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Affordable housing in Tanzania:
Market shaping indicators



Centre for Affordable
Housing Finance
in Africa

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See CAHF's yearbook at:

<https://housingfinanceafrica.org/resources/yearbook/>

View Reall's Data Dashboard at: <https://www.reall.net/dashboard>



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¹ This report is an extension of the profile of Tanzania prepared for CAHF's 2020 Housing Finance in Africa Yearbook. Victor Mose was the original author of the profile. Maria Nkhonjera has extended the report further, providing additional detail. <https://housingfinanceafrica.org/resources/yearbook/>

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1 Introduction

The Centre for Affordable Housing Finance in Africa (CAHF)² has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa's housing finance markets work. Supported by the French and UK governments, as well as other funders and partners, CAHF's work extends across the continent. CAHF brings information to the marketplace to enable stakeholders in the public and private sector to make policy and investment decisions in favour of improved access to affordable housing. CAHF's emphasis is on the role that finance plays in realising this, and champions market intelligence—data, market analytics and research—to stimulate investor interest and to support better policy. CAHF is highly networked and engages with stakeholders at the local, national, regional, continental and global levels to support the realisation of investment towards affordable housing in Africa.

CAHF monitors the progress and performance of African housing markets, and publishes this in its flagship publication, the Housing Finance Yearbook, every November.³ The production of the Yearbook is an intensive effort and draws on the participation of local, in-country consultants, who track and present the current state of their local housing markets in short profiles, one for each of the continent's 54 countries. As part of our overall Housing Finance Data Agenda for Africa, presented by Reall under the Market Shaping Indicators name⁴, CAHF partnered with Reall to develop extended reports for six countries, reflecting the fruits of more focused data gathering.

Supported by the UK and Swedish governments, Reall⁵ is a market innovator and impact investor in affordable housing for the bottom 40 percent of the income pyramid in Africa and Asia. Headquartered in the UK and possessing over 30 years' experience in the sector, Reall's priority focus is in Kenya, Nigeria, Uganda, India and Pakistan, with a wider footprint that includes Ghana, Mozambique, the Philippines, and Zimbabwe. Reall and its network of in-country partners specialize in affordable housing and end-user financing solutions, while also tackling systemic political, regulatory, and financial barriers through strategic brokering interventions. By evidencing the cross-cutting developmental impact of housing (contributing to 16 of 17 SDGs) and demonstrating the commercially viable investable opportunity, Reall leverages private sector actors and resources to transform markets and accelerate delivery at scale.

The driving principle behind the Data Agenda is that market intelligence and data is fundamental market infrastructure for the housing finance sector. A key constraint undermining private sector participation and good policy engagement in affordable housing finance is the availability of data and market intelligence to facilitate risk-taking and decision-making. By providing market intelligence that makes the case for investment in underserved markets, we can support a better policy environment and increased private sector activity in affordable housing markets. In this way, we catalyse scale interventions.

This report highlights the progress and performance of Tanzania's affordable housing market in 2020. Tanzania is a country in which CAHF has engaged substantially, together with local partner Tanzania Mortgage Refinance Company (TMRC). This report extends the original profile for Tanzania with data collected through the Data Agenda/Market Shaping Indicators process. The original text, as published in the 2020 Yearbook: Housing Finance in Africa, was written by Victor Mose⁶. Maria Nkhonjera has extended the report to include additional information.

THIS REPORT HIGHLIGHTS THE PROGRESS AND PERFORMANCE OF TANZANIA'S AFFORDABLE HOUSING MARKET IN 2020

² See CAHF's website: <https://www.housingfinanceafrica.org>

³ See <http://housingfinanceafrica.org/resources/yearbook/>

⁴ The Data Agenda for Africa is a joint initiative of CAHF and its partners 71point4 and Reall. For more detail, see <http://housingfinanceafrica.org/projects/a-housing-finance-data-agenda-for-africa/> and <https://www.reall.net/dashboard/msi>

⁵ See Reall's website: <https://www.reall.net/> See <https://housingfinanceafrica.org/authors/victor-mose/>

⁶ See <https://housingfinanceafrica.org/authors/victor-mose/>

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2 CAHF in Tanzania

Tanzania has been one of CAHF's priority countries since 2015. Working with the TMRC as a primary partner, CAHF has undertaken multiple research projects, while developing a solid network of stakeholders across multiple sectors. Past research in Tanzania includes an in-depth analysis of the Housing Investment Landscape in Tanzania, and a case study on Watumishi Housing Company Residential REIT (WHC-REIT) and its potential as a vehicle for increased investment in and access to affordable housing. CAHF's Housing Economic Value Chain (HEVC)⁷ research estimated the contribution of housing construction and rental activities to Tanzania's economy, and identified key areas of Tanzania's housing system that can be improved to maximise the potential of these sectors for Tanzanian households. As part of CAHF's larger rental programme, a Rental Study focussing on the cities of Dar es Saalam and Dodoma was also conducted. CAHF's work in Tanzania finds that most urban households rent informally or build incrementally and have minimal engagement with the formal housing and housing finance market. Together with the Tanzania yearbook profile, CAHF's research is an important input into the broader Data Agenda work in Tanzania—identifying key gaps in market data that would help create a better understanding of the housing ecosystem, for more targeted interventions and policy.

3 Overview – Tanzania's housing sector in 2020

Tanzania's housing sector is faced with a number of constraints, affecting its ability to provide affordable accommodation. In Tanzania, a large number of houses are built informally, often in unplanned settlements, and most households take multiple years of incremental saving and building. Low incomes affect housing affordability and household access to formal financial products. Rapid urbanisation and projected growth in urban households will require consistently larger numbers of more affordable housing units.

There are various levers to expand access to formal housing and housing finance in Tanzania. The national human settlement and development policy seeks to promote the provision of adequate and affordable shelter by making serviced land available for shelter and human settlement development, providing infrastructure and social services, promoting balanced development, and building the technical, managerial and financial capacities of the sector.⁸

In Tanzania, the role of the state in housing delivery can be seen as two-fold, creating an enabling environment⁹ and actively investing in developing properties.¹⁰ The National Housing Corporation (NHC), which is a government entity established to undertake various real estate activities, develops houses for purchase or rental, with houses for purchase on a tenant purchase system, mortgage, or cash payment.¹¹ The Ministry of Lands, Housing and Human Settlements is seeking to digitise the land registry by establishing an integrated land management information system, enhancing urban planning and establishing district councils for dispute and conflict resolution, as planned in the national five-year plan of the country¹² and in line with its core functions.¹³

Some of the ongoing projects undertaken by the NHC include Morocco Square, Kawe, SafariCity, Golden Anniversary, Iyumbu Satellite Centre and My Home My Life. Some of the upcoming projects include Iyumbu Phase II, Salama Creek, Usa River and Uptown Kawe. Completed NHC projects include Victoria Place, EcoResidence, Mwongozo, Kigamboni Mchikichi, 274 Chato, Medeli, Levolosi, Shangani, Rahaleo, Meru Residential and Rahaleo Complex.¹⁴

The country is further developing a new housing policy which intends to review the real estate regulatory environment, the National Human Settlements Development Policy of 2000 and the Land Use Planning Act No. 6 of 2007. Further government initiatives are in the medium-term plan 2017-2021, which includes plans to establish and capacitate housing cooperatives, prepare housing standards and guidelines, establish a housing information centre, create public awareness about the construction of decent and affordable houses, promote appropriate technology for affordable housing, regularise 1.2 million houses in unplanned settlements, and to prepare 20 Master Plans.¹⁵

⁷ Gardner, D, Lockwood, K., and Pienaar, J. (2020). Tanzania's housing construction and housing rental activities. <http://housingfinanceafrica.org/app/uploads/CAHF-TANZANIA-HEVC-HCB.pdf>

⁸ United Republic of Tanzania (2000). National Human Settlements Development Policy. January 2000. <http://www.tzonline.org/pdf/nationalhumansettlements.pdf> (Accessed 17 August 2020). Pgs. 21-22

⁹ Ministry of Lands, Housing and Human Settlement. Departments. <https://www.lands.go.tz/pages/departments> (Accessed 18 August 2020).

¹⁰ National Housing Corporation (1990). The National Housing Corporation Act. <https://www.lands.go.tz/uploads/documents/en/1456465292-The%20National%20Housing%20Corporation%20Act.%20Cap%20295.pdf> (Accessed 8 August 2020). Pgs. 4-5.

¹¹ National Housing Corporation. Payment Options. <https://www.nhc.co.tz/#> (Accessed 9 September 2020).

¹² Ministry of Finance and Planning (2016). National Five Year Development Plan 2016/17-2020/21. https://mof.go.tz/mofdocs/msemaji/Five%202016_17_2020_21.pdf (Accessed 31 August 2020). Pgs. 188-191.

¹³ Ministry of Lands, Housing and Human Settlement. About Us – Functions. <https://www.lands.go.tz/> (Accessed 8 August 2020).

¹⁴ National Housing Corporation. Projects. <http://www.nhc.co.tz/en/nhcprojects> (Accessed 10 August 2020).

¹⁵ Ministry of Finance and Planning (2018). Implementation Strategy for the National Five-Year Development Plan 2016/17 – 2020/21. <http://extwprlegs1.fao.org/docs/pdf/tan166449.pdf> (Accessed 11 August 2020). Pg. 223.

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The Tanzania Housing Finance Project (HFP) (2010-2019), through which the TMRC was established, has been fundamental in providing liquidity to the mortgage market, and subsequently expanding access to adequate and affordable housing. This project has made commercial mortgage terms more favourable, and leveraged microfinance institutions to increase the availability of specialised loan products – expanding Tanzania’s housing finance market overall.¹⁶

4 Macro-economic context

Tanzania is an East African country that borders on the Indian Ocean. Forty-seven percent of Tanzania’s population is estimated to be living below the national poverty line (**Table 1**). The country ranks 163 globally, in the United Nations Development Programme’s Human Development Index¹⁷ with a score of approximately 0.53, putting Tanzania in the low human development group. In 2019, the unemployment level was reported to be 2.2 percent of the labour force.¹⁸ The economy of Tanzania was TSh145.34 trillion (US\$63.1 billion) in 2019, having grown by 5.8 percent, and this translated into a gross domestic product (GDP) per capita of approximately TSh2.6 million (US\$1 122).¹⁹ This growth was mainly attributed to growth in the construction sector together with agriculture, mining and quarrying, and transport activities.²⁰ The inflation rate has improved over the last five years, from 5.6 percent in 2015 to approximately 3.46 percent in 2019, which has increased purchasing power by making commodities relatively affordable. Income levels are moderately distributed among the population, given a Gini coefficient of 40.5 in 2017.²¹ The country’s ease of doing business rank improved from 144 in 2018 to 141 in 2020.²²

Table 1: Enabling and economic environment related indicators

Indicator	Value	Year	Source
Enabling Environment			
Human development index (HDI) country ranking: Global	163/189	2020	UNDP
Ease of doing business index rank: Global	141/190	2020	World Bank
Corruption perceptions index rank: Global	94/180	2020	Transparency International
Economic Environment			
Yield on 2-year government bonds	8%	2020	Bank of Tanzania
Yield on 10-year government bonds	12.9%	2020	Bank of Tanzania
US\$ exchange rate (1 US\$ = x LCU)	2 318.11	2020	Xe currency convertor
PPP conversion factor	774.74	2020	World Bank
GDP per capita in current local currency units	TSh2 600 919	2020	World Bank
GDP growth rate	5.8%	2019	World Bank
Unemployment rate	2.2%	2019	World Bank
Inflation rate (CPI)	3.46%	2020	World Bank
Percent of total population below national poverty line	46.5%	2020	World Bank
Gini coefficient index	40.5%	2017	World Bank

¹⁶ World Bank (2020). Making Housing Affordable and Accessible with Market-based Solutions: Innovative Financing to Address Housing in Tanzania. <https://www.worldbank.org/en/results/2020/12/14/making-housing-affordable-and-accessible-with-market-based-solutions-innovative-financing-to-address-housing-in-tanzania> (Accessed 29 January 2020).

¹⁷ United Nations Development Programme (2020). Human Development Indicators: Republic of Tanzania. <http://hdr.undp.org/en/countries/profiles/TZA#> (Accessed 12 March 2021).

¹⁸ World Bank (2019). Data. Unemployment, total (% of total labour force) (modelled ILO estimate) – Tanzania. <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=TZ> (Accessed 17 September 2020).

¹⁹ World Bank (2019). Data. GDP (current US\$) – Tanzania. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TZ> (Accessed 10 August 2020).

²⁰ Bank of Tanzania (July 2020). Monetary Policy Committee Statement. <https://www.bot.go.tz/Adverts/PressRelease/en/2020072815244301.pdf> (Accessed 20 August 2020). Pg. 1

²¹ Trading Economics. Tanzania - Gini Index. <https://tradingeconomics.com/tanzania/gini-index-wb-data.html> (Accessed 7 October 2020).

²² World Bank (2020). Doing Business 2020. <https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf> (Accessed 19 August 2020) Pg. 4

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Tanzania's growth trajectory is now being challenged by the impact of the COVID-19 pandemic. The first case of COVID-19 was reported on 16 March 2020, and by May there were 509 reported cases, 183 recoveries and 21 deaths.²³ Tanzania's response to COVID-19 included closing education institutions, sporting events and public meetings. However, Tanzania did not order a lockdown; establishments continued doing business, with containment measures in place that included observing basic preventive measures such as social distancing, wearing a mask, handwashing and sanitising. The government imposed mandatory self-quarantine for travellers from risk areas, banned travel by government officials, and limited travel by citizens to other countries.

Some sectors, such as tourism and hospitality, air transport and international trade were affected. In the housing sector, a moratorium on evictions was put in place and the government further responded to the impact COVID-19 had on informal settlements through public awareness campaigns.

In response to COVID-19, the government of Tanzania, through the Bank of Tanzania (BOT), authorised commercial banks to renegotiate loans with customers. This could include increasing repayment periods and reducing instalment amounts. The BOT also reduced the commercial bank minimum reserve requirement ratio from eight percent to six percent and the discount rate from seven percent to five percent, and increased the amounts allowed to be transacted on mobile money wallets. The daily mobile wallet transaction limit to customers was expanded from TSH3 million (US\$1 294) to TSh5 million (US\$2 156) and the daily balance from TSh5 million (US\$2 156) to TSh10 million (US\$4 313). The financial risks that the banking market was exposed to due to the pandemic included loan rescheduling, increases in bad debts and reduced demand for loans.

**FORTY-SEVEN PERCENT OF
TANZANIA'S POPULATION IS
ESTIMATED TO BE LIVING
BELOW THE NATIONAL
POVERTY LINE**

²³ African Development Bank (2020). African Economic Outlook 2020: Supplement amid COVID-19. July 2020, <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement> (Accessed 9 September 2020). Pg. 103. August 2020) Pg. 4

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5 Demographic context

Tanzania's population was estimated at 58 million in 2019 (a three percent growth).²⁴ Approximately 34.5 percent of the population live in urban areas and 65.5 percent live in rural areas. Over 40 percent of the population in urban areas live in informal settlements, which are often associated with poor basic amenities. Tanzania has a population growth and urbanisation rate of 2.9 and 5 percent, respectively (**Table 2**).

Dar es Salaam is Tanzania's largest city and the second fastest growing city, in terms of population size globally. With a population of 6.7 million, the city accounts for approximately 30 percent of Tanzania's urban population. However, urban population growth is happening in Tanzania's secondary cities as well, including Mwanza (1.1 million), Mbeya (566 000), Arusha (493 000) and Dodoma (411 000).²⁵ Given the relocation of the national capital and administrative functions to Dodoma, the city is poised for accelerated growth. In the decade ahead, rapid urbanisation will continue to put pressure on the need to adequately meet surging demand for affordable housing and basic services across Tanzania's cities, which has now been exacerbated by the COVID-19 pandemic.

Table 2: Demand-related indicators

Indicators	Value	Year	Source
Population size	58 005 463	2019	Bank of Tanzania
Population size – Dar es Salaam	6 701 650	2020	World Population Review
Population growth rate	2.95%	2019	Bank of Tanzania
Urbanisation rate	5.07%	2019	Bank of Tanzania
Total number of households	12 302 927	2019	C-GIDD
Number of urban households	1 747 921	2019	C-GIDD
Average urban household size	4.2	2019	National Bureau of Statistics
Average urban household size for Bottom 40	5.82	2015	Demographic & Health Survey

Access to affordable and adequate housing shows disparities among households, by dwelling location and gender. The average household size in Tanzania is 4.6 persons, but male-headed households are bigger in size (4.9) compared to female-headed households (3.9). Rural households tend to have a larger average household size (4.9) than urban households (4.2).²⁶

²⁴ World Bank (2019). Data. Population, total – Tanzania. <https://data.worldbank.org/indicator/%20SP.POP.TOTL%20?locations=TZ> (Accessed 10 August 2020).

²⁵ World Population Review (2020). Population estimates from UN World Urbanisation Prospects. <https://worldpopulationreview.com/world-cities/>. Estimates for Dodoma are missing in the database - the figure is cited from Msuya, I., Moshi, I & Levira, F. (2020). Dodoma: building a sustainable city to meet neighbourhood demands. Centre for Sustainable Cities. http://www.centreforsustainablecities.ac.uk/wp-content/uploads/2020/10/SHLC_Research_Summary_12_DODOMA.pdf (Accessed 15 March 2021).

²⁶ National Bureau of Statistics (2019). Household budget survey 2017/2018. https://www.nbs.go.tz/nbs/takwimu/hbs/2017_18_HBS_Key_Indicators_Report_Engl.pdf (Accessed 4 August 2020), Pg. 16.

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6 Land & infrastructure

All land in Tanzania is public land whether granted, customary or unoccupied. Tanzania has a central lands title deeds registry, but the level of automation is low. The country is in the process of implementing an integrated land management information system to support digitised land tenure and title system. Tanzania registered and issued titles to 47 948 parcels of land in 2019 compared to 31 254 in 2015, 33 257 in 2016, 21 743 in 2017 and 41 522 in 2018. There are over 722 000 properties with a title deed in Tanzania and the regulated minimum size of a residential plot in urban areas is 505m² (**Table 3**).

According to a 2019 report by the National Bureau of Statistics, approximately 64 percent of the population believe that their properties are tenure secure; however, security levels on ownership and use of property remain low among renters, at 37 percent.²⁷ Tanzania scores low (7.5) in the World Bank's quality of land administration index which measures reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The National Land Policy of 1997 is under review to provide more impetus in addressing land disputes, surveying and mapping, titling of land, security of land tenure, payment of compensation for land acquired by the state, promoting investment, and ensuring equitable access to land.

Table 3: Land assembly, title and infrastructure-related indicators

Indicator	Value	Year	Source
Land assembly			
Regulated minimum size of a residential plot in urban areas (square metres)	505	2020	CAHF
Land title			
Total number of residential properties with a title deed	722 346	2017	National Bureau of Statistics
World Bank DBI Quality of land administration index score (0-30)	7.5	2020	World Bank
Land infrastructure			
Transport as a percent of household expenditure	12.5%	2019	National Bureau of Statistics
Percent of total households without access to basic drinking water services	47%	2017	Demographic & Health Survey
Percent of urban Bottom 40 households without access to basic drinking water services	44%	2017	Demographic & Health Survey
Percent of total households without access to basic sanitation services	57%	2017	Demographic & Health Survey
Percent of urban Bottom 40 households without access to basic sanitation services	37%	2017	Demographic & Health Survey
Percent of total households without access to basic electricity	77%	2017	Demographic & Health Survey
Percent of urban Bottom 40 households without access to basic electricity	100%	2017	World Bank

Almost half of the population were living in households without access to drinking water services and 57 percent without access to basic sanitation services in 2017 (**Table 3**). For the bottom 40 percent of the urban population, 44 percent were living in households without access to basic drinking water services, and 37 percent without access to basic sanitation services. All of the urban bottom 40 population had no access to electricity. When comparing urban and rural Tanzania, the lack of access to basic amenities is more pronounced for rural households. Access to basic infrastructure is limited and poor households, in particular, experience significant barriers in accessing essential services. Other key amenities such as urban transport services and dwelling location affect mobility, accessibility and result in trade-offs in housing expenditure, which varies by income. Approximately thirteen percent of household budgets are spent on transport.

²⁷ National Bureau of Statistics (2019). Tanzania in Figures 2019. https://www.nbs.go.tz/nbs/takwimu/references/Tanzania_in_Figures_2019.pdf (Accessed 1 August 2020). Pg. 76.

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7 Housing construction & investment

In 2018, an estimated 40 percent of Tanzania's urban population were reported to be living in slums (**Table 4**). The use of modern materials for construction increased over the 1991-2018 period. Households with modern walling increased from 16 percent to 79 percent, households with modern flooring from 21 percent to 51 percent, and households with modern roofing from 35 percent to 64 percent. Dwellings in urban areas appear to be in better condition than in rural areas, as 70 percent of households in rural areas had improved walls compared to 94 percent in urban areas, while only 77 percent of households in rural areas had improved roofs compared to 98 percent in the urban areas. Only 32 percent of rural households had improved floors compared to 85 percent in urban areas.²⁸

Tanzania has 138 registered private developers/ contractors. Data on the total number of formal dwellings in the country is not readily available, but annual registration, which is reported, can help if all years are compiled. However, the total number of formal residential dwellings was estimated to be 4.8 million in 2017 (**Table 4**). The number of dwellings completed annually is also not readily available, but in 2019, 26 408 formal units are reported to have been built. The NHC constructed approximately 1 459 houses in 2019.²⁹

Table 4: Housing construction and investment-related indicators

Indicator	Value	Year	Source
Percent of urban population living in slums, informal settlements or inadequate dwellings	40.1%	2018	World Bank; UN-HABITAT
Number of households living in dwellings built using durable building materials (walls and roof)	4 892 212	2017	National Bureau of Statistics
Number of people per sleeping room in formal urban dwellings	2.28	2017	Demographic & Health Survey
Number of people per sleeping room in informal urban dwellings	2.45	2017	Demographic & Health Survey
Number of people in Bottom 40 per sleeping room, in formal urban dwellings	2.31	2017	Demographic & Health Survey
Number of people in Bottom 40 per sleeping room, in informal urban dwellings	2.68	2017	Demographic & Health Survey
Cost of standard 50kg bag of cement (local currency units)	Tsh14 000	2020	National Construction Council

The cost of a standard 50kg bag of cement has remained steady in the last year, at approximately TSh14 000 (US\$6) (**Table 4**). This is compared to Uganda (US\$7.50), Kenya (US\$5.45), Nigeria (US\$5.83) and Mozambique (US\$6.42). However, in Tanzania, this cost varies across and within urban areas. The average cost of labour is approximately TSh20 000 (US\$9) a day, but this also varies across levels of skill and type of profession. Although construction is a key driver of economic growth in Tanzania, evidence indicates that construction related inputs significantly affect the cost of production, and housing affordability. This is despite significant demand for low cost housing and a growing housing deficit. The NHC is lobbying for value-added tax (VAT) exemptions and a subsidy on construction materials and plots, which will enhance the affordability of properties.

²⁸ National Bureau of Statistics (2019). Household budget survey 2017/2018. https://www.nbs.go.tz/nbs/takwimu/hbs/2017_18_HBS_Key_Indicators_Report_Engl.pdf (Accessed 4 August 2020), Pgs. 17-19.

²⁹ Wizara ya Fedha na Mipango (2020). Hali ya Uchumi wa Taifa Katika Mwaka wa 2019. <https://www.mof.go.tz/docs/KITABU%20CHA%20HALI%20YA%20UCHUMI%20WA%20TAIFA%20MWAKA%202019.pdf> (Accessed 2 August 2020). Pg. 207.

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8 Sales, transfer & rental

8.1 End user financing

The banking sector is regulated by the central bank, the Bank of Tanzania. The banking system comprises 37 commercial banks, two development finance institutions, three financial leasing companies, two regional town municipal banks outside regional capitals, three microfinance banks, one mortgage refinancing company, one non-bank institution, one housing finance company and one regional town council.³⁰ COVID-19 slowed down bank activities as banks remained uncertain about lending to retail and small and medium-size enterprises. Banks reported a reduction in profits as interest and non-interest incomes declined.³¹

Housing finance in the country ranges from mortgages to personal loans, which are not specified by borrowers. The proportion of the adult population that borrowed formally was only 12 percent in 2017 (**Table 5**). Use of banking services by the population is low, with only 12.3 percent of households having at least one member with a bank account.³² Only 6.1 percent of rural households had at least one member who had a bank account, compared to urban households which had 23.8 percent, according to a National Bureau of Statistics (NBS) survey conducted in 2017/18. Gender demographics show that males had greater access to banking services than their female counterparts, with at least 13.5 percent of households headed by males with a bank account compared to only 9.4 percent among female-headed households. This suggests low levels of financial inclusion in Tanzania.

Tanzania has the largest mobile money market on the continent and mobile money platforms have enabled greater financial inclusion over the years. In 2019, mobile money transactions were worth US\$57 billion, with 29.1 million mobile users. Some of the key players in this market include M-Pesa, Tigo Pesa and Airtel Money, with market shares of 39 percent, 30 percent and 20 percent, respectively.³³ On a daily basis, mobile users transact more than US\$43.1 million through the M-Pesa platform.³⁴ Mobile money technologies have evolved to allow access to a range of financial services including saving, money transfers, payments and microloans.

³⁰ Bank of Tanzania. List of Licensed Institutions. <https://www.bot.go.tz/BankSupervision/Institutions> (Accessed 10 August 2020).

³¹ The East Africa. COVID-19 shock dims earnings prospects for EA banks for 2020. 7 June 2020. <https://www.theeastafrican.co.ke/tea/business/covid-19-shock-dims-earnings-prospects-for-ea-banks-for-2020-1442854> (Accessed 15 August 2020).

³² National Bureau of Statistics (2019). Household Budget Survey 2017/2018. https://www.nbs.go.tz/nbs/takwimu/hbs/2017_18_HBS_Key_Indicators_Report_Engl.pdf (Accessed 11 July 2020). Pgs. 25-26.

³³ Tanzania Invest (2020). Mobile Money. <https://www.tanzaniainvest.com/mobile-money> (Accessed 12 March 2020).

³⁴ Intelligent CIO (2020). Vodacom M-Pesa customers to reap US\$1.5 million as interest from mobile money transactions. [https://www.intelligentcio.com/africa/2020/09/13/vodacom-m-pesa-customers-to-reap-us-1-5-million-as-interest-from-mobile-money-transactions/#:~:text=Vodacom%20Tanzania%20PLC%20has%20over,Regulatory%20Authority%20\(TCRA\)%20figures.](https://www.intelligentcio.com/africa/2020/09/13/vodacom-m-pesa-customers-to-reap-us-1-5-million-as-interest-from-mobile-money-transactions/#:~:text=Vodacom%20Tanzania%20PLC%20has%20over,Regulatory%20Authority%20(TCRA)%20figures.) (Accessed 12 March 2020).

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The mortgage market in 2020 recorded a 6 percent annual growth in the value of mortgage loans outstanding, when compared to 2019. Between 2019 and 2020 the number of banks offering mortgages increased to 32³⁵ from 31, and five lenders dominated the mortgage market, with a 69 percent share.³⁶ The number of outstanding mortgages grew to 5 460 from 4 996. The monetary value of the outstanding mortgages amounted to TSh464 billion (US\$200 million) (**Table 5**) in 2020 from TSh438 billion (US\$190 million) in 2019, and these were offered on an interest rate range of 15 percent to 19 percent. However, the average value of mortgages dropped from TSh80.3 million (US\$35 000) to TSh78.5 million (US\$34 000), which is attributable to the rise in the number of mortgages.³⁷ The long term financing provided through the Tanzania HFP has also been instrumental in encouraging banks to move down market, increasing the availability of smaller mortgage loans.³⁸ Overall, mortgages only contributed 0.3 percent to GDP in 2020. The main funding for mortgages are customer deposits and concession loans from the Tanzania Mortgage Refinancing Company.³⁹ Borrowers of mortgages are required to pay a down payment, which is typically 10 percent of the value of the house to be constructed or bought.⁴⁰ The typical mortgage term is 20 years with some banks offering shorter or longer payment periods, between 10 years⁴¹ and 25 years.⁴² The lending rate was 16 percent on average, with banks generally requiring 15 percent to 19 percent.⁴³ Housing financing by non-banking institutions is associated with four active registered housing cooperatives in 2018, whose members' shares amounted to TSh890 million (US\$384 000).⁴⁴

Overall bank lending to the private sector increased by 11.1 percent in 2019 compared to 4.9 percent in 2018, and this was attributed to increased demand in trade, building and construction, real estate, agriculture and personal activities.⁴⁵ The cumulative share of the building, construction and real estate sectors in the loans advanced increased from 8.1 percent to 10.9 percent over the same period.⁴⁶ Non-performing loans in the banking sector declined from 10.5 percent to 9.6 percent due to a decrease in doubtful and loss loans, with both remaining below four percent. The share of the real estate sector in access to credit decreased from four percent to three percent. Similarly, the real estate sector's share in non-performing loans decreased from approximately 17 percent to eight percent between 2018 and 2019.⁴⁷

³⁵ The number of mortgage lenders declined from 2019, due to the merger of Mwanga Community Bank, Hakika Microfinance Bank and EFC Microfinance Bank.

³⁶ Tanzania Mortgage Refinancing Company (2020). Tanzania Mortgage Market Update – 31 December 2020. <https://ardenkitomaritz.blogspot.com/2021/03/tanzania-mortgage-market-update-as-at.html> (Accessed 15 March 2021).

³⁷ Bank of Tanzania and Tanzania Mortgage Refinancing Company (2019). Tanzania Mortgage Market Update – 31st December 2019. <https://www.bot.go.tz/Adverts/PressRelease/en/20200610213039157.pdf> (Accessed 2 August 2020). Pg. 1.

³⁸ See World Bank (2020). Making housing affordable and accessible with market-based solutions: Innovative financing to address housing in Tanzania. <https://www.worldbank.org/en/results/2020/12/14/making-housing-affordable-and-accessible-with-market-based-solutions-innovative-financing-to-address-housing-in-tanzania>

³⁹ Tanzania Mortgage Refinancing Company. Funding and Pricing. <https://www.tmr.co.tz/services/category/funding-and-pricing> (Accessed 18 August 2020).

⁴⁰ CRDB Bank. Jijenge Loan. <https://crdbbank.co.tz/jijenge-loan/> (Accessed 18 August 2020).

⁴¹ Equity Bank Diaspora Mortgage/Construction Loan. <https://tz.equitybankgroup.com/diaspora-loans/> (Accessed 18 August 2020).

⁴² Azania Bank. Azania Wakala. <https://azaniabank.co.tz/index.php#> (Accessed 22 August 2020).

⁴³ Bank of Tanzania and Tanzania Mortgage Refinancing Company (2019). Tanzania Mortgage Market Update – 31st December 2019. <https://www.bot.go.tz/Adverts/PressRelease/en/20200610213039157.pdf> (Accessed 2 August 2020). Pg. 1.

⁴⁴ Tanzania Cooperative Development Commission (2018). Statistics by Region and Cooperative Type as of December 31, 2018. <https://www.ushirika.go.tz/statistics/category/registered-saccos> (Accessed 1 September 2020).

⁴⁵ Bank of Tanzania (2019). Financial Sector Stability Report. <https://www.bot.go.tz/Publications/Regular/Financial%20Stability/en/202006092200589821.pdf> (Accessed 10 August 2020). Pg. 17.

⁴⁶ Bank of Tanzania (2019). Financial Sector Supervision Annual Report 2019. <https://www.bot.go.tz/Publications/Other/Banking%20Supervision%20Annual%20Reports/en/2020082419582493.pdf> (Accessed 2 August 2020). Pgs. 11-12.

⁴⁷ Bank of Tanzania (2019). Financial Sector Stability Report. <https://www.bot.go.tz/Publications/Regular/Financial%20Stability/en/202006092200589821.pdf> (Accessed 2 August 2020). Pg. 18.

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Table 5: Sales, transfer and rental-related indicators

Indicator	Value	Year	Source
Finance			
Proportion of adult population that borrowed formally	12%	2017	FSDT
Number of mortgage providers	32	2020	Bank of Tanzania
Number of mortgages outstanding	5 460	2020	Bank of Tanzania
Value of residential mortgages outstanding to GDP	0.3%	2020	Bank of Tanzania; TMRC, National Bureau of Statistics
Value of residential mortgages outstanding (local currency units)	TSh464 billion	2020	Bank of Tanzania
Highest LTV on a residential mortgage	90%	2019	CRDB Bank
Maximum residential mortgage term	25	2019	Equity Bank Group
Prevailing residential mortgage rate	15%	2020	CRDB Bank
Affordability			
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units)	Tsh180 million	2019	Ministry of Finance and Planning
Percent of households that can afford the cheapest, newly built house	2.67%	2019	CAHF; C-GIDD
Maximum house price affordable to urban bottom 40 households	TSh9 787 265	2018	Bank of Tanzania and Tanzania Mortgage Refinance Company Limited; CAHF; CRDB Bank; C-GIDD
Ownership			
Percent of total households that own their dwelling	11%	2017	National Bureau of Statistics
Percent of urban Bottom 40 households that own their dwelling	82%	2017	National Bureau of Statistics
Rental			
Typical urban rental price for cheapest newly built dwelling by a formal developer or contractor in an urban area (local currency units)	TSh300 000	2019	Ministry of Finance and Planning

The price of the cheapest newly built house is TSh180 million (US\$78 000) (Table 5) and would be a one-bedroom house.⁴⁸ Only 2.7% of urban households could afford the cheapest newly built house, while this house would be unaffordable to all bottom 40 urban households. The typical monthly rental in an urban area for the cheapest newly built house is approximately TSh300 000 (US\$130). The urban bottom 40 percent of Tanzania's population would only afford less than half of the typical monthly rental – TSh144 200 (US\$62.2), and a maximum house price of approximately TSh9.7 million (US\$4 222) based on currently available housing finance products.

The financial sector is regulated and developed by various policies including the Banking and Financial Institutions Act 2006, the Mortgage Refinance Company Regulations 2011 and the Microfinance Act 2018. A new impetus for finance sector legislation relevant to the housing sector can be traced to the Mortgage Finance Company Regulations, 2011 and 2015. Some recent policy developments seeking to promote industry discipline, stability, access and development include the Microfinance Community Microfinance Groups Regulations 2019, the Microfinance Savings and Credit Cooperative Societies Regulations 2019, and the Microfinance (Non-Deposit Taking Microfinance Service Providers) Regulations 2019.

⁴⁸ Zoom Tanzania. Houses for sale in Tanzania. <https://www.zoomtanzania.com/houses-for-sale/house-for-sale-at-mikocheni-1702634> (Accessed 5 August 2020).

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8.2 Property markets

A small proportion (11 percent) of Uganda's population own their dwellings. For the urban bottom 40, a significant percentage (82 percent) own their dwellings (**Table 5**).

The real estate sector grew by 4.5 percent in 2019 compared to 4.4 percent in 2018.⁴⁹ The sector faces various key housing issues including containing the pressure of rapid urbanisation, which has increased the demand for housing and led to a housing deficit due to inelastic housing supply. This has been exacerbated by outdated master plans, unplanned settlements, land conflicts, poor infrastructure limiting mobility, and poor supply of housing amenities such as water, sanitation and energy services.⁵⁰ Some of the key industry bodies for developers are the Association of Citizen Contractors Tanzania and the Association of Real Estate Professionals in Tanzania, which was the Tanzania Institution of Valuers and Estate Agents until 2019.

Property markets in urban areas are dominated by the private sector, which has a market share of over 75 percent. As mentioned, the government participates in property development mainly through the NHC or Tanzania Building Agency (TBA), especially in providing social housing, which may be considered risky by the private sector.

**ONLY 2.7% OF URBAN
HOUSEHOLDS COULD
AFFORD THE CHEAPEST
NEWLY BUILT HOUSE**

⁴⁹ Bank of Tanzania (2020). Monetary Policy Statement. 15 June 2020. <https://www.bot.go.tz/Publications/Regular/Monetary%20Policy%20Statement/en/2020061515311396.pdf> (Accessed 15 August 2020). Pg. 11.

⁵⁰ Ministry of Finance and Planning (2016). National Five-Year Development Plan 2016/17-2020/21. <https://www.tralac.org/images/docs/9910/tanzania-national-five-year-development-plan-2016-2021.pdf> (Accessed 3 August 2020). Pgs. 188-195

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9 Maintenance & management

Microfinance loans support the low income segment of the market, who construct, improve or renovate their homes incrementally. These loans can bridge the gap in housing finance, given limited access to the mortgage market by poorer households. In 2019, there were 460 microfinance loans (not limited to housing), valued at TSh240 million (US\$103 500) (Table 6). These loans were disbursed by two out of the five registered microfinance institutions⁵¹ (EFC Tanzania Microfinance Bank and Yetu Microfinance Bank). However, EFC, Hakika Microfinance Bank and Mwanga Community Bank have since merged.⁵² Tanzanian households spend 6 percent their household expenditure on home improvements.

Table 6: Maintenance and management-related indicators

Indicator	Value	Year	Source
Home improvements			
Improvements to dwellings as a percent of household expenditure	6%	2019	National Bureau of Statistics
Municipal management			
Percent of households without access to basic waste collection	88%	2017	National Bureau of Statistics
Percent of urban Bottom 40 households without access to basic waste collection	96%	2017	National Bureau of Statistics
Finance			
Number of microfinance providers	3	2020	Bank of Tanzania
Value of microfinance loans (local currency units)	TSh240 million	2019	Bank of Tanzania

MICROFINANCE LOANS SUPPORT THE LOW INCOME SEGMENT OF THE MARKET

⁵¹ Bank of Tanzania and Tanzania Mortgage Refinancing Company (2019). Tanzania Mortgage Market Update – 31st December 2019. <https://www.bot.go.tz/Adverts/PressRelease/en/20200610213039157.pdf> (Accessed 2 August 2020). Pg. 13,

⁵² Bank of Tanzania (2020). Public Notice: In Respect of Mwanga Community Bank Limited, EFC Microfinance Bank (Tanzania) Limited and Hakika Microfinance Bank Limited. <https://www.bot.go.tz/Adverts/PressRelease/en/2020082512424398.pdf>

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10 State of housing data

Data is collected by various government and non-government actors.

The National Bureau of Statistics and the BOT are the main sources of quality data on housing and housing finance. The data is published through printed media and not readily available for download online. The data includes household data, financial sector and mortgage market data, real estate development data, labour market data and macroeconomic data, among others.

The Tanzania Building Agency, the National Construction Commission, the National Housing Corporation, the Tanzania Investment Centre, the Ministry of Lands, the Tanzania Bankers Association and the Tanzania Mortgage Refinancing Company play key roles in data collection and management. They have different types of data and information that is important for housing and housing finance sector players.

There is, however, a need to enhance the range of data, especially the indicators that serve different sector players in the entire value chain as well as from the demand and supply sides, such as availability of data on costs, market demand and financing deficits.

Much of the data related to macro-economic and demographic infrastructure is produced for other purposes beyond the housing sector and is therefore readily available. There is nonetheless a significant gap in information on affordability, with limited data on household incomes.

The main quality concerns relating to sales, transfer, and rental indicators relate to the interpretability, representativeness, and accessibility of the data. Quality improvements will require sourcing more representative rental and house price data. The Association for Real Estate Professionals in Tanzania (AREPTA) and the BOT/TMRC mortgage market updates are potential avenues through which these gains can be realised. Private sector institutions such as Zoom Tanzania and housing developers (the NHC and WHC) are also key to the housing data ecosystem. There is also limited published data on the functioning and performance of the low- and middle-income residential markets. Quality improvements are also possible for indicators relating to house construction if the BOT and NBS enable a housing specific focus in their published loan and national accounts data, respectively.

In some instances, closing data gaps and improving data quality merely requires the dissemination of data that is already collected. In other cases, closing data gaps requires more detailed scoping and engagement with data curators to get a better understanding of the data landscape of certain market players. There are a number of opportunities to close key data gaps, improve access to data and enhance the quality of data that is provided in Tanzania. Targeting regulators, given their existing data collection role, to share data in the public domain would be a first and critical step in supporting a more comprehensive and investment-supportive housing data landscape.

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10.1 Policy & regulatory framework governing data for housing

There are ten key legislations and regulations that are relevant to Tanzania's housing data ecosystem. These legislations apply broadly to four groups of custodians and producers of housing data: (i) Government, (ii) Banks, funders and other lenders, (iii) Developers/ builders and (iv) Estate agent's sector.

For the public sector, the most relevant regulations from a data landscape perspective are the Statistics Act (2015), the Land Registration Act, and the Urban Planning Act (2007). The Statistics Act provides wide-reaching data collection and dissemination powers that can be leveraged to provide insights on both the supply and demand side of housing markets. The Land Registration Act establishes the Land Registry which contains detailed information on all registered land in Tanzania and provides for public access to this data. Finally, the Urban Planning Act establishes data banks relating to town planning and the dissemination of the information contained within.

The Bank of Tanzania Act (2006) and Tanzania Investment Centre Act (1997) are the most important for the housing data landscape for banks and funders. The provisions contained in these two legislations can be leveraged to provide insights on housing investment and financing activities at different levels of aggregation (e.g. national, regional, local).

The housing sector legislation most relevant to developers is the Contractors Registration Act (1997). This Act establishes a board to regulate contractors and provides for the development and maintenance of a nationally representative register of contractors that can be used to gauge the depth and capacity of the housing construction sector.

The Valuation and Valuers Registration Act (2016) regulates the estate agents' sector. It specifically regulates the valuation profession and practice in Tanzania and provides for the creation of a database covering all Government property transactions and a public register of valuers. The Ministry of Lands, Housing and Human Settlements Development is responsible for overseeing the implementation of this Act.

11 Looking forward

According to the Tanzania Investment Centre, there is an acute shortage of accommodation in urban and cosmopolitan areas, mainly due to the rapid growth of economic projects and population, which has increased demand for residential and commercial properties. The NHC, the TBA and other private firms require synergies that can support property development. Available opportunities include the development and management of housing estates, residential apartments, office buildings, conference and banquet facilities, shopping malls, hotels, and the provision of home financing.

Areas that need strengthening include housing finance and technological progress. In addition, there is potential for collaborating with the government to deliver social housing in informal settlements through slum upgrading programmes such as the Community Infrastructure Upgrading Programme.⁵³

⁵³ UN-Habitat, Dar es Salaam Local Authorities and Cities alliance (2010). Citywide Action Plan for Upgrading Unplanned and Unserviced Settlements in Dar es Salaam. <https://unhabitat.org/sites/default/files/download-manager-files/Citywide%20Action%20Plan%20for%20Upgrading%20Unplanned%20and%20Unserviced%20Settlements%20in%20Dar%20es%20Salaam.pdf> (Accessed 19 August 2020). Pgs. 55-68.

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Further reading:

Association of Real Estate Professional of Tanzania
<https://www.arepta.org/>

Association of Citizen Contractors Tanzania
<https://acct.co.tz/>

B.R Real Estate Developers Ltd <https://brrealestate.co.tz/>

Bank of Tanzania <https://www.bot.go.tz/>

CAHF Mortgage and Housing Affordability Dashboard
<http://housingfinanceafrica.org/documents/calculating-mortgage-and-housing-affordability-in-africa/> Comfort Zone Real Estate <https://comfortzonerealestate.co.tz/>

DHS Program
<https://dhsprogram.com/data/available-datasets.cfm>

Financial Sector Deepening Trust <https://www.fsd.or.tz/>

JR Real Estate Dealers Tanzania
<http://www.jrrealestatedealers.co.tz/>

Knight Frank Tanzania <https://www.knightfrank.co.tz/>

Kupatana <https://kupatana.com/>

Ministry of Finance and Planning <https://www.mof.go.tz/>

Ministry of Lands, Housing and Human Settlements Development <https://www.lands.go.tz/>

Mwanga Hakika Microfinance Bank Limited
<https://mhbbank.co.tz/>

My Dalali Real Estate <http://www.mydalali.co.tz/>

National Bureau of Statistics <https://www.nbs.go.tz/>

National Construction Council <https://www.ncc.go.tz/>

National Housing Corporation <https://www.nhc.co.tz/>

NMB Plc Tanzania <https://www.nmbbank.co.tz/>

Reall Data Dashboard – Market Shaping Indicators
<https://www.reall.net/dashboard/msi/>

Remax Tanzania <http://www.remax.co.tz/>

Seven Estate Agent <https://www.sevenestate.co.tz/>

Tanganyika Estate Agents <https://tzagents.com/>

Tanzania Bankers Association <https://tanzaniabankers.org/>

Tanzania Mortgage Refinance Company
<https://www.tmrc.co.tz/>

Tanzania National Bureau of Statistics
<https://www.nbs.go.tz/>

Zoom Tanzania <https://www.zoomtanzania.com/>

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