



## TANZANIA MORTGAGE MARKET UPDATE – 31 DECEMBER 2020

### 1. Highlights

- The mortgage market in Tanzania registered a **6 percent annual growth** in the value of mortgage loans from 31 December 2019 to 31 December 2020. On a quarter to quarter basis; the mortgage market in Tanzania registered a **4 percent growth** in the value of mortgage loans as at 31 December 2020 compared to previous quarter which ended on 30 September 2020.
- There was no new entrant into the mortgage market during the quarter. The number of banks reporting to have mortgage portfolios increased from 31 banks to 32 banks recorded in Q4 2020 due to reporting to BOT by Mwanga Hakika Bank the newly formed bank after merger of Mwanga Community Bank, Hakika Microfinance Bank and EFC Microfinance Bank. EFC Microfinance bank did not report in Q3-2020 due to revocation of their licence after the merger and the newly formed bank reported for the first time in Q4-2020.
- Outstanding mortgage debt as at 31 December 2020 stood at **TZS 464.14billion<sup>1</sup>** equivalent to **US\$ 200.93 million** compared to **TZS 445.21 billion** equivalent to **US\$ 192.81** as at 30 September 2020.
- Average mortgage debt size was **TZS 78.56 million** equivalent to **US\$ 34,010** (TZS 76.67 million [US\$ 33,203] as at 30 September 2020).
- The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) increased to **0.30 percent** compared to **0.28 percent** recorded for the quarter ending 30 September 2020.
- Mortgage debt advanced by top 5 Primary Mortgage Lenders (PMLs) remained at **69 percent** of the total outstanding mortgage debt as recorded in the previous quarter.
- Typical interest rates offered by mortgage lenders ranged between an average of 15 - 19 percent.
- 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.
- The performance of the economy was satisfactory, albeit experiencing adverse spill over effect of COVID-19 on the global economy and supply chain. In the third quarter, growth was 4.5 percent, leading to average growth rate of 4.7 percent in the first three quarters of 2020, compared to 7.3 percent in the corresponding period in 2019 and 6.9 percent in 2018. The

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<sup>1</sup> Bank of Tanzania Quarterly Mortgage Market Statistics (31 December 2020)

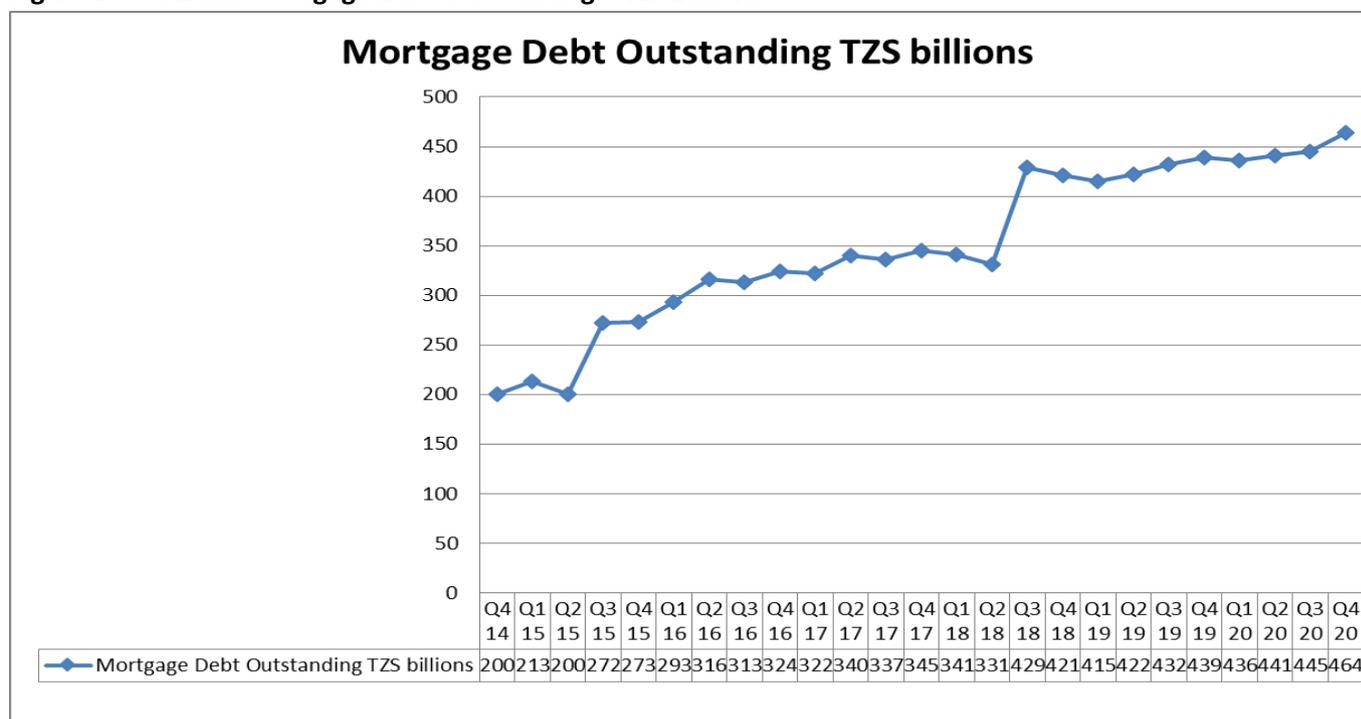
growth was largely contributed by construction, agriculture, transport and mining and quarrying. The marked growth was a result of measures adopted by the Government to cushion the economy from impact of COVID-19 pandemic. In 2021, growth is projected at 6.0 percent<sup>2</sup>.

- The Tanzanian housing demand (which is estimated at 200,000 houses annually and a total housing shortage of 3 million houses as per NHC report) has been boosted by easy access to mortgages, with the number of mortgage lenders in the market increasing from 3 in 2009 to 32 by 31<sup>st</sup> December 2020, and the average mortgage interest rate falling from 22 percent to 15 percent.
- Efforts to develop housing projects by developers continues with a special focus of Dodoma Capital City as the Government has relocated its administrative functions to Dodoma.
- High interest rates and lack of affordable housing remain the prime constraints on mortgage market growth.
- Tanzania Mortgage Refinance Company (TMRC) continues to play its primary role in extending refinancing and pre-financing facilities to Primary Mortgage Lenders (PMLs).

## 2. Mortgage Market Growth

The mortgage market in Tanzania registered a **4 percent growth** in the value of mortgage loans as at 31 December 2020 compared to 1 percent growth registered in quarter ended 30 September 2020. Total mortgage debt outstanding that resulted from lending by banking sector for the purposes of residential housing was TZS 464.14 billion which is equivalent to US\$ 200.93 million.<sup>3</sup> **Figure 1** below shows the trend of mortgage debt from lending activities in terms of amounts over the years:

**Figure 1 – Tanzania Mortgage Debt Outstanding – TZS Billions**



<sup>2</sup> Bank Of Tanzania Economic Bulletin For The Quarter Ending 31 December 2020

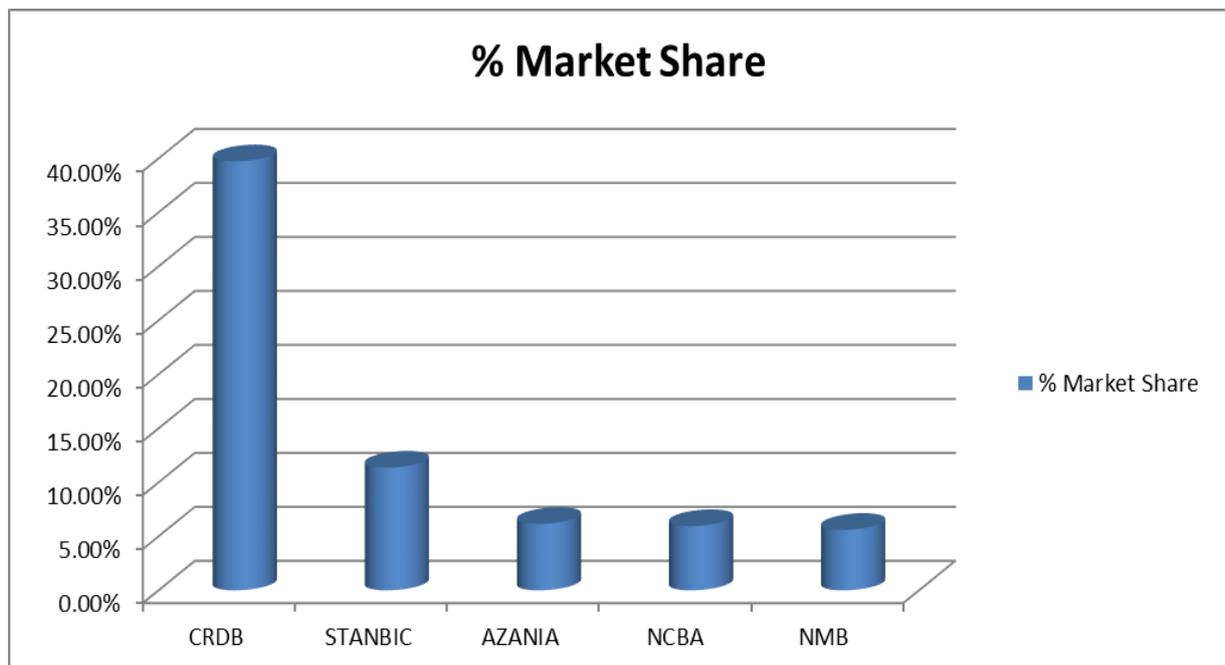
<sup>3</sup> Bank Of Tanzania Indicative Foreign Exchange Market Rates (31 December 2020)

### 3. Increasing Competition in the Mortgage Market

As at 31 December 2020, 32 different banking institutions were offering mortgage loans. The mortgage market was dominated by five top lenders, who commanded 69 percent of the market. CRDB Bank Plc was a market leader commanding 39.73% of the mortgage market share, followed by Stanbic Bank (11.36%), Azania Bank (6.15%), NCBA Bank (5.95%) and NMB Bank Plc. (5.60%). As far as the effects of global pandemic i.e. COVID-19 are yet to be fully discernable, Bank of Tanzania (BOT) 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, 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 BOT 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 five mortgage lenders as at 30 December 2020 in terms of outstanding mortgage debt.

**Figure 2 – Mortgage Market Share - Top Five 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, cumbersome 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.

**Table 1 - Progress summary of ongoing affordable residential housing projects being undertaken by National Housing Corporation as at 31 December 2020:**

S/N	PROJECT NAME	REGION	NO. OF HOUSES	CURRENT STATUS
1	Iyumbu	Dodoma	300	200 units – 100% complete 32 units – 82% complete 68 units – Construction about to start
2	Jangwani	Rukwa	20	Under construction – 85% complete.
3	Masasi	Mtwara	56	Under construction – 95% complete.
4	Igunga	Tabora	30	Under construction – 96% complete.
5	Makete	Njombe	50	Under construction – 70% complete.
6	Inyonga	Katavi	24	Under construction – 68% complete.

Similarly, CPS-Live Limited in Zanzibar has undertaken two housing projects namely Fumba Town Project which combines state-of-the-art residential properties based on a modern and sustainable infrastructure with commercial, educational and recreational areas to bring to Zanzibar international standard living quality; and The Soul Project which is a first Residential Development in Zanzibar based on the Condominium Act allowing foreign ownership with full investment protection of the Government of Zanzibar. The apartments at The Soul offer uniquely designed spaces for short or long term stay in one of the most beautiful spots in Zanzibar. Surrounding a lagoon-like pool, the units are situated within lush tropical gardens. Modern architecture, the use of high-quality, durable materials, all based on a state-of-the-art sustainable infrastructure built on permaculture principles will ensure a safe and comfortable stay.

## **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 to facilitate PMLs matching their assets (mortgage) and liabilities (funding). 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.

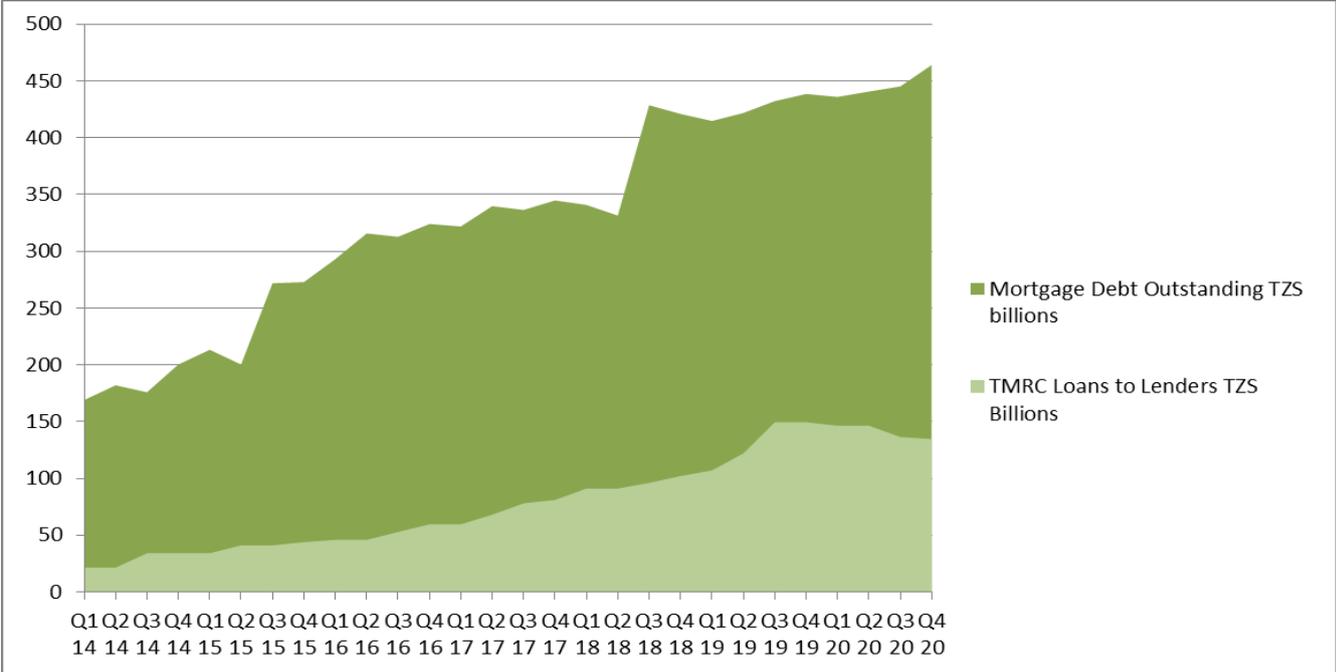
**Figure 3** below shows the overall contribution of TMRC in the mortgage market over the years. TMRC has already extended loans worth TZS 134.7 billion (US\$ 58.31 million) to Sixteen primary mortgage lenders. As at 31 December 2020 refinancing and pre-financing mortgage loans advanced by TMRC to PMLs were equivalent to 29 percent of the total outstanding mortgage debt. A significant opportunity therefore still exists for TMRC to refinance the remaining 71 percent of the mortgage market portfolio.

In the ten 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 31 December 2020, mortgage repayment period has increased from the maximum of 5-7 years that was previously offered to 25 years that banks offer now with mortgage interest rates declining from 22-24 percent offered in 2010 to 15-19 percent being offered now.

From 2017 to date, TMRC has successfully mobilised a total of TZS 25.7 billion through private placement of bonds with social security institutions (SSI) [TZS 4 billion] and through public issue from an approved Information Memorandum (IM) [TZS 21.7 billion]. The IM amounting to TZS 120 billion to be issued in tranches was approved by Capital Markets and Securities Authority (CMSA) in May 2018.

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 include subsequent disbursements by HMFF. HMFF is currently operated by Bank of Tanzania.

**Figure 3: TMRC Refinancing Share of the Mortgage Market**



## 7. Annex – Data Tables

**Table 2 – Total Mortgage Debt Outstanding by Lenders as at 31 December 2020**

SNO	MORTGAGE LENDER	NO. OF ACCOUNTS	AMOUNT IN TZS BILLIONS	% MARKET SHARE
1	CRDB BANK PLC	1,576	184.38	39.73%
2	STANBIC BANK TANZANIA LIMITED	250	52.74	11.36%
3	AZANIA BANK LIMITED	389	28.56	6.15%
4	NCBA BANK (TANZANIA) LIMITED	147	27.61	5.95%
5	NMB BANK PLC.	262	25.98	5.60%
6	ABSA BANK TANZANIA LIMITED	66	11.23	2.42%
7	KCB BANK TANZANIA LIMITED	156	10.71	2.31%
8	DCB COMMERCIAL BANK PLC	508	10.47	2.26%
9	TPB BANK PLC	260	10.41	2.24%
10	BANK OF AFRICA TANZANIA LIMITED	105	10.08	2.17%
11	FIRST NATIONAL BANK TANZANIA LIMITED	61	9.91	2.13%
12	NATIONAL BANK OF COMMERCE LIMITED	71	8.30	1.79%
13	LETSHEGO BANK TANZANIA LIMITED	108	8.21	1.77%
14	AFRICAN BANKING CORPORATION TANZANIA LIMITED	71	7.97	1.72%
15	EXIM BANK TANZANIA LIMITED	75	7.52	1.62%
16	EQUITY BANK TANZANIA LIMITED	34	6.89	1.48%
17	I & M BANK TANZANIA LIMITED	37	6.29	1.35%
18	FIRST HOUSING FINANCE COMPANY LIMITED	45	6.01	1.29%
19	AMANA BANK LIMITED	110	4.72	1.02%
20	STANDARD CHARTERED BANK TANZANIA LIMITED	17	4.24	0.91%
21	DIAMOND TRUST BANK TANZANIA LIMITED	14	3.52	0.76%
22	MWANGA HAKIKA BANK	217	3.25	0.70%
23	MAENDELEO BANK PLC	522	3.11	0.67%
24	MKOMBOZI COMMERCIAL BANK PLC	9	2.65	0.57%
25	AKIBA COMMERCIAL BANK PLC	281	1.87	0.40%
26	ECOBANK TANZANIA LIMITED	8	1.45	0.31%
27	PEOPLES BANK OF ZANZIBAR LIMITED	12	1.44	0.31%
28	MUCOBA BANK PLC	21	1.43	0.31%
29	YETU MICROFINANCE BANK PLC	457	1.19	0.26%
30	TIB DEVELOPMENT BANK LIMITED	8	0.96	0.21%
31	CITIBANK TANZANIA LIMITED	7	0.62	0.13%
32	INTERNATIONAL COMMERCIAL BANK TANZANIA LIMITED	4	0.41	0.09%
	<b>TOTAL</b>	<b>5,908</b>	<b>464.14</b>	<b>100.00%</b>