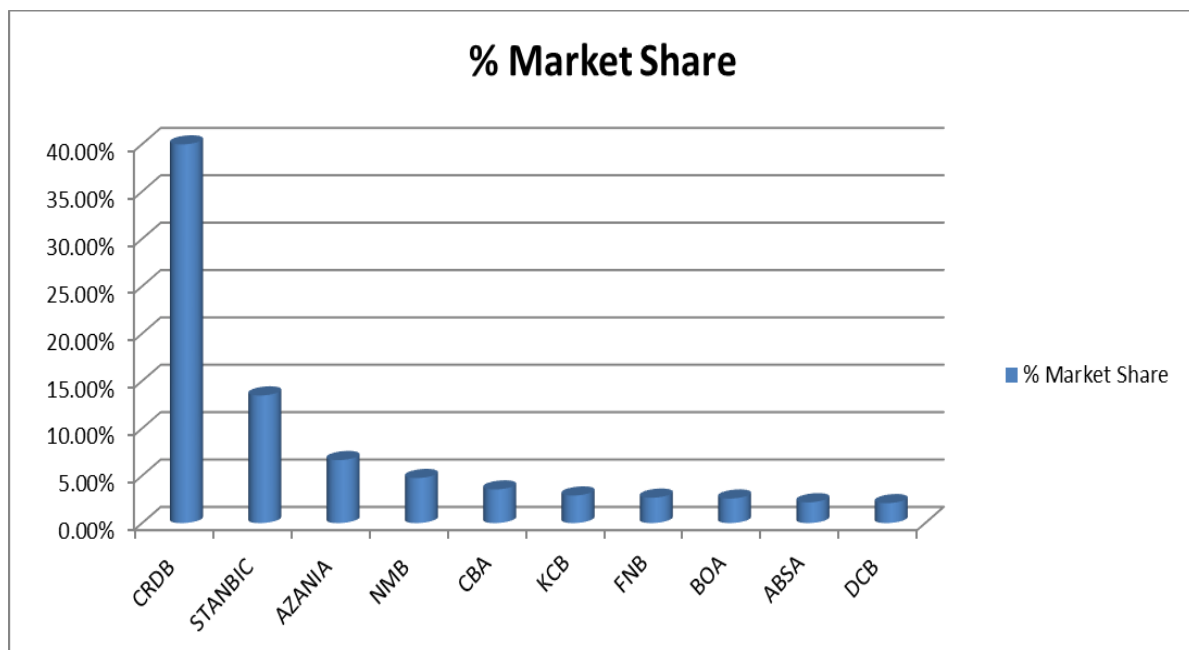


³ Bank Of Tanzania Indicative Foreign Exchange Market Rates (31 March 2020)

3. Increasing Competition in the Mortgage Market:

As at end of March 2020, 34 different banking institutions were offering mortgage loans. The mortgage market was dominated by five top lenders, who amongst themselves command 68.39% of the mortgage market. CRDB Bank Plc was a market leader commanding 39.97% percent of the mortgage market share, followed by Stanbic Bank (13.47%), Azania Bank (6.65%), NMB Bank Plc. (4.75%) and CBA Bank (4.24%). In as far as the effects of the ongoing global pandemic i.e. COVID-19 are yet to be fully discernable, the Bank of Tanzania has instituted a number of policy measures to safeguard the financial sector stability and continue facilitating the financial intermediation process. These include lowering of the Statutory Minimum Reserve requirement from 7 to 6 percent, reduction of the discount rate from 7 to 5 percent, reduction of haircuts on government securities from 10 percent to 5 percent for Treasury bills and from 40 to 20 percent for Treasury bonds to increase the ability of banks to borrow from the Bank with less collateral than before, allowance of loan repayment moratorium on a case by case basis for borrowers experiencing financial difficulties as well as fostering the increase of daily transaction limits by mobile money operators to facilitate use of digital platforms for transactions. With these measures in place and as the Bank continues to monitor and take appropriate actions to curb the potential negative impact of the pandemic on the economy, a positive outturn is still imminent for future of the mortgage market. **Figure 2** below shows market share for top ten mortgage lenders as at 31 March 2020 in terms of outstanding mortgage debt.

Figure 2 – Mortgage Market Share - Top Ten 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. 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 Tanzanians. While improved from the levels of 22 - 24 percent in 2010 to 15 – 19 percent offered today, market interest rates are still relatively high hence negatively affecting affordability. Additionally, while some improvements have been noted, bureaucratic processes around issuance of titles (especially unit titles) continue to pose a challenge by affecting borrowers' eligibility to access mortgage 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.

Progress summary of ongoing affordable residential housing projects being undertaken by National Housing Corporation as at 31 March 2020;

S/N	PROJECT NAME	REGION	NO. OF HOUSES	CURRENT STATUS
1	Makete	Njombe	50	Under construction.
2	Jangwani	Rukwa	20	Under construction.
3	Inyonga	Katavi	24	Under construction.
4	Bukondamoyo	Shinyanga	50	Construction completed.
5	Igunga	Tabora	30	Under construction.
6	Masaki	Mtwara	56	Under construction.
7	Iyumbu	Dodoma	300	Phase 1 of 151 houses completed. Phase 2 of 149 houses under construction.

Similarly, Watumishi Housing Company (WHC) continues with the implementation of the Public Servants Housing Scheme, carrying out its various projects focusing on medium and low-income earners, which has a positive impact on the mortgage market.

Watumishi Housing major ongoing projects in Dar-es-Salaam are Gezaulole Residence and Bunju B Housing Estate. Gezaulole Residence project was launched in 2015 and is one of the biggest projects in the country which is comprised of apartments, landed houses and shopping centre and is expected to have over 1,000 residential houses of which the first phase of the ongoing construction consists of 330 houses. The first phase of construction is 100% done and occupied by tenants. Bunju B Housing Estate consists of 65 landed houses of different sizes from two bedroom houses to 3 bedroom villas and shopping centre, kids' grounds, among others. The project is also 100% completed and occupied by tenants.

Other ongoing projects are Mkundi Residence located in Morogoro, 8km from Msamvu Bus Stand and consists of 50 residential houses. The project has been completed and has already been occupied by tenants. The project has 50 two to three bedroom houses and commercial space for rent. Kisasa Residence in Mwanza along Magu Roads is a project consisting of 59 landed houses of which construction is completed and sales are ongoing.

Watumishi Housing Company has continued with planning and facilitation of projects in Arusha, Dar es Salaam and Dodoma. A total of seven projects are under execution at different stages. In August 2017, Watumishi Housing embarked on a new project; Watumishi Njedengwa Housing Estate, a project aiming to build 500 housing units in the Capital City following the Government's decision to relocate its administrative functions to the capital city of Dodoma over the next five years. Construction of 39 stand-alone units under the first phase of the project was completed in December 2018 and construction of 172 units under the second phase has already started where 70 units will be completed by August 2020 and 102 units with expected completion date of July 2020. All WHC projects are on sale with the Magomeni Apartments and Dodoma (Njedengwa) phase I being sold out and with more than half of the second phase of the project's houses being booked as to date.

SALES OF PLOTS

Watumishi Housing Company has acquired master plan for USA River Project in Arusha. This project aims as selling surveyed plots at an affordable price to low and middle income earners. Currently Watumishi Housing Company is in the process of surveying the plots and sales are expected to start from July, 2020.

HILLTOP KISASA - DODOMA

- As of March 2020 relevant authorities have approved construction of over 300 housing unit in Njedengwa under the 2nd phase of construction of houses in Dodoma.
- Feasibility study for the construction of 500 residential units in Dodoma of which some units will be constructed at Kisasa Relini has been done and submitted for review.
- Construction of 70 house units at Kisasa Hilltop Project in Dodoma under the 2nd phase has commenced.

MULTI TEACHERS HOUSES ACROSS THE COUNTRY

Joint project Development Agreement between Watumishi Housing Company and Tanzania Education Authority (TEA) was signed in 2017 to construct 40 Multi Teachers Houses project to address problems related to shortage of housing for teachers in hard to reach areas across the country. Watumishi Housing divided the project into two (2) phases; Phase one project comprised of 15 housing units and phase two project comprised of 25 housing units. All the Multi teacher houses have been completed 100% and handed over to prospective authority.

Progress summary of ongoing affordable housing projects being undertaken by Watumishi Housing Company as at 31 March 2020.

S/N	PROJECT NAME	REGION	CURRENT STATUS
1	Magomeni Apartments	Dar Es Salaam	100% completed
2	Gezaulole Residence	Dar Es Salaam	100% Completed; Under Defect Liability Period
3	Bunju B Housing Estate	Dar Es Salaam	100% Completed; Under Defect Liability Period
4	Mkundi Residence	Morogoro	100% Completed; Under Defect Liability Period
5	Kisesa Housing Estate	Mwanza	100% Completed; Under Defect Liability Period
6	Kisasa Relini Njedengwa Estate	Dodoma	Completed; Under Defect Liability Period
7	Hilltop Kisasa Estate	Dodoma	40% complete
8	USA River Project	Arusha	Surveying is on going

PHOTOS FOR FEW OF THE WHC HOUSING PROJECTS



KISASA HILLTOP (Dodoma)



GEZAULOLE RESIDENCE (Dar es Salaam)



KISASA RELINI RESIDENCE (Dodoma)



KISESA RESIDENCE (Mwanza)



MKUNDI MOROGORO RESIDENCE (Morogoro)

6. 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 and Planning 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.

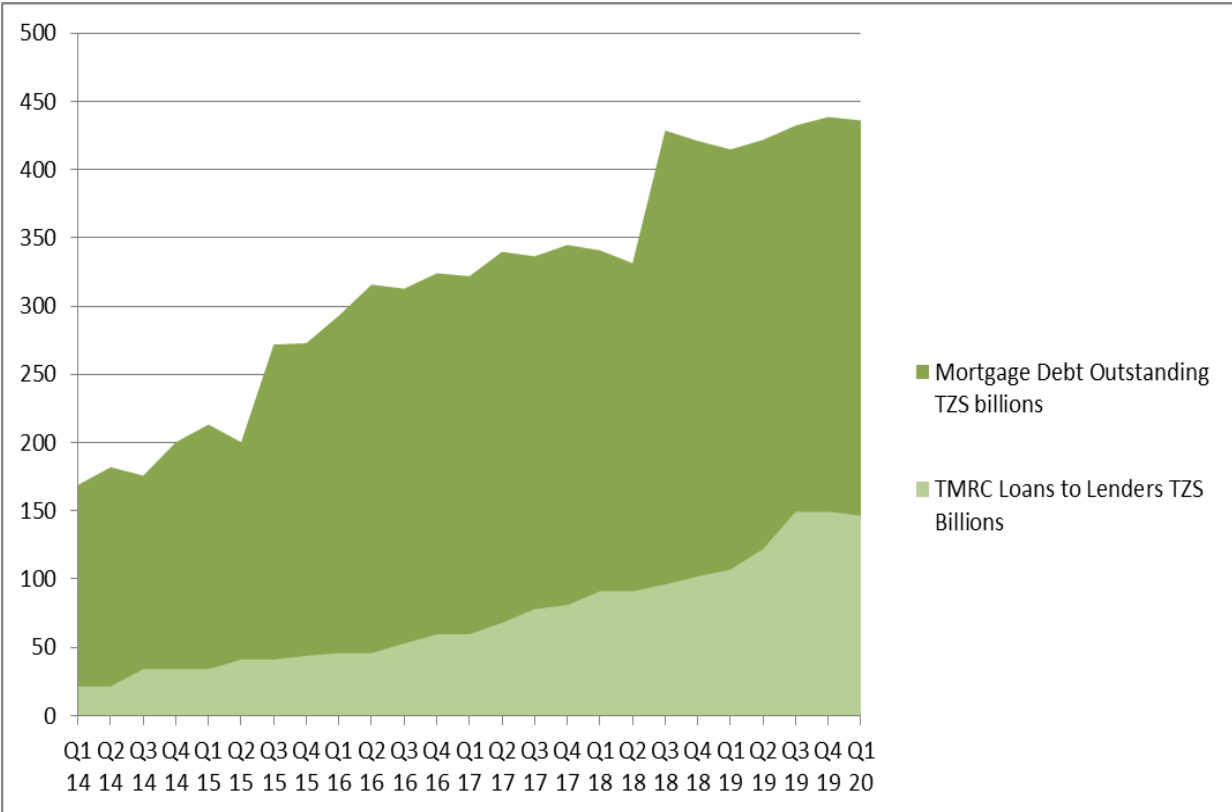
Figure 3 below shows the overall contribution of TMRC in the mortgage market over the years. TMRC has already extended loans worth TZS 146.5 billion (US\$ 63,659,947) to ten of its member banks and Five non-member banks. As at 31 March 2020, refinancing and pre-financing mortgage loans advanced by TMRC to its member and non-member banking institutions were equivalent to 25 percent of the total outstanding mortgage debt. A significant opportunity therefore still exists for TMRC to refinance the remaining 75 percent of the mortgage market portfolio.

In the nine 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 34 by 31 March 2020, mortgage repayment period has increased from the maximum of 5-7 years that was previously offered to 20 years that banks offer now with mortgage interest rates declining from 22-24 percent offered in 2010 to 15-19 percent being offered now.

During the third quarter of 2017 TMRC managed to raise TZS 2 billion from GEPF Retirement Benefits Fund and PPF Pensions Fund under at market rate through private placement arrangement. Additionally, the company was able to get further funding amounting to TZS 2 billion from Workers Compensation Fund (WCF) through private placement at the beginning of 2018. In February 2018, TMRC filed its Information Memorandum with the Capital Markets and Securities Authorities (CMSA) and on 25 May 2018 officially launched its 5 years corporate bond issuance program worth TZS 120 billion, and offered to the public its first tranche of corporate bond to the tune of TZS 12 billion having received all approvals from CMSA and the Dar-es-Salaam Stock Exchange (DSE). By the closing date on 8 June 2018, applications worth TZS 12.52 billion had been received and accepted, marking an over-subscription rate of 4.3 percent. This has further strengthened the funding base for TMRC to refinance banks' mortgage portfolios. The TMRC corporate bond was listed on the DSE on 5 July 2018. During the second quarter of 2019 a total of TZS 9.2bn was raised as the second tranche bond issuance hence making a total outstanding balance of TZS 25.7bn in corporate bonds as at 30 June 2019.

Another initiative set up under the Housing Finance 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 construction of a home or for home improvements. The fund officially began its operations in 2015 and on 31 July 2015, the first disbursement of TZS 1 billion was made under the fund to DCB Commercial Bank Plc with the total credit line to the bank being TZS 3 billion). This marked the first step towards significant progress of the microfinance sector. To date, a total of TZS 29.9 billion have been disbursed under the fund to various banking institutions to facilitate issuance of housing microfinance loans to final borrowers.

Figure 3: TMRC Refinancing Share of the Mortgage Market



7. Annex – Data Tables

Table 1 – Total Mortgage Debt Outstanding by Lenders as at 31 March 2020

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,493	174.28	39.97%
2	STANBIC BANK (T) LTD	202	58.74	13.47%
3	AZANIA BANK LIMITED	435	29.00	6.65%
4	NMB BANK PLC	183	20.72	4.75%
5	COMMERCIAL BANK OF AFRICA (T) LIMITED	92	15.48	3.55%
6	KCB BANK TANZANIA LIMITED	170	12.68	2.91%
7	FIRST NATIONAL BANK TANZANIA LIMITED	71	11.68	2.68%
8	BANK OF AFRICA TANZANIA LIMITED	117	11.29	2.59%
9	ABSA BANK TANZANIA LIMITED	65	9.55	2.19%
10	DCB COMMERCIAL BANK PLC	521	9.15	2.10%
11	LETSHEGO BANK (T) LIMITED	158	9.05	2.08%
12	NIC BANK TANZANIA LIMITED	15	8.66	1.99%
13	AFRICAN BANKING CORPORATION (T) LTD	68	8.17	1.87%
14	NBC LIMITED	63	7.25	1.66%
15	AMANA BANK LIMITED	137	6.39	1.47%
16	EXIM BANK TANZANIA LIMITED	54	5.80	1.33%
17	I & M BANK TANZANIA LIMITED	35	5.64	1.29%
18	TPB BANK LIMITED	147	4.94	1.13%
19	STANDARD CHARTERED BANK (T) LTD	17	3.71	0.85%
20	FIRST HOUSING FINANCE COMPANY LIMITED	22	2.94	0.67%
21	MAENDELEO BANK PLC	461	2.86	0.66%
22	MKOMBOZI COMMERCIAL BANK PLC	4	2.09	0.48%
23	EQUITY BANK TANZANIA LIMITED	9	2.03	0.46%
24	PEOPLES BANK OF ZANZIBAR	27	1.89	0.43%
25	DIAMOND TRUST BANK (T) LTD.	14	1.85	0.42%
26	TIB CORPORATE BANK LIMITED	15	1.80	0.41%
27	AKIBA COMMERCIAL BANK LTD	286	1.57	0.36%
28	MUCOBA BANK PLC	98	1.53	0.35%
29	YETU MICROFINANCE PLC	457	1.48	0.34%
30	ECOBANK TANZANIA LTD	6	1.15	0.26%
31	TIB DEVELOPMENT BANK LIMITED	8	0.86	0.20%
32	CITIBANK TANZANIA LIMITED	7	0.71	0.16%
33	EFC TANZANIA MICROFINANCE BANK LIMITED	40	0.64	0.15%
34	INTERNATIONAL COMMERCIAL BANK (T) LTD.	4	0.45	0.10%
	TOTAL	5,501	436.02	100.00%