

# Real estate development

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Since its inception in 1962 as the pioneer developer, the National Housing Corporation (NHC) has built more than 17,000 homes. But in recent years its role has diminished as other public and private sector developers have entered the market, with the Government entrusting the role of public housing development and management to the Tanzania Building Agency (TBA).

Since the collapse of the Tanzania Housing Bank (THB) in 1995, the housing sector has lacked a dedicated housing finance company. But initiatives are now underway to provide housing finance. Most housing stock in Tanzania is privately owned, and financed through personal savings. Figures for 2008 showed a population of 39 million (mn), with about 7.8 mn households. That year there was a 220,000 increase in households, which will have risen annually by 240,000 at the end of 2010. The urban population was estimated at 14.5 mn in 2008, with 2.6 mn households, and expected to grow to 16.2 mn and about 3 mn households by the end of 2010. New urban households constituted about 64 per cent (145,000) of all new households in 2008 and are projected to grow to about 68 per cent (160,000) in 2010.

In most economies housing investment is the largest form of fixed capital. In developing countries housing investment accounts for between 3 per cent and 8 per cent of GDP, and 15 per cent to 30 per cent of gross capital formation. But in Tanzania, housing investment constitutes about 2.7 per cent of GDP and just 6 per cent of gross capital formation. Rented apartments are a thriving business segment in the commercial heart of Dar es Salaam. Rents range from US\$700 to US\$1,000 for an unfurnished three-bedroomed property and US\$1,500 to US\$3,500 for a fully furnished equivalent.

Tanzania's housing market is characterised by a lack of mortgage finance, rapid urban population growth, and little development activity. The challenge in the housing market is compounded by unplanned settlement growth in urban areas and low supply of new housing. Other challenges faced by real estate developers include high financing costs, limited availability of funds, lack of workable PPP framework, lack of infrastructure such as roads and power, and red tape.

The mortgage market is estimated at US\$265 mn, and offers opportunities for early movers. Provision of mortgages would act as a catalyst for property developers to increase supply of housing, while formalisation of

unplanned settlements provides an opportunity for private developers to work with the government in public private partnership (PPPs).

In recent years, developers from the public sector such as the National Social Security Fund (NSSF) and the Parastatal Pensions Fund (PPF), as well as from the private sector, have emerged in the cities, but developers still avoid addressing the needs of low and middle-income groups. The Mortgage Finance Act and the Unit Title Act of 2008, will bring the change that has been so desired in the industry, enabling Tanzanians to access finance to buy property.

The government has responded to the real estate sector's problems by committing to improve infrastructure support to green field developments. Infrastructure and utilities providers now have a mandate to provide basic infrastructure, such as support-roads, power, and water to new developments. Through the Ministry of Lands, Housing and Human Settlement Development and the Tanzania Investment Centre, the Government of Tanzania has facilitated availability of suitable land. The government has also contributed to the master planning and development of virgin areas.

Economic reforms have transformed the banking industry, while contributing to the development of the real estate sector. Banks such as CRDB Bank PLC, Commercial Bank of Africa (CBA), and Stanbic Bank now provide mortgage and construction financing. MDL, a private developer, has brought a fresh approach to real estate development through its commitment to build sustainable communities. MDL spearheaded the establishment of community associations and the introduction of by-laws and regulations to govern residents in its developments. MDL's newly constructed projects, South Beach Residences (SBR) and Kisota Homes developments, are integrated into the Kigamboni New City master plan, and have raised expectations of world-class residential housing, offering a lifeline to the property market. SBR is symbolic of the upward shift in real estate, with over 110 residential units on a beachfront equipped with sport and leisure facilities, and 24-hour security services.

The first phase of Kisota Homes Development, close to completion, will consist of 56 houses, of which 85 per cent were acquired by a single investor; a sign of growing confidence. When completed, the project is expected to provide about 300 housing units. **F**