

FIG WORKING WEEK 2019

22-26 April, Hanoi, Vietnam

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

"Geospatial Information for a Smarter Life
and Environmental Resilience"



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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

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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**

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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

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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

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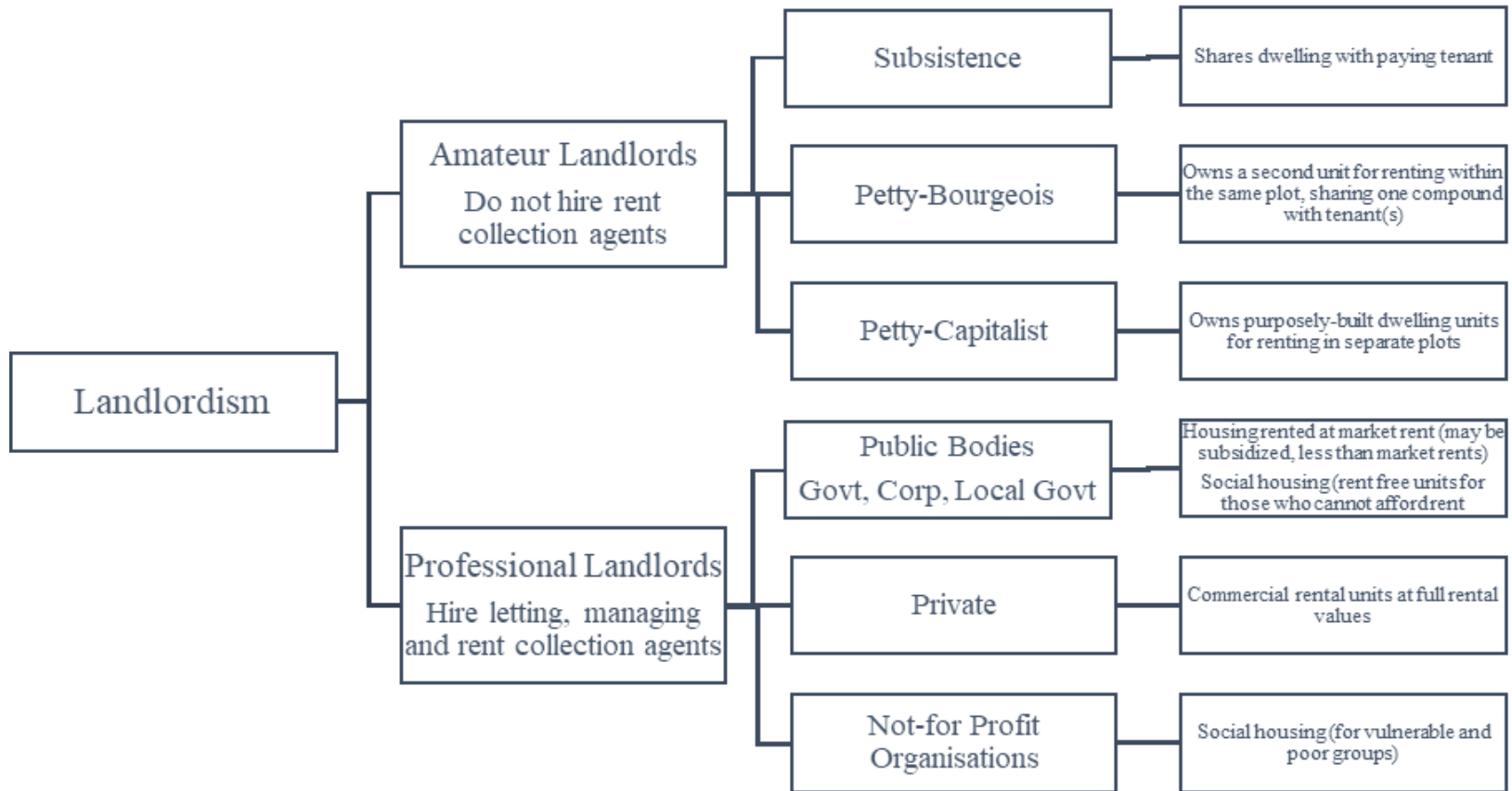


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Housing Crisis – Indicators

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

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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)**

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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

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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.

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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 9th February 2018.
 - Tanzania Mortgage Refinancing Company at the TMRC Head office in Dar es Salaam on 17th April 2018.
 - National Bureau of Statistics on 29th 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**

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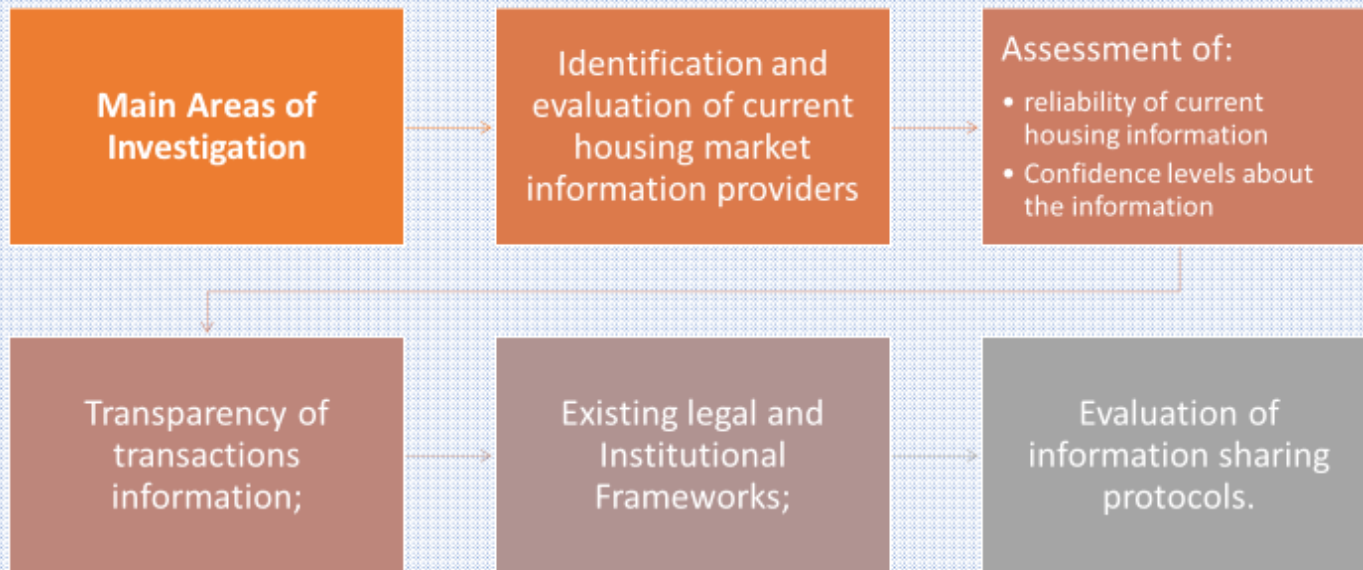
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Design Study Methodology



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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

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Issue 2: Establish Housing Data to inform on

Affordability problem-
incapable poor:

- low-income households (LIH) cannot afford the cost of housing
- Many LIH CANNOT afford basic formal housing or access mortgage loans.
- BUT, concept excludes informal income and housing sectors!

Adequate housing for
the poor:

- Low investment by State towards affordable housing units
- Mortgage Institutions not able to provide affordable home loans

Expensive Cost of
Building :

- Cost of land is high, access limited
- House Building Materials are expensive
- Low but Expensive Technology
- High Cost of Maintenance

What is Affordability
then?

- No definite definition
- What housing can the poor afford?

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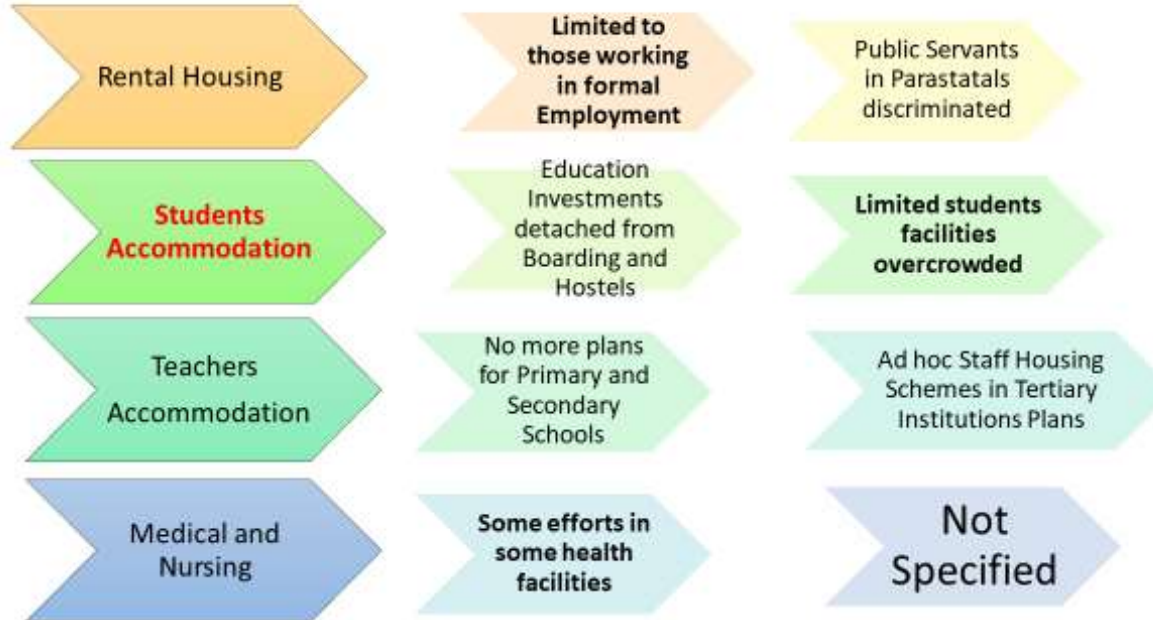
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Issue No. 3: The Forgotten Housing Sub-Sectors- limited data



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Key Findings

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

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Key Findings- Challenges

Challenge	Score %	Rank
Poor Coordination	64	1
Limited access to relevant information	42	2
Poor work organization	35	3
Professional Misconduct	27	9
Human Resources Constraints	25	8
Technological Constraints	19	6
Financial Constraints	12	4
Corruption	11	4

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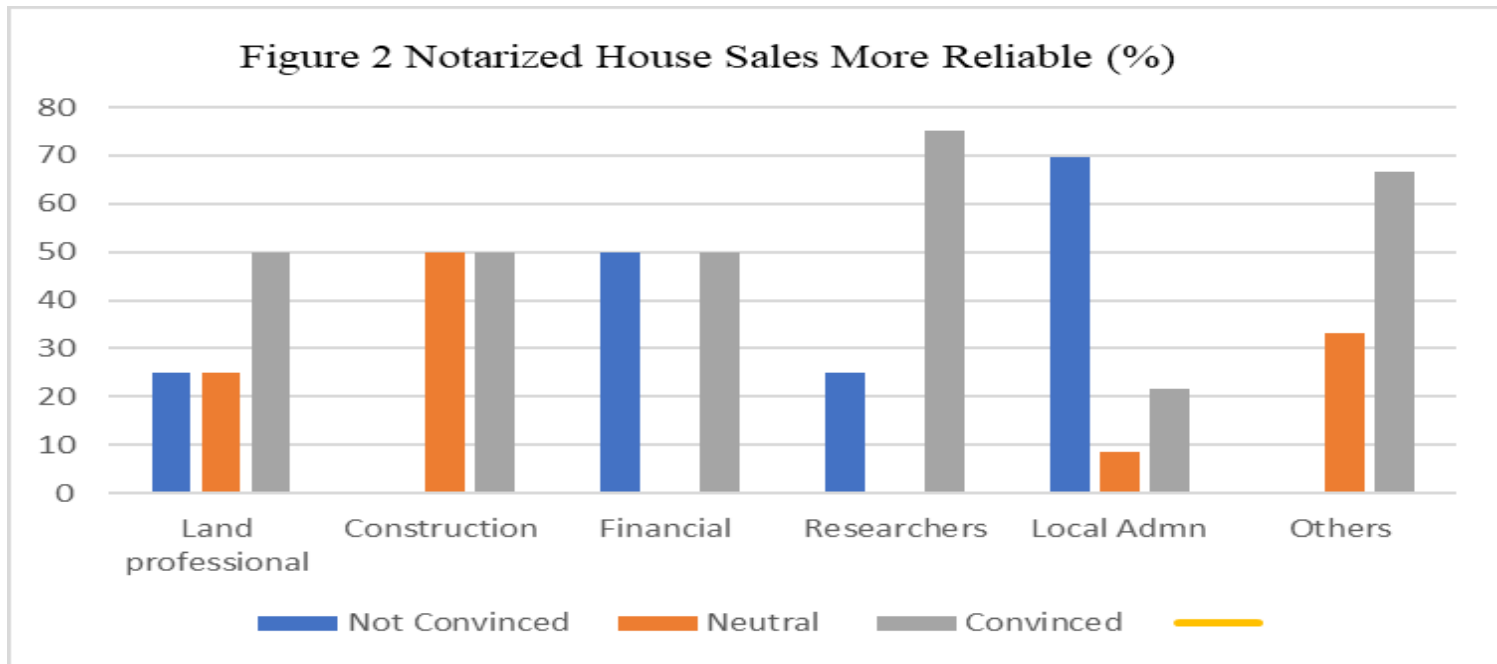
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Findings: Reliability Test on Notarized Housing Sales Data



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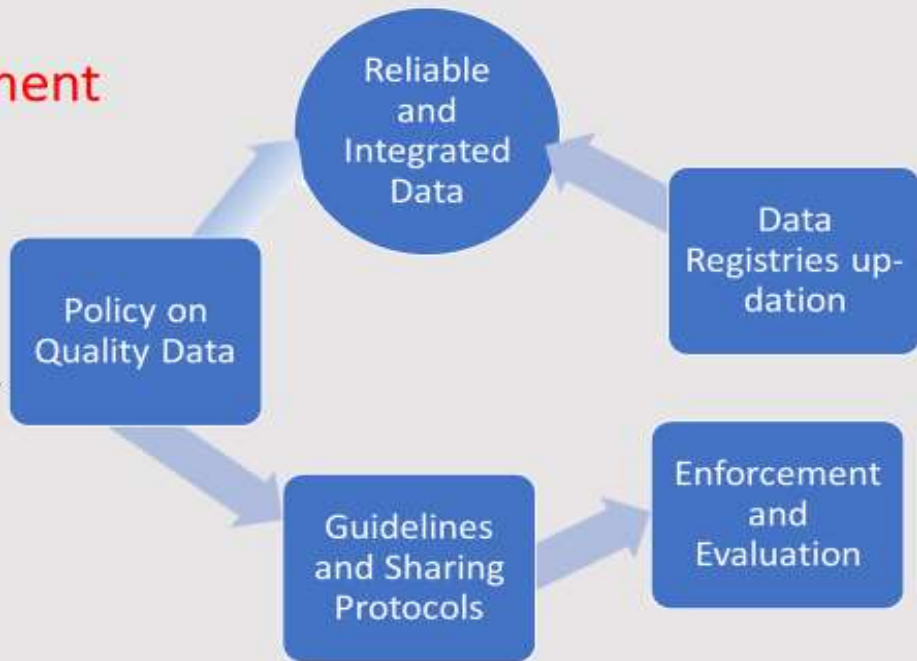
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Solving Challenges in Housing Data Management

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



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Solving Challenges in Housing Data Management

- To solve for Expediency and Effectiveness



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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

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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.

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