



# Tanzania Housing Market Analysis An Overview



## Presentation Outline



- A.** Context, Study Objectives and Methodology
- B.** Overall Market Characteristics
- C.** What's Not Working Well? Pointers for Reform
- D.** Taking Action: 2 Examples

## Context

- Study falls under Component 3 of Tanzania's Housing Finance Project, funded by the World Bank and implemented by the Bank of Tanzania

## Study Objectives

- Establish baseline indicators for the housing sector
- Identify market gaps
- Identify underlying constraints and areas for reform to support development of affordable housing

## Methodology

- 18 urban centers included in the study sample, representative of different regions in the country
- Detailed fieldwork in 6 of these, rapid field assessments in a second tier of 6 and a review of secondary material for another 6.

## Demand Side Characteristics

- The key drivers of demand: Urban housing backlog, new urban household formation, household income and household preferences (housing type, tenure, location etc).
- Backlog estimated at 1.4 million housing units (to replace poor quality dwellings and reduce overcrowding).
- Qualitative “deficits” as well, especially in relation to quality of services, security of housing tenure and locational preferences of households.
- The majority of households are not able to afford pre-built units: income from subletting, where strong rental markets exist, would substantially improve affordability.

## Supply Side Characteristics

### Housing Units

- Households are by far the main suppliers through incremental construction, typically self-managed over many years (Stop-Go) in step with availability of finance
- Formal channels (public e.g. National Housing Corporation, and private developers) account for only a tiny proportion
- Major gap in pre-built complete units for sale/re-sale

### Housing Finance

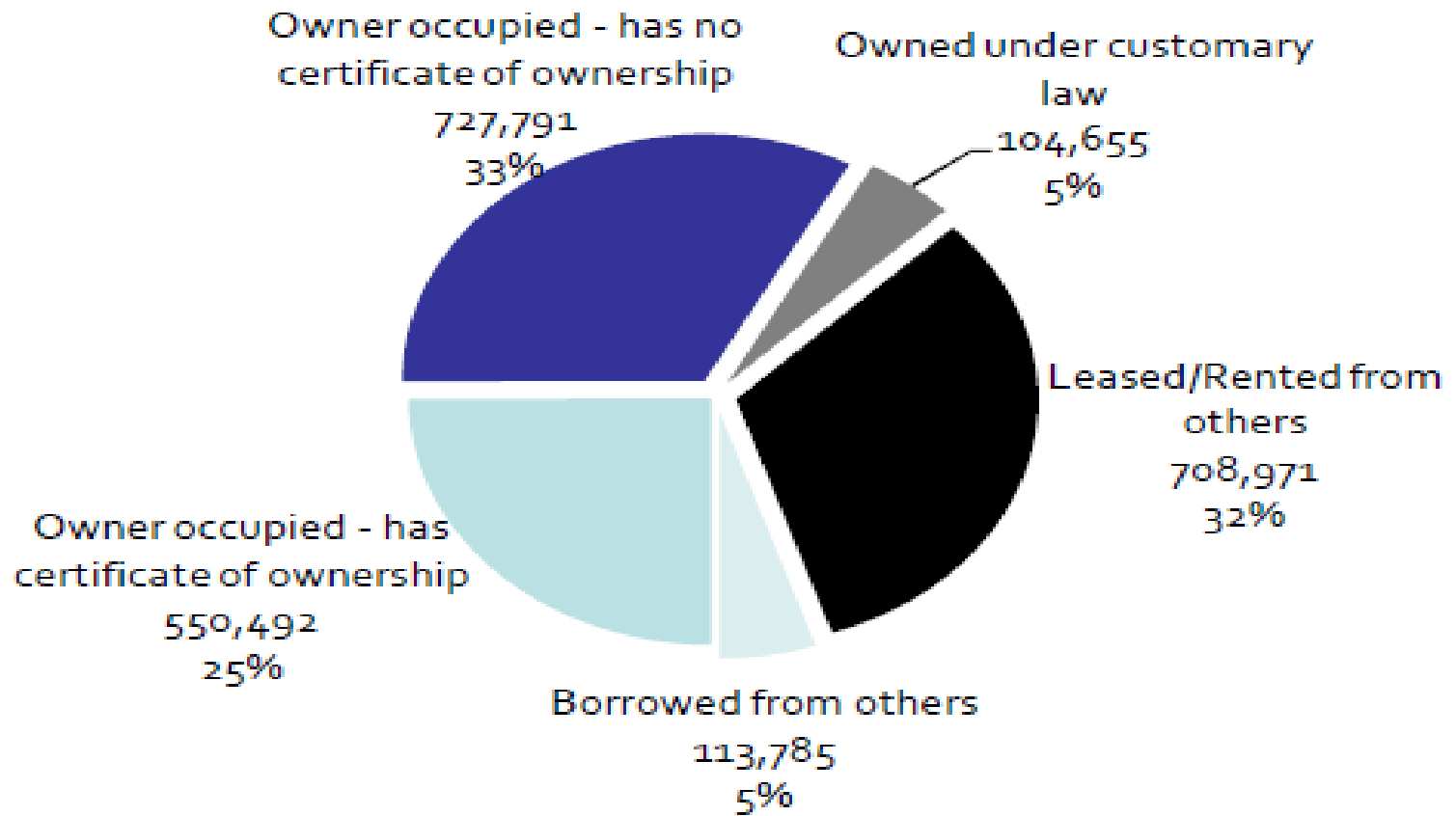
- The bulk of housing finance is supplied informally – only a small proportion of adult population (12.4%) is served by the formal financial sector (Finscope 2009)
- Housing microfinance and mortgage finance account for a tiny portfolio but substantial potential for growth

### Infrastructure Services (water, sanitation, solid waste)

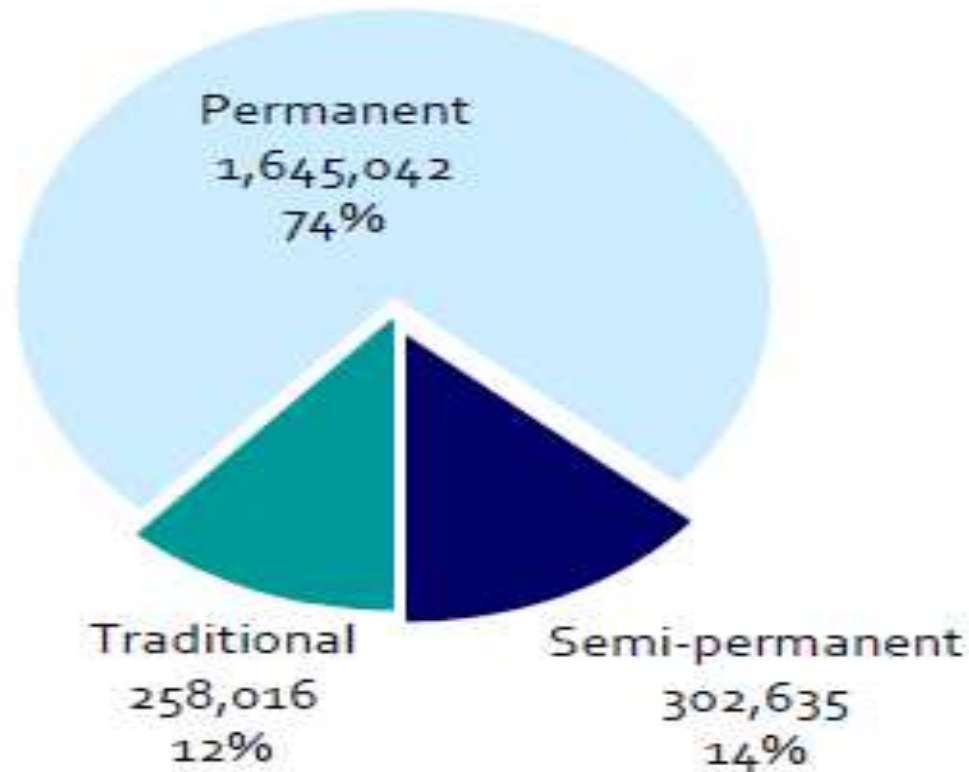
- Fieldwork showed urban households are the main providers of key onsite infrastructure services, especially sanitation;
- 2010 Demographic and Health Survey shows up to 79% of urban households use unimproved sanitation facilities (e.g. pit latrines);

## Attributes of Urban Housing Market: Land Tenure

(Finscope/FinMark Trust, 2009)



## Attributes of Urban Housing Market: Building Materials (Finscope/FinMark Trust, 2009)





## Pointers for Reform

### 1. Land and Infrastructure Services

- Infilling/densification of inner city locations has not been given adequate emphasis. The resulting urban sprawl gives rise to substantial disadvantages in the short and medium term:
  - High costs of supplying infrastructure to outlying areas.
  - High commuting costs for workers.
  - Weak rental markets in outlying city areas, thus reducing subletting income and the ability of low-income households to borrow and service loans.

## Isolated Greenfield Sites in Mwanza



## 2. Finance

- Access to finance severely limited for the majority because of low incomes, fear of not being able to repay, and poor financial literacy (2009 Finscope Survey).
- Supply side: institutions have limited market intelligence on housing micro-finance (tiny portfolio and asymmetric information between lender and borrower make risk assessment difficult), undermining market growth and scaling-up.
- In developer market, limited access to construction finance & term finance especially for rental housing

### 3. Low-Income Rental Housing Market

- Advance rents of up to 1 year required by landlords (to reduce their risks and transaction costs)
- This narrows access to housing especially for households at the bottom of the income pyramid
- Also reduces household mobility

## 1. Use Finance to Counter Urban Sprawl

- Integrate housing microfinance into upgrading projects (by Local Govts) to accelerate house building/improvements. Data show majority (62%) would use housing loans to build new houses instead of buying pre-built units (18%) (Finscope 2009)
- Investigate potential of fiscal instruments (e.g. taxation) to attract private capital for low-income housing in inner city areas – for ownership and rental.

## 2. Re-Engineer the National Housing Corporation

- Re-engineer NHC to give it a greater focus on servicing residential land in appropriate locations.
- Serviced land could then be leased to private developers (local, regional, international) to develop housing within parameters agreed with NHC.



## Next Steps



**Translate the Housing Market Analysis into an Action Plan**