

Tanzania

Author: Ezekiel A. Espisu



Overview

Tanzania borders the Indian Ocean to the east and has land borders with eight countries within the East and Southern African regions.¹ Its population is estimated at 56.32 million with the country considered predominantly rural, with close to 34 percent of its population living in urban areas. Tanzania's urbanization rate is 5.1 percent.² Tanzania has sustained a relatively high economic growth over the last decade, averaging six percent to seven percent a year.³ The country also benefited from market-oriented reforms and prudent macroeconomic policies, which have contributed to real gross domestic product (GDP) growth, poverty reduction, and improvements in social indicators.

The country's GDP was TSh130 031 523 million (US\$57 440 million)⁴ with real GDP growth estimated at 6.7 percent in 2018, down from 7.1 percent in 2017.⁵ Non-performing loans declined to 9.7 percent in September 2018 from 12.5 percent in September 2017 but remained almost double the five percent statutory threshold.⁶ Inflation remained low and stable at approximately 3.5 percent in 2018⁷ mainly due to improved food supply. Foreign direct investment fell from 3.3 percent of GDP in 2015 to an estimated 1.9 percent in 2018 due to a deterioration in the business environment.⁸

Public debt increased to an estimated 39.3 percent of GDP in 2018 from 38.2 percent in 2017 with external debt accounting for about 74.9 percent of total public debt in 2018. Monetary policy was more accommodative in 2018 than in 2017 with an increased domestic liquidity and reduced lending rates, leading to greater private credit supply.⁹ The World Bank's Ease of Doing Business ranked Tanzania at 144 among 190 economies, a deterioration from 137 in 2017.¹⁰ According to the International Monetary Fund's (IMF) financial system stability assessment, the government has an ambitious development agenda aimed at closing infrastructure gaps and supporting human development.

Real estate development projects that are under way, or under development have created various opportunities for local and foreign investors. The Tanzanian housing sector's fast-growing demand is mainly driven by the fast-growing population, which is estimated to be 56.32 million and expected to more than double by 2050, a strong and sustained economic growth with GDP growth averaging six percent to seven percent over the past decade, and efforts by the government in

KEY FIGURES

| | |
|--|-----------------------------------|
| Main urban centres | Dar-es-Salaam, Dodoma |
| Exchange rate: 1 US\$ = [a] 1 July 2019 | 2 299.78 Tanzanian Shilling (TZS) |
| 1 PPP\$ = [b] | 737.05 Tanzanian Shilling (TZS) |
| Inflation 2018 [c] Inflation 2019 [c] | 3.5 3.5 |
| Population [b] | 56 318 348 |
| Population growth rate [b] Urbanisation rate [b] | 2.9% 5.2% |
| Percentage of the total population below National Poverty Line (2017) [d] | 46.5% |
| Unemployment rate (% of total labour force, national estimate) (2017) [d] | 2.2% |
| Proportion of the adult population that borrowed formally (2017) [b] | 5.3% |
| GDP (Current US\$) (2018) [b] | US\$57 437 million |
| GDP growth rate annual [b] | 5.2% |
| GDP per capita (Current US\$) (2018) [b] | US\$1 051 |
| Gini co-efficient (2017) [b] | 37.80 |
| HDI global ranking (2017) [d] | 154 |
| HD country index score (2017) [d] | 0.538 |
| Lending interest rate (2017) [b] | 17.4% |
| Yield on 2-year government bonds | n/a |
| Number of mortgages outstanding [f] | 4 996 |
| Value of residential mortgages outstanding (US\$) | US\$183.1 million |
| Number of mortgage providers [f] | 32 |
| Prevailing mortgage rate [f] | 19% |
| Average mortgage term in years [f] Downpayment | 20 10% |
| Ratio of mortgages to GDP | 0.32% |
| What form is the deeds registry? [e] | Paper |
| Total number of residential properties with a title deed (2010) [g] | 758 679 |
| Number of houses completed [g] | 26 408 |
| Number of formal private developers/contractors [g] | 138 |
| Number of formal estate agents | n/a |
| Cost of a standard 50kg bag of cement | 14 673 TZS (US\$6.38) |
| Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) | 37 966 107 TZS |
| Size of cheapest, newly built house by a formal developer or contractor in an urban area | 60m ² |
| Average rental price for this unit in an urban area (local currency units) | 150 000 TZS |
| Number of microfinance loans outstanding [g] | 1 467 |
| Number of microfinance providers [g] | 6 |
| Number of housing construction loans outstanding | n/a |
| Number of providers of construction finance | n/a |
| World Bank Ease of Doing Business Rank [e] | 144 |
| Number of procedures to register property [e] | 8 |
| Time (in days) from application to completion for residential units in the main urban city | 67 |

NB: Figures are for 2019 unless stated otherwise.

Member organisations of the African Union for Housing Finance (AUHF):
Tanzania Mortgage Refinance Company Ltd
Watumishi Housing Company

| | |
|---|--|
| [a] Coinmill | [f] Bank of Tanzania |
| [b] World Bank World Development Indicators | [g] Ministry of Lands, Housing and Human Settlements Development |
| [c] IMF World Economic Outlook Database | [h] National Housing Corporation |
| [d] UNDP: Human Development Reports | |
| [e] World Bank Doing Business 2018 | |

partnership with global non-profit institutions and foreign governments to meet the growing demand of affordable housing. Demand for housing is estimated at 200 000 houses annually, with a total housing shortage of three million houses.¹¹

Access to finance

The financial services sector in Tanzania is regulated by the Bank of Tanzania (BOT) which is the central bank regulating banks and financial institutions, and the Capital Markets and Security Authority, which is responsible for the promotion, development and regulation of capital markets and securities in Tanzania.

Tanzania ranks second globally in mobile money use with mobile money transactions value to GDP ratio of 53 percent. This growth is driven by an upsurge in registered users of mobile money, and contributed to an increase in financial inclusion, from 62 percent of adults (aged 15 and over) in 2015 to 65 percent in 2018.¹² The fact that the country's population is predominantly rural makes access to financial services a challenge and digital solutions ideal. Several obstacles, however, limit supply of services, including lack of infrastructure (power, telecom, and road infrastructure) and the high cost of branches.¹³

According to the IMF's financial system stability assessment of Tanzania, financial sector assets constitute 36 percent of GDP, with banks (72 percent of system assets) and pension funds (26 percent of system assets) being systemic components. The banking system is dominated by privately-owned commercial banks with 18 domestic and 29 majority foreign-owned banks holding 92 percent of banking assets. Commercial banks hold 96 percent of the assets, with the rest comprised of two development banks, seven community banks, and five microfinance banks. The non-bank sector comprises 31 insurance companies, six pension funds, and five collective investment schemes. On the asset side, loans (51 percent) and government securities (19 percent) dominate, with deposits at the BOT (14 percent) and other banks (nine percent) constituting most of the remainder. Lending is concentrated in the corporate sector (three quarters of the portfolio) and in a few economic sectors, mainly trade, construction and real estate, and manufacturing.

The World Bank has supported the development of the mortgage finance and affordable housing markets through a sustainable private sector-driven approach. The Tanzania Mortgage Refinance Company (TMRC) was established to provide medium and long-term liquidity to financial institutions. Between 2011 and 2017, the mortgage portfolio significantly increased and financial institutions offering mortgage products increased 11 times while maturity of mortgage loans is now three to five times longer.¹⁴

During 2018, Tanzania's mortgage market grew by TSh76 billion (US\$ 33 058 100). The total mortgage portfolio balances among banks was TSh421.10 billion (US\$183 167 972) as at the end of the year of 2018 representing 4 996 properties compared to TSh344.84 billion (US\$149 996 779) outstanding balance for financing 4 174 properties reported for the previous year. This signifies an annual increase of 22.04 percent in mortgage finance market while a number of mortgages increased by 18.76 percent. This data indicates that mortgage market as a percentage of GDP increased marginally to 0.34 percent from 0.33 percent in 2017.¹⁵

The value of mortgage loans in Tanzania registered a growth of 22 percent in 2018 compared to a growth of six percent recorded in 2017. Outstanding mortgage debt at 31 December 2018 was TSh421.07 billion (US\$183.67 million) compared to TSh 344.84 billion at 31 December 2017. The average mortgage debt size was TSh84.28 million (US\$36 763) compared to TSh82.62 million at 31 December 2017. Typical interest rates offered by mortgage lenders ranged between 15 percent and 19 percent. The number of mortgage lenders increased from 31 lenders as at 31 December 2017 to 32 lenders as at 31 December 2018 due to the entrance of Maendeleo Bank Plc in the fourth quarter of 2018. Mortgage debt advanced by the top five lenders accounts for 70 percent of the total outstanding mortgage debt (59 percent as of 30 December 2017).¹⁶

Housing supply

According to a study on the housing sector in Tanzania by Shelter Afrique in 2012, the total housing deficit was estimated at three million units up from 2.2 million in 2000. The Ministry of Lands, Housing and Human Settlements Development asserts in its report that the country has had a weak housing finance and property market for a long time and that nearly the entire urban housing stock has been built by individual households and not by established developers. Since the vast majority of households do not have access to formal finance, they depend a great deal on their own savings and informal financial sources to pay for the land, building materials and labour needed for construction. As a result, most people build their houses incrementally over many years as resources become available.

Since the early 1990s, the government has implemented financial sector reforms through liberalisation, thus strengthening banking systems and enhancing stability

Availability of data on housing finance

Data on Tanzania's housing and housing finance sectors is largely collected by the Bank of Tanzania and shared on various platforms, including the World Bank. The data is for various economic development indicator categories including population, growth rates and economic performance.

Demographic and industry-related data is collected and disseminated by Tanzania's official agency in charge of providing official statistics on the country, the Tanzania National Bureau of Statistics (TNBS). The TNBS also publishes reports and statistical abstracts on the construction industry performance. These reports are available on the website, <https://www.nbs.go.tz/index.php/en/>. Nonetheless, there is a huge gap on information on affordability and the property market.

Commercial banks and the Tanzania Mortgage Refinance Company Annual Reports and Financial Statement for the year ended 31 December 2018 also provide crucial information on the growth of the mortgage market, the total mortgage portfolio balances as well as the increase in mortgage market as percentage of GDP. Other reports and studies on the housing sector in Tanzania conducted by institutions including Shelter Afrique and the Ministry of Lands, Housing and Human Settlements Development provide crucial information on housing supply. The African Development Bank provides data on lending and the value of the public debt as well as its comparison to the GDP. Nonetheless, there is a huge gap of information on affordability and the property market.

of the financial sector. Parliament passed the Mortgage Finance Act of 2008 that established the TMRC, an institution charged with the responsibility of developing and promoting the mortgage finance market, with an aim of enhancing access to affordable long-term housing loans. Fourteen commercial banks have already subscribed to mortgage financing mechanisms and the number is expected to increase as the fledgling housing finance market stabilises.

Banks offer a repayment period of up to 20 years especially to salaried employees holding stable jobs. Favorable financial sector policies have also encouraged establishment of a growing number of microfinance institutions including cooperative societies, non-governmental organisations and semiformal providers of financial services. However, the rapid urbanisation in Tanzania amid poverty and a large unmet demand for housing land has led to proliferation of overcrowded informal urban settlements lacking in basic services and secure tenure, often developed on hazardous land, yet hosting more than 60 percent of the population in most of the urban areas in the country.

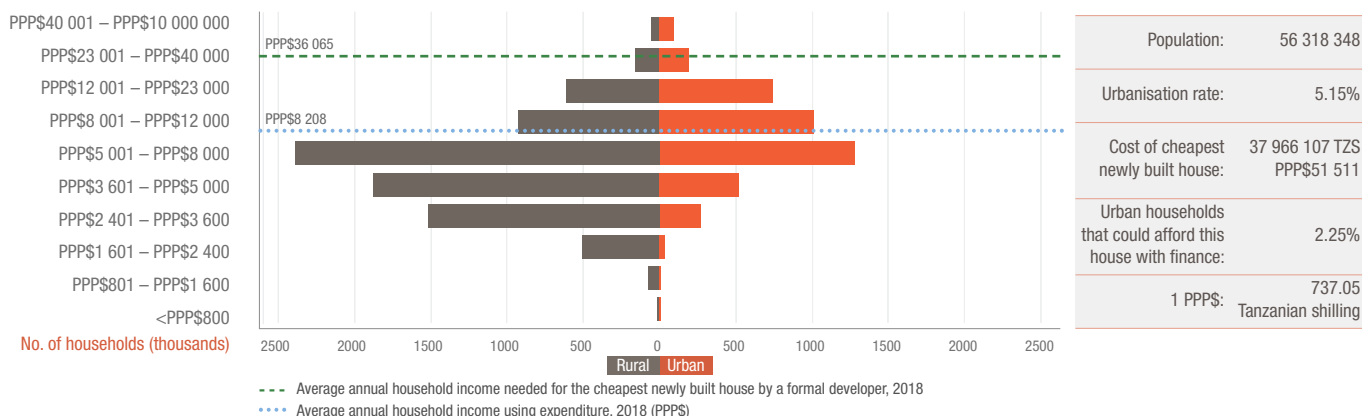
Private individual developers dominate in the delivery of urban housing, accounting for between 75 percent and 95 percent of the total housing stock in urban areas. In rural areas, practically all houses are self-built. Because they are built without professional advice, most of the self-built houses are of poor condition. Tanzania has, however, taken several measures to facilitate access to housing and to planned, surveyed and serviced land for housing and other urban activities.

The government re-established the Housing Development Department at the Ministry of Lands, Housing and Human Settlements Development in 2005, assigning it the responsibility of formulating a housing policy and legislation, and to plan, monitor and exercise oversight on housing development in Tanzania. Parliament enacted the Unit Titles Act of 2008 and Mortgage Financing Special Act of 2008 to facilitate the housing market and thus increase access to adequate housing, with the Unit Titles Act passed by Parliament in 2008 stimulating mass housing production in Tanzania.

The National Housing Corporation (NHC) and private estate developers are investing in high-rise apartment buildings targeting high-income segment of urban dwellers. Several public institutions are also investing in the housing market including the National Social Security Funds, which has built several houses for sale, giving priority to its members. Similarly, the NHC has accelerated its housing development programme and is working towards its target of 15 000 units, which

TANZANIA

Annual income profile for rural and urban households based on consumption (PPP\$)



Source <https://www.cgidd.com/C-GIDD, 2019>

was part of its vision 2015, the Tanzania Building Agency plans to build 10 000 houses, and the Watumishi Housing Company (WHC) 50 000 houses, targeting civil servants.¹⁷ WAT-Human Settlements Trust has, since 2010, undertaken 10 core housing projects ranging from 18 to 133 units in the Temeke and Kinondoni districts of the Dar es Salaam Region.

Affordability

According to the Tanzania National Bureau of Statistics 2019, the population has increased more than four times, from 12.3 million in 1967 to 54.2 million in 2018. The average annual growth rate between censuses according to the 2012 Population and Housing Census is 2.7 percent.¹⁸ The estimated total workforce was 25.7 million out of which 22.3 million (87 percent) were economically active and 3.4 million (13 percent) were inactive. Tanzania has a higher employment to population ratio on all levels than the Eastern African averages. Other estimations showed that the total employment to population ratio trend experienced a marginal increase from 79 percent in 2000 to 81 percent in 2017.¹⁹

The latest published minimum wage standards in Tanzania mainland was in 2015 when the minimum wage was raised to TSh310 777 (US\$152) a month. This covers employees in both the public and private sectors. Back in 2013, other minimum wage standards were divided into nine employment sectors. The lowest minimum wage was TSh40 000 (US\$18) a month for the lowest-paid category of domestic workers residing in the household of the employer, and the highest was TSh400 000 (US\$179) a month for workers in the telecommunications, mining, energy and financial sectors. The lowest minimum wages were not enough to support basic living conditions. In Zanzibar the latest minimum wage adjustment was approved in 2016 when civil servants' wages increased by 100 percent to TSh300 000 (US\$134) a month. Only workers from the formal sector are covered by the minimum wages. Most Tanzanian mainland and Zanzibar workers are operating in the informal economy or subsistence farming where the wage regulations are not applied.²⁰

The latest Formal Sector Employment and Earnings Survey from 2015 in Tanzania mainland reported that one out of four (25 percent) of employees earned monthly wages from TSh300 001 (US\$134) to TSh500 000 (US\$244). Two equally large segments were those who earned monthly wages between TSh500 001 to TSh900 000 (US\$440), which was 21 percent, and 19 percent earning between TSh150 001 (US\$73) to TSh300 000. The survey showed that a greater proportion of workers earning low monthly wages were in the private sector compared to those in the public sector.²¹

The rental price of a low income single-room house in the urban areas is US\$26, US\$188 for a middle income two to three-bedroom house, and US\$2 250 for a high income three to four-bedroom house.²² According to Estate Cloud, the cost of building an individual, detached, or terrace style residential property of medium standard is US\$412 per square metre. Costs of developing aged care or affordable

units are US\$467 per square metre. On the higher side, a prime individual detached house costs US\$779 per square metre to construct. Townhouses and apartments of medium standard cost US\$550 and US\$571 per square metre respectively to construct, and high-rise apartments cost US\$617 per square metre.²³

Demand for housing and housing loans remains extremely high across the country. More recently, the relocation of executive government offices to the capital at Dodoma has created demand for housing and related urban services in the region.

A notable challenge has been limited supply of affordable housing, and high interest rates. Most lenders offer loans for home purchase and equity release while only a few offer loans for self-construction, which remains expensive. Interest rates have improved, from 22 percent to 24 percent in 2010 to 15 percent to 19 percent today, but these are still relatively high affect affordability. Therefore, while some improvements have been noted, bureaucratic processes around issuance of titles (especially unit titles) continue to affect borrowers' eligibility to access mortgage loans.²⁴

Property markets

According to the global property guide, Tanzania is experiencing large-scale real estate developments, particularly in the middle and high income sectors. This includes the construction of villas, apartment complexes, office buildings, hotels and shopping malls, driven by enormous demand for residential housing, industrial and commercial premises. The most expensive residential properties are in the Oyster Bay and the Mvasani Peninsula in Dar es Salaam, and on the shores of Lake Victoria at Capri Point in Mwanza.

In Dar es Salaam, Tanzania's largest city and the economic capital, a three-bedroom residential property located near a beach or in a prime location is priced between TSh459.58 million (US\$200 000) and TSh919.16 million (US\$400 000). However, in other areas, three bedroom houses are priced starting TSh114.9 million (US\$50 000). The expatriate market in Dar es Salaam is relatively small and dominated by employees of donor agencies and other multilateral institutions.

All land in Tanzania is owned by the state and can only be leased to individuals for five to 99 years. Non-citizens may only acquire land (leasehold) for investment purposes, subject to the approval of the Tanzania Investment Centre for the mainland or the Zanzibar Investment Promotion Authority for Zanzibar. Investment yields are relatively high at around nine percent to 12 percent, because supply of good quality property is so limited.

The rent for a 200 square metre property on the mainland would be around TSh1.77 million (US\$1 358) a month, or around TSh7 000 to TSh8 800 (US\$5 to US\$7) per square metre. The rent for a 200 square metre beach estate in Zanzibar would be about TSh2.36 million (US\$1 811) monthly. Yields here are

also around nine percent to 12 percent. Non-residents are liable to pay tax on their rental income earned in Tanzania. Net rental income is taxed at the corporate tax rate of 20 percent. There are also the capital gains from the disposal of Tanzanian assets by non-residents, which are taxed at 20 percent.²⁵

Policy and regulation

Tanzania's housing sector is regulated by a wide range of policies and regulations. The Land Act of 1999 (Act No 4/1999)/Land (Amendment) Act 2004) is the principle legislation on all land matters and covers the underlying legislation surrounding mortgages in Tanzania. The Land Act signifies that land in Tanzania is public land and remains vested in the President as trustee for and on behalf of all citizens of Tanzania. The Ministry of Lands, Housing and Human Settlements Development has been mandated to administer land and human settlements in Tanzania on behalf of the President of Tanzania who serves as the trustee of all land.

The Mortgage Finance (Special Provisions) Act was passed in 2008, creating momentum in government for the development of housing finance. The Act amended certain written laws with a view to providing further provisions for mortgage financing and enables estate developers to access long-term loans from the banks to build houses and sell to buyers. The Act also intended to help to provide funds for acquisition of low-cost housing and not only for mansions and skyscrapers. Formerly the procedure for transfer of mortgaged property was long and cumbersome. Under this Act, this process involves only three parties, the mortgagor, the bank and the Registrar of Titles. All other interested parties, including the Commissioner for Lands are notified by the Registrar after the completion of the mortgage process. Under this Act, the bank and the borrower enter into a contract and if the borrower breaches the contract, they are given a notice of 60 days to pay, after which his/her property are sold (to pay back the loan) without involving the court.

The Unit Titles Act (Act No. 16 /2008) was enacted in 2008 and has significantly improved the prospects for mass housing production, as well as the demand for mortgages. The Act enables estate developers to construct high-rise and buildings, and multi-face structures with multiple units, and sell to as many buyers, with each unit buyer eligible for a title deed after completing the sales agreement.

The Urban Planning Act (Act No. 8/2007), enacted in 2007, provides power for creating plans in advance of development, providing a comprehensive system of development control. General planning schemes created under this Act, which have come to be known popularly as master plans, continue to be the primary planning and management tool for guiding urban development in Tanzania. These have provided for overall planning and facilitate the preparation of detailed schemes and project plans.²⁶

Opportunities

Tanzania's rapidly growing population, coupled with relatively high economic growth, presents an excellent opportunity for both investors and other stakeholders investing in housing. These opportunities can be reflected in the various housing projects that are undertaken by institutions such as the NHC and WHC. But a significant housing deficit still exists.²⁷

Many housing developments are being undertaken by the private sector in the country. Avic International has continued implementing the Avic Town project in Kigamboni, with the first phase nearing completion. First Housing Finance (Tanzania) Limited (previously known as M Mortgage Finance), a greenfield mortgage finance bank set up in partnership with the International Finance Corporation (IFC), Bank M Tanzania Limited, HDFC Bank India and prominent investors have been officially licensed to carry out mortgage finance business in Tanzania by BOT. There is great potential for more investors to be involved in the mortgage and housing finance sector.

The government recently initiated the development of a housing information centre with the purpose of collecting, storing and analysing housing data for forecasting housing demand, supply and price levels in the country. This will hopefully lead to a better understanding and monitoring of housing needs for delivery of effective solutions.

Websites

- Bank of Tanzania. <https://www.bot.go.tz/>
- National Bureau of Statistics. <https://www.nbs.go.tz/>
- Shelter Afrique. <http://www.shelterafrique.org/>
- Tanzania Invest. <https://www.tanzaniainvest.com/>
- Tanzania Mortgage Refinance Co. Ltd. <http://www.tmrc.co.tz/>
- WAT Human Settlements Trust. <http://www.wat.or.tz/>

¹ The Commonwealth Network (2015). United Republic of Tanzania in the Commonwealth Yearbook, 2015. http://commonwealthofnations.org/yb-pdfs/united_republic_of_tanzania_country_profile.pdf (Accessed 2 September 2019).

² United National Population Division (2018). World Urbanization Prospects: 2018 Revision. <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?locations=TZ> (Accessed 2 September 2019).

³ The World Bank (2019) The World Bank in Tanzania: Overview. <https://www.worldbank.org/en/country/tanzania/overview> (Accessed 2 September 2019).

⁴ The World Bank (2019). GDP (current LCU) – Tanzania. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CN?locations=TZ> (Accessed 2 October 2019).

⁵ AFDB (2019). Tanzania Economic Outlook. <https://www.afdb.org/en/countries/east-africa/tanzania/tanzania-economic-outlook> (Accessed 2 October 2019).

⁶ The World Bank (2019). The World Bank in Tanzania: Overview.

⁷ AFDB (2019). Tanzania Economic Outlook.

⁸ The World Bank (2019). Macro Poverty Outlook: Tanzania. <http://pubdocs.worldbank.org/en/325071492188174978/mpo-tza.pdf> (Accessed 2 October 2019). Pg. 286.

⁹ African Development Bank (30 September 2019). Tanzania Economic Outlook.

¹⁰ World Bank (2019). Ease of Doing Business index. <https://data.worldbank.org/indicator/C.BUS.EASE.XQ> (Accessed 2 October 2019).

¹¹ Be Forward Real Estate (2018). Tanzania Real Estate Industry. <https://real-estate-tanzania.beforward.jp/2018/08/10/tanzania-real-estate-industry/> (Accessed 2 October 2019).

¹² Financial Inclusion Insights (2019). Financial Inclusion sets a record high in Tanzania in 2018.

¹³ IFC (2016). IFC Mobile Money Scoping. Country Report: Tanzania.

¹⁴ The World Bank (2019). The World Bank in Tanzania: Overview.

¹⁵ TMRC (2018). TMRC Annual Report and Financial Statement for the year ended 31 December 2018.

¹⁶ Tanzania Invest (2019). Tanzania Mortgage Market Grew by 22% in 2018. 17 April 2019.

¹⁷ United Republic of Tanzania (2016). Habitat III National Report, Tanzania. Final Report.

¹⁸ National Bureau of Statistics (2019). Tanzania in Figures 2018. https://www.nbs.go.tz/nbs/takwimu/references/Tanzania_in_Figures_2018.pdf (Accessed 2 October 2019).

¹⁹ Wijeyesekera, D. (2015). How data could help Tanzania's young informal workers. Devex. 17 March 2015.

²⁰ National Bureau of Statistics, 2015 Employment and Earnings Survey.

²¹ ILO, Decent Work Country Programme (2006-2010).

²² Tanzania Invest (2019). Tanzania Real Estate. <https://www.tanzaniainvest.com/construction/real-estate> (Accessed 2 October 2019).

²³ Estate Cloud (2018). Tanzania Construction Costs. <https://estatecloud.co.ke/tanzania-construction-costs/> (Accessed 2 October 2019).

²⁴ Bank of Tanzania (2018). Tanzania Mortgage Market Update – 30 June 2018.

²⁵ Global Property Guide (2015). Tanzania's thriving property market. <https://www.globalpropertyguide.com/Africa/Tanzania> (Accessed 2 October 2019).

²⁶ Shelter Afrique (2012). Study on the Housing Sector in Tanzania.

²⁷ Bank of Tanzania (2018). Tanzania Mortgage Market Update – 30 June 2018.