

# Affordable Housing in Africa – the Quandary of Financialization of Housing in Tanzania

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## SUMMARY

House production in Tanzania has been provided by individual house developers on incremental basis mainly from personal savings. This has accounted for nearly 95% of the current stock and almost 100% in rural areas (URT, 2016). Government's role in boosting house supply has been limited to providing planned and surveyed land as the most appropriate strategy on one hand and on the other developing options for adoption of cheaper and easily available local building materials through research and outreach programmes (URT, 2014). The role of the private sector in housing production beyond household level has been extremely limited on account of several factors. However, with the adoption and implementation of the Housing Finance Project of 2010, there has been substantial increase in large housing estate development schemes by the private sector as well as public corporations. While the emphasis throughout the years had been on development of affordable housing mainly targeting public employees, from 2007/8, the focus has shifted towards affordable and quality housing for all groups (Gardner, Lockwood, & Pienaar, 2020).

The nature of housing suppliers to the market has changed dramatically bringing in new actors such as commercial banks, new public companies like the Watumishi Housing Company, Tanzania Mortgage Refinancing Company, and a host of private large estate developers. As a result, unlike in the past three decades where the public sector mainly National Housing Corporation was adding on average 50 housing units in the market per annum, the combined annual housing stock by both the private and public companies jumped to 1,500 units during the last 5 years (Komu, 2016). Unfortunately, the role of local governments in influencing housing production and stimulating local housing market has remained passive. With limitation on planning new housing areas and providing the requisite infrastructure to facilitate housing development, the local governments have not contributed to new housing in their areas and in some cases have been blamed for bureaucratic delays in processing permits for new housing (URT, 2016).

Changes in the housing markets have revealed five key features (i) an accelerated and renewed research and policy discourses, (ii) increase in housing investment by private, public, and foreign developers (iii) introduction of varying housing typologies both in the rental and owner-occupier housing that, (iv) ushered buy-to-let arrangements by both domestic and international investors and (v) an emerging investor market.

The nature of housing studies in Tanzania and indeed elsewhere has changed with more focus placed on enhancing quality housing supply, addressing housing finance arrangements, debating on concepts of urban housing renewals, upgrading, slum clearance schemes and role of government in housing provision. An increasingly emerging housing theme is the adoption of the financialization discourse, the commodification of housing which liberates housing from the knuckles of being a welfare to a capital, a switch that is perceived to sustain investment in housing (Doling, 1999). Recent housing research and policy dialogues in Tanzania are being directed towards home loans which did not exist until 2011, condominiums (nay unit titles) and real estate investment trusts (REITS), generally embracing the financialization model which as observed by (Ergüven, 2020) is likely to result in liberalization of housing industry, increase capital inflows and opening up several facilities for the industry.

This paper is an attempt to evaluate options for enhancing housing supply in the context of a developing country such as Tanzania. It goes beyond assessing housing situation of an individual or the society beyond the point of explicit need to a predictable future for sustainable housing solution (Roseland, 2012). A housing career study was necessary to establish the evolution of efforts by individual homeowners and renters to cater for their changing housing needs over a time. Individual stories of their life housing stories provide a good insight on understanding housing needs for sustainable housing solution (May, 2010). The research is based on an earlier study Rental Housing Market in Tanzania (2019) funded by the Centre for Affordable Housing Finance in Africa.

The study identified four key constraints in housing supply (i) dearth lack of reliable and accurate data on housing market (ii) rigid land and planning laws and regulations (iii) housing delivery governance issues that included government bias towards homeownership and (iv) high cost of infrastructure. On the other hand, it established housing as an important investment with yields of between 7.4% and 9.6% depending on housing typology, new housing demand by immigrants, students and building middle income group. It was concluded that to promote housing supply in developing countries, there is a need to understand and explore potential of each of the housing sub-markets, easing planning standards and regulations, easing credit facilities, recognizing role of small landlords and at policy levels consider adapting and subsequently regulate operational norms of informal actors' actions.