Presented at the FIG Working Week 2019, April 22-26, 2019 in Hanoi, Vietnam

“Geospatial Information for a Smarter Life and Environmental Resilience”
Dilemma of Regulating Residential Real Estate Markets in Developing Countries - The Case of Tanzania

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SCOPE OF PRESENTATION

• An Overview of the Study
• Features of Residential Real Estate Markets in Developing Countries
  – High level of informality
  – Disparities in landlordism
• Need for regulating real estate/housing markets
• Study Methodology
• Findings
• Conclusions
Residential Real Estate Markets - Significance

- Massive wealth stored in Housing
  ~ 80% of total real estate in any country

- Unrealizable economic value chain in housing:
  - Investors and developers
  - Manufacturers of Building Materials
  - Intermediaries: Professionals - Consultants - design team
    - Agents - letting, managing and legal
  - Housing consumers: owners, renters
  - Government bodies

- Uniqueness of Real Estate
  - Heterogeneities
  - High level of informality

- Increased need for transparency in real estate and housing industry
Key Features of Real Estate Markets - Developing Countries

Amateur Landlordism

Key features

1. Type of Business
   - Subsistence:
     - Same housing unit with room lettings, backyard extension
   - Petty Bourgeois
     - Owns a second unit over same plot for leasing, shares compound
   - Petty Capitalist
     - Owns purposely built rental unit on a separate plot

2. Management
   - Letting may be with help of agents
   - L/L manages and collects rent
   - Overcrowded accommodation
Features of Housing Market Setup - Developing Countries

Professional Landlordism

Key Features

1. **Purposely developed for the market**
   - Public Housing Authorities
     - National and/or local authorities (government)
     - Parastatal organisations e.g. Pension Funds
   - Rent may be subsidized (less than rental market levels)
   - Rent Free – for targeted groups (social housing)
   - Private Business
     - Rent at Full Rental Market levels
   - Not for profit Entities
     - Social housing for targeted groups
     - Rented at subsidized /affordable levels

2. **Hired Housing Services**
   - Letting and management agents
   - Rent collection
Landlordism

Amateur Landlords
Do not hire rent collection agents

Subsistence
Shares dwelling with paying tenant

Petty-Bourgeois
Owns a second unit for renting within the same plot, sharing one compound with tenant(s)

Petty-Capitalist
Owns purposely-built dwelling units for renting in separate plots

Public Bodies
Govt, Corp, Local Govt
Housing rented at market rent (may be subsidized, less than market rents)
Social housing (rent-free units for those who cannot afford rent)

Private
Commercial rental units at full rental values

Not-for Profit Organisations
Social housing (for vulnerable and poor groups)
Housing Crisis – Indicators

- **Growing Population**
  - Natural Increase in Population
  - Progressive Urbanization
  - Urban Housing Problem (Shortages)
  - Planned and Unplanned Settlement

- **Changing Housing Needs**
  - Demographic Structure Changes
  - Household Sizes (Housing Career)
  - Growing Students Population and Needs

- **Unclear Positioning of Housing**
  - Housing as an after-thought agenda
  - Housing as a non-commercial good
Some basic housing facts about Tanzania

- Population - estimate close to 60m
- **Urban Population:** ~30% (19.2m)
  - Informal settlements (+ squatting on public space) ~ 70% (?)
  - Formal (planned but also with some informality) ~ 30%,
  - Titled land (mainly urban) ~ 800,000 throughout
- **Total residential units** ~ estimates 18m but some put it at 14m
- Housing expenditure accounts on average 31% in major towns
- Housing Finance
  - prior to 2010- NO formal housing finance arrangement
  - Post-2010: 3 mortgage financing institutions, current 31 Mortgage companies out of 58 commercial banks
  - **Number of mortgages** – June 2018: 4,209 valued at US $150m (not too bad!)
  - Lending rates- declining from >30% to <20% in 2018
  - Mortgage duration : extended from 5, -10 to 20 years in 2018
  - Secondary Mortgage financing introduced 2011 (TMRC)
  - **impressive growth rate of 6% during 2017-2018 (0.33% of GDP)**
Do we need to regulate real estate markets?

6 KEY REASONS

- Due to fixity factors of housing commodity
- Non-standardization of traded commodity
- Market is unorganized and lacks central control
- Short selling
- Poor adjustment of the housing supply and demand
- Legal description of buyers of real estate or land
How are residential market regulated?

Vast experiences around the globe, in some countries, strict laws on:

a) landlord-tenant relationship;
b) housing provision and;
c) enforcement of decent homes standards

UN Habital (2006) considers regulation in form of policies aimed at making

(1) housing HABITABLE, AFFORDABLE AND ACCESSIBLE including for those who are unable to secure adequate housing through their own means,

(2) Supporting community-based, cooperative and non-profit rental and owner occupied housing programmes.
Study Methodology

• Baseline Survey
  – Face-to-face interviews (1270 – 9 research assistants involved
  – Questionnaire (316 Received, return rate of 75%)

• Consultative Meetings
  – Ministry of Lands, Housing and Human Settlement Development on 9\textsuperscript{th} February 2018.
  – Tanzania Mortgage Refinancing Company at the TMRC Head office in Dar es Salaam on 17\textsuperscript{th} April 2018.
  – National Bureau of Statistics on 29\textsuperscript{th} May 2018

• Conference/Workshop Attendance
  – Several within Tanzania and abroad.

• International Best Practice Studies
  – Documentary Reviews
  – Visit to 3 countries (Kenya, South Africa and Singapore)

• Documentary Analysis
Design Study Methodology

Main Areas of Investigation

Identification and evaluation of current housing market information providers

Assessment of:
- reliability of current housing information
- Confidence levels about the information

Transparency of transactions information;

Existing legal and Institutional Frameworks;

Evaluation of information sharing protocols.
Issue 1 - Improved Data Management in Housing

Addressing Complexities
- Evolving Housing/Real Estate Problems
- Progressive Urbanization
  - Urban Housing Problem (Shortages)
- Planned and Unplanned Settlement
- Demographic Structure Changes

Informing Costs
- High Initial Cost of investment required
- Incidental Cost of ownership and transactions
- Implications on national economy (Macro-economics)

Legal and Institutional Frameworks
- Housing as a welfare commodity
- Managing externalities in consumption of housing
- Housing as a commercial good
**Issue 2: Establish Housing Data to inform on**

<table>
<thead>
<tr>
<th>Affordability problem- incapable poor:</th>
<th></th>
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<tbody>
<tr>
<td>low-income households (LIH) cannot afford the cost of housing</td>
<td></td>
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<tr>
<td>Many LIH CANNOT afford basic formal housing or access mortgage loans.</td>
<td></td>
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<tr>
<td>BUT, concept excludes informal income and housing sectors!</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Adequate housing for the poor:</th>
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<tbody>
<tr>
<td>Low investment by State towards affordable housing units</td>
<td></td>
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<tr>
<td>Mortgage Institutions not able to provide affordable home loans</td>
<td></td>
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<table>
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<tr>
<th>Expensive Cost of Building:</th>
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<tbody>
<tr>
<td>Cost of land is high, access limited</td>
<td></td>
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<tr>
<td>House Building Materials are expensive</td>
<td></td>
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<tr>
<td>Low but Expensive Technology</td>
<td></td>
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<tr>
<td>High Cost of Maintenance</td>
<td></td>
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<table>
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<tr>
<th>What is Affordability then?</th>
<th></th>
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<tbody>
<tr>
<td>No definite definition</td>
<td></td>
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<tr>
<td>What housing can the poor afford?</td>
<td></td>
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Issue No. 3: The Forgotten Housing Sub-Sectors - limited data

- Rental Housing
- Students Accommodation
  - Limited to those working in formal Employment
  - Education Investments detached from Boarding and Hostels
- Teachers Accommodation
  - No more plans for Primary and Secondary Schools
  - Limited students facilities overcrowded
  - Ad hoc Staff Housing Schemes in Tertiary Institutions Plans
- Medical and Nursing
  - Some efforts in some health facilities
  - Not Specified

Public Servants in Parastatals discriminated
## Key Findings

<table>
<thead>
<tr>
<th>Observations</th>
<th>Emerging Issues</th>
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<tbody>
<tr>
<td>Lack or inadequate lack of information for Policy makers</td>
<td>Team work in generating information and sharing within departments and units</td>
</tr>
<tr>
<td>Increased use of digital devices mobile phones subscribers on increase (~41m people); Gradual use of mobile apps</td>
<td>Potential for harnessing existing experiences to build capacity in recording and transfer housing information</td>
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<td>Several data sources with varying level of trusts:</td>
<td>Lack of monitoring regulatory mechanisms</td>
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<tr>
<td></td>
<td>Lack of storing and retrieval system.</td>
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<tr>
<td>Limited trust on most of the sources by all housing actors.</td>
<td>Need to improve housing information flow</td>
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### Key Findings - Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Score %</th>
<th>Rank</th>
</tr>
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<tbody>
<tr>
<td>Poor Coordination</td>
<td>64</td>
<td>1</td>
</tr>
<tr>
<td>Limited access to relevant information</td>
<td>42</td>
<td>2</td>
</tr>
<tr>
<td>Poor work organization</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>Professional Misconduct</td>
<td>27</td>
<td>9</td>
</tr>
<tr>
<td>Human Resources Constraints</td>
<td>25</td>
<td>8</td>
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<tr>
<td>Technological Constraints</td>
<td>19</td>
<td>6</td>
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<tr>
<td>Financial Constraints</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Corruption</td>
<td>11</td>
<td>4</td>
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Findings: Reliability Test on Notarized Housing Sales Data
Solving Challenges in Housing Data Management

1. To improve access to reliable attribute and spatial data
2. To enhance earnings from housing and real estate sectors
3. Profile, update and improve existing data
4. Guard against federalism

Policy on Quality Data

Reliable and Integrated Data

Data Registries update

Guidelines and Sharing Protocols

Enforcement and Evaluation
Solving Challenges in Housing Data Management

- Establish reliability checks
- Information System-track transactions
- Online public access
- Establish links amongst actors
- To solve for Expediency and Effectiveness

Digitization One-Stop Shop
Conclusions

Informal estate agents
- important focal point and an institution that could be targeted for integration to the formal real estate market information system
- most strategic and valuable source of data capture points and dissemination

But
Dilemma: how to develop the right customer protecting laws that are effective and enforceable against the high potential of unruly market information agents

Real estate developers and housing consumers
- Have important role to supply housing information to the market

But - dilemma
- Need to be coerced to participate
- Lack of policies to incorporate diaspora and home buyers in the market
Recommendations

Policy Intervention is necessary to
• redistribute and direct the limited societal resources towards meeting housing needs
• ensure balance between the two-housing tenure, home ownership and rental housing.
• address current and future aspirations of all actors including investors, developers and housing consumers

Recommendations

• nations to balance the level of intervention needed in making real estate markets more transparent and accessible to all actors.
• Cautionary measures should aim at ensuring customer protection, instill high level of ethics amongst those involved in the real estate market operations and processes and resolving disputes in real estate/housing transactions.