



TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2019

1. Highlights:

- The mortgage market in Tanzania registered a **4 percent growth** in the value of mortgage loans during the year 2019.
- The number of mortgage lenders increased to 34 lenders as at 31 December 2019 compared to 32 lenders as at 31 December 2018 following the entrance of Ecobank (T) Limited and Tanzania Postal Bank during the year.
- Outstanding mortgage debt as at 31 December 2019 stood at **TZS 438.58 billion**¹ equivalent to **US\$ 190.74 million** compared to TZS 421.07 billion as at 31 December 2018.
- Average mortgage debt size was **TZS 80.33 million**, which is equivalent to around **US\$ 34,935** (TZS 84.28 million as at 31 December 2018).
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at **0.36 percent** (0.36 percent as at 31 December 2018).
- Mortgage debt advanced by top 5 lenders accounts for **68 percent** of the total outstanding mortgage debt (70 percent as at 31 December 2018).
- Typical interest rates offered by mortgage lenders ranged between 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.
- Economic growth as measured by gross domestic product (GDP) was strong at 7.2 percent in the second quarter in 2019 compared with 6.1 percent in the corresponding quarter of 2018. Main drivers were construction, agriculture, and mining and quarrying activities, which altogether contributed about 67.7 percent of the growth.
- The fastest growing activities were construction, which grew by 19.6 percent, mining and quarrying (17.2 percent), information and communication (10.3 percent) and water by 10.0 percent.²

¹ Bank of Tanzania Quarterly Mortgage Market Statistics as at 31 December 2019

² Bank of Tanzania (September 2019). Economic Bulletin for the Quarter ending September 2019

- Annual growth of extended broad money supply remained robust and grew by 10.5 percent in the year ending November 2019 compared with 3.2 percent the year ending November 2018. This was driven by expansion in net foreign assets of the banking system and continued strong growth of credit to the private sector. Credit to the private sector continued to grow, recording an annual increase of 8.9 percent in November 2019 compared with 5.0 percent in November 2018. The sustained growth of credit to the private sector continued to be supported by accommodative monetary policy and ongoing measures implemented by the Government to improve business environment.³
- 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 December 2019, 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 major 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.

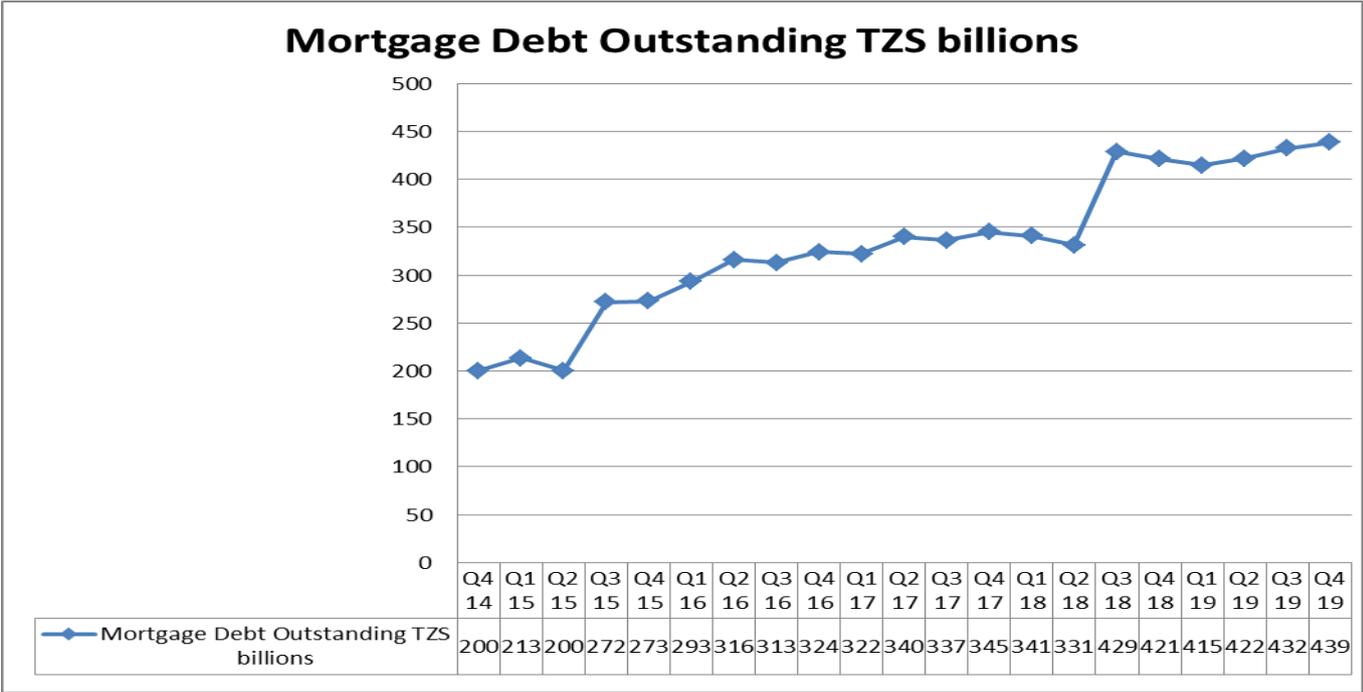
2. Mortgage Market Growth:

The mortgage market in Tanzania has registered a growth of 4 percent during year 2019. As at 31 December 2019, total lending by banking sector for the purposes of residential housing was TZS 438.58billion, which is equivalent to US\$ 190.74million.⁴ **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 (December 2019). Monthly Economic Review

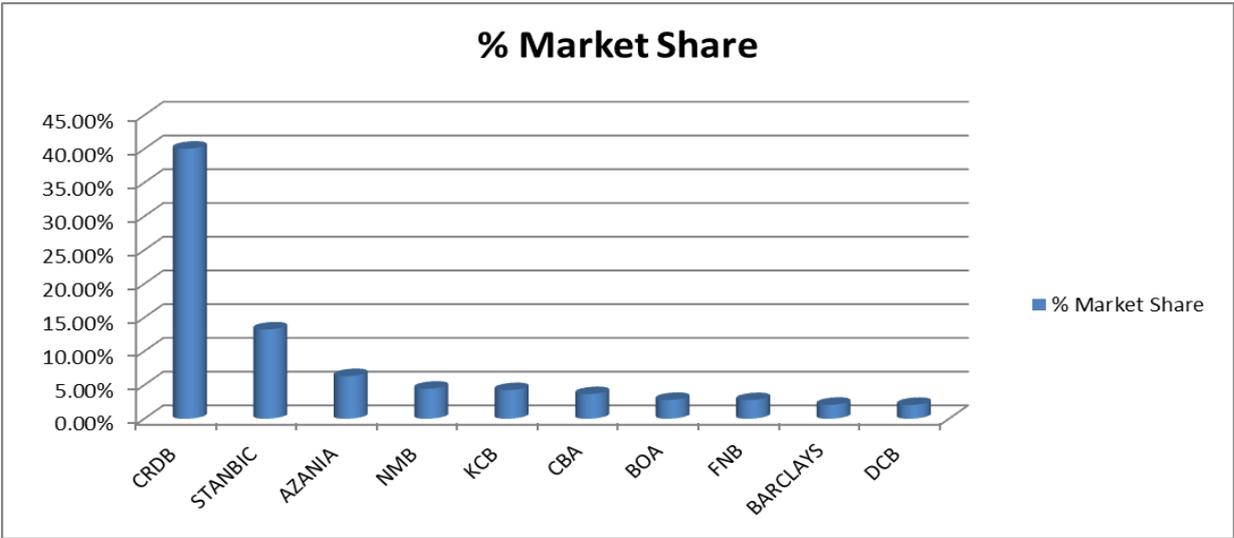
⁴ Bank of Tanzania (31 December 2019); Indicative Foreign Exchange Market Rates



3. Increasing Competition in the Mortgage Market:

As at end of the year 2019, 34 different banking institutions were offering mortgage loans. The mortgage market was dominated by five top lenders, who amongst themselves command 68 percent of the mortgage market, 3 percent decline of market share from the previous quarter. CRDB Bank Plc was a market leader commanding 40.03 percent of the mortgage market share, followed by Stanbic Bank (13.24 percent), Azania Bank (6.31 percent), NMB Bank Plc. (4.46 percent) and KCB Bank (4.24%). More positive developments are expected in the market as more banks continue to launch their mortgage loan products as competition in the traditional banking products continues to intensify. **Figure 2** below shows market share for top ten mortgage lenders as at 31 December 2019, 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.

The Corporation's major ongoing project in Dar-es-Salaam is 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, one residential tower and one hotel tower. Morocco Square consists of four blocks including a shopping mall with a total of 28,827 square metres for different commercial uses including 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 has two office blocks with a total of 47,793 square metres, whereby one of the towers is known as Stock Exchange Tower that stands to accommodate and upgrade the current Dar es Salaam Stock Exchange (DSE). On the other hand, the residential and hotel tower have a total of 24,924 and 8,456 square metres respectively. Construction is in progress (90 per cent completion stage as at 30th September 2019).

NHC has continued with planning and facilitation of Satellite City projects in Arusha, Dar es Salaam and Dodoma. A total of ten Satellite City projects are under execution at different stages. NHC encourages potential interested developers under strategic partnership arrangements to carry out development of the Satellite Cities. The Corporation has the responsibility to monitor its Satellite Cities to make sure that developers comply with development standards and regulations as per the respective Master Plans. Below are activities and progress undertaken by the Corporation;

IYUMBU SATELLITE CENTRE PHASE II - DODOMA

- The relevant authorities have approved Town Planning Drawing (TP) for Iyumbu Centre.
- Feasibility study for the construction of 1,000 residential units in Dodoma of which some units will be constructed at Iyumbu Satellite Centre has been done and submitted for review.

CHATO DISTRICT 5,000 PLOTS - GEITA

- Joint project Development Agreement between NHC and Chato District Council (CDC) was signed on 14 June 2018.
- NHC in collaboration with CDC has successfully completed valuation, compensation, planning, surveying, and formation of road networks and launch of sale of plots of this project.
- The revised TP has incorporated Chato Stadium whose design is completed.
- Marketing and Sales process are ongoing to boost sales.

Progress summary of the ongoing affordable housing projects being undertaken by National Housing Corporation as at 31 December 2019.

S/N	PROJECT NAME	REGION	CLIENT	CURRENT STATUS
1	Makete	Njombe	NHC	90% complete for 30 houses; 20 houses are at foundation level
2	Monduli	Arusha	NHC	Completed; Under Defect Liability Period
3	Jangwani	Rukwa	NHC	70% complete
4	Inyonga	Katavi	NHC	60% complete
5	Bukondamoyo	Shinyanga	NHC	95% complete
6	Buhare	Mara	NHC	Completed; Under Defect Liability Period
7	Mbarali	Mbeya	NHC	98% complete
8	Igunga	Tabora	NHC	85% complete
9	Masasi	Mtwara	NHC	80% complete
10	Buswelu External Works	Mwanza	NHC	Completed; Under Defect Liability Period
11	Buswelu External Electrical Works	Mwanza	NHC	Completed; Under Defect Liability Period
12	Mwongozo External Power Reticulation	Dar es Salaam	NHC	External power reticulation complete
13	Iyumbu	Dodoma	NHC	65% complete
14	Mwongozo Housing Project	Dar es Salaam	NHC	Completed; Under Defect Liability Period

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 975 residential houses of which the first phase of the ongoing construction consists of 330 houses. The first phase of construction is 100% done and started to be 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. Kisesa Residence in Mwanza along Magu Roads is a project consisting of 50 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 50 units will be completed by end of March 2020 and 122 units with expected completion date of September 2020. All WHC projects are on sale with the 88 Magomeni Apartments and Dodoma (Njedengwa) phase I being fully sold out and with more than half of the second phase of the project's houses being booked as to date.

USA RIVER PROJECT - ARUSHA

As of 31 December 2019, Watumishi Housing Company has acquired master plan for USA River Project in Arusha. This project aims at 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 in April, 2020.

NJEDENGWA – DODOMA

- Construction of 39 stand-alone units under the first phase of the project was completed in December 2018
- As of 30th June, 2019; relevant authorities had approved construction of over 300 housing unit in Njedengwa under the 2nd phase of construction of houses in Dodoma.

HILLTOP KISASA - 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.

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 for 240 teachers' families to address problems related to shortage of housing for teachers in hard to reach areas across the country. All the Multi teacher houses have been completed 100% and handed over to prospective authority.

PHOTOS FOR FEW OF THE WHC HOUSING PROJECTS



MAGOMENI APARTMENTS (Dar es Salaam)



BUNJU B HOUSING ESTATE (Dar es Salaam)



GEZAULOLE HOUSING ESTATE (Dar es Salaam)



GEZAULOLE RESIDENCE (Dar es Salaam)



KISASA RELINI RESIDENCE (Dodoma)



KISASA RELINI RESIDENCE (Dodoma)



KISESA RESIDENCE (Mwanza)



MKUNDI MOROGORO RESIDENCE (Morogoro)



MULTI TEACHERS HOUSES (Rufiji)

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.

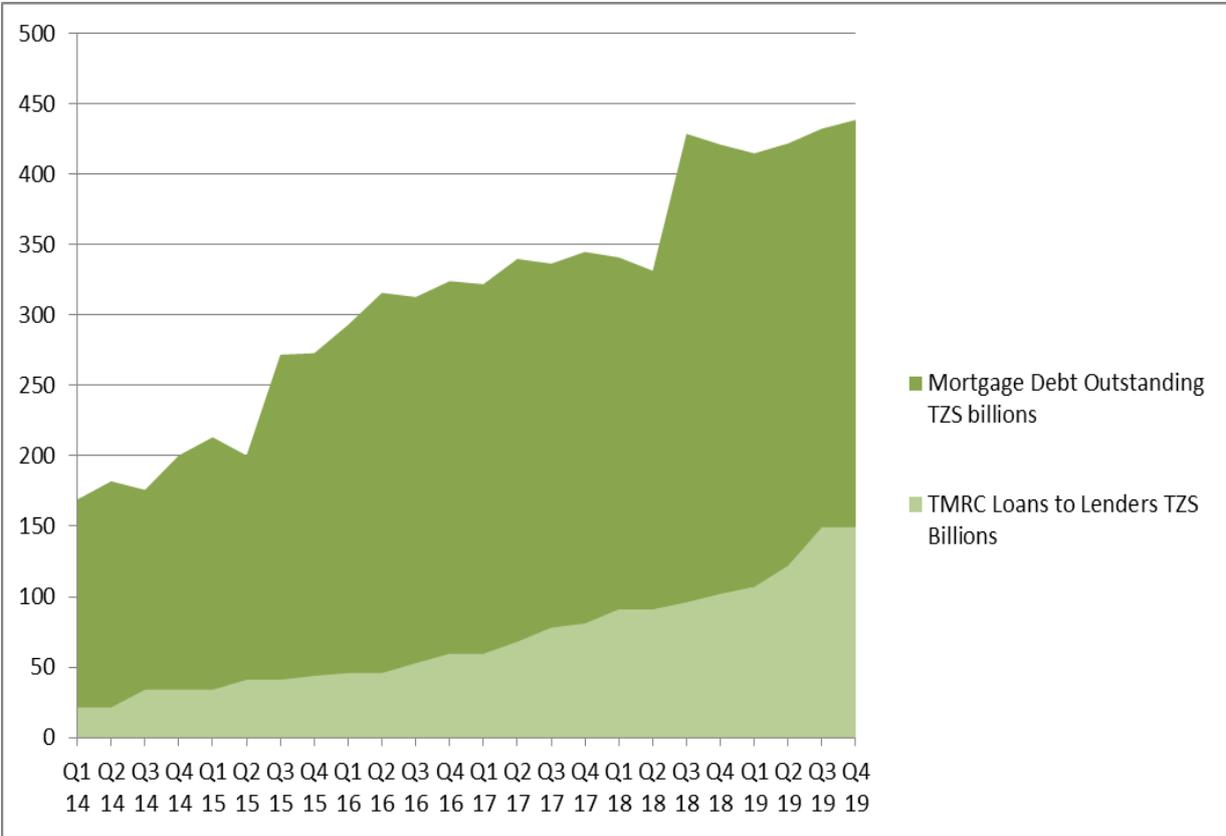
Figure 3 below shows the overall contribution of TMRC in the mortgage market over the years. TMRC has already extended loans worth TZS 149.5 billion (US\$ 64,971,751) to eleven of its member banks and Five non-member banks. As at 31 December 2019, refinancing and pre-financing mortgage loans advanced by TMRC to its member and non-member banking institutions were equivalent to 26 percent of the total outstanding mortgage debt. A significant opportunity therefore still exists for TMRC to refinance the remaining 74 percent of the mortgage market portfolio.

In the eight 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 32 by 30 June 2019, 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 December 2019

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,500	175.58	40.03%
2	STANBIC BANK (T) LTD	193	58.05	13.24%
3	AZANIA BANK LIMITED	433	27.69	6.31%
4	NMB BANK PLC.	171	19.54	4.46%
5	KCB BANK TANZANIA LIMITED	190	18.60	4.24%
6	COMMERCIAL BANK OF AFRICA (T) LIMITED	94	16.02	3.65%
7	BANK OF AFRICA TANZANIA LIMITED	116	12.24	2.79%
8	FIRST NATIONAL BANK TANZANIA LIMITED	74	12.10	2.76%
9	BARCLAYS BANK (T) LIMITED	60	9.08	2.07%
10	DCB COMMERCIAL BANK PLC	533	8.99	2.05%
11	LETSHEGO BANK (T) LIMITED	170	8.88	2.03%
12	NIC BANK TANZANIA LIMITED	16	8.85	2.02%
13	NBC LIMITED	64	7.79	1.78%
14	AFRICAN BANKING CORPORATION (T) LTD	64	7.79	1.78%
15	AMANA BANK LIMITED	130	7.30	1.66%
16	I & M BANK TANZANIA LIMITED	36	5.75	1.31%
17	EXIM BANK TANZANIA LIMITED	52	5.45	1.24%
18	STANDARD CHARTERED BANK (T) LTD	18	3.66	0.84%
19	TANZANIA POSTAL BANK	87	3.23	0.74%
20	MAENDELEO BANK PLC	392	2.46	0.56%
21	EQUITY BANK TANZANIA LIMITED	9	2.34	0.53%
22	PEOPLES BANK OF ZANZIBAR	27	2.24	0.51%
23	MKOMBOZI COMMERCIAL BANK PLC	4	2.09	0.48%
24	FIRST HOUSING FINANCE	15	1.97	0.45%
25	DIAMOND TRUST BANK (T) LTD.	12	1.70	0.39%
26	TIB CORPORATE BANK LIMITED	15	1.61	0.37%
27	YETU MICROFINANCE PLC	417	1.60	0.36%
28	AKIBA COMMERCIAL BANK LTD	288	1.58	0.36%
29	CITIBANK TANZANIA LIMITED	8	0.98	0.22%
30	TIB DEVELOPMENT BANK LIMITED	8	0.88	0.20%
31	EFC M.F.B TANZANIA LIMITED	43	0.80	0.18%
32	ECOBANK TANZANIA LTD	2	0.78	0.18%
33	MUCOBA BANK PLC	217	0.63	0.14%
34	INTERNATIONAL COMMERCIAL BANK (T) LTD.	2	0.33	0.08%
	TOTAL	5,460	438.58	100.00%