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SMART SURVEYORS FOR LAND AND WATER MANAGEMENT CHALLENGES IN A NEW REALITY



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

08.5 - Urban Challenges – 22nd June 2021, 22:00–23:30

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SCOPE OF PRESENTATION

- An Overview of Affordable Housing
- Financialization Discourse
- Housing Situation in Tanzania
- Discussion
- Conclusions



Affordable Housing Agenda

UN-Habitat - World Habitat Day

The UN in 1985 1st Monday of October 'World Habitat Day' each with a theme.

Over the past 35 years, possibly four categories of themes

1. 'Housing as a Shelter' during 1985-1995- addressing plight of the homeless, women, environment, health, family and community
2. 'Housing Quality' - focused on waste management, sanitation, safety and public spaces in housing areas , Carbon-free World(1996- onwards, but for few years only)
3. 'Urban Future' - dominating themes, appearing in 15 years addressing for example:
 - Women in Urban Governance' in 2000
 - Cities without Slums, urban mobility,
 - harmonious cities
 - housing for all – a better urban future' of 2020
 - The 2015 Habitat III (the New Urban Agenda)
4. 'Affordable Housing' featured in only two years, in 2016 'Housing at the Centre' and in 2017 'Housing Policies: Affordable Housing'

African Union Housing Finance (AUHF)

- **Affordable housing Agenda** prominent in the annual October AUHF Conferences which started in 1984.
- **Shared vision of the UN- World Habitat Day and AUHF:**
 - *"... to achieve the UN Global Sustainable Development Goals -SDG 11 whose avowed aim is to 'make cities and communities inclusive and sustainable for all including those with disabilities..."*
- The New Urban Agenda by the UN Conference on Housing and Sustainable Urban Development (Habitat III) October 2016:
 - Influenced global housing debate which has picked urbanization as key tool for sustainable development and recognized the need for world 'collective responsibility for the future of the human habitat'.
 - The AUHF Conference (2020) deliberated on 'Investing in the SDGs: Finding a market opportunity in affordable housing' was perhaps the height of all previous discourses.



The Housing Problem

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?



What is Affordable Housing?

- **There is NO One size fits all definition**
 - Generally, affordable housing would refer to the extent a household can afford housing costs relative to other living costs (Yang & Chen, 2014).
 - **Strong relationship between household income levels and housing costs**
 - Affordable housing is (should be) considered as an **important intervention in the housing market** to produce housing units whose prices and rents are affordable to the buyers and renters, respectively.
 - In the context of the developed world, **affordable housing has been primarily provided and managed by private and municipal companies** (Kofner 2014).
- **Who invests in Affordable Housing**
 - Generally, governments (Central and local) through Housing Authorities/Agencies
 - But; these direct provisions **strategies have failed and subsequently governments have embraced 'enabling approach'** that sought to facilitate housing development through private sector as well as public-private participation schemes (Nkya, 2021).



Financialization of Housing ?

- Can we promote affordable housing both as a social good and a vehicle for wealth and investment?
- **Several arguments advanced against commodification of housing**
 - expand and lead to the dominant role of financial markets and corporations in the field of housing, resulting into unaffordable and insufficient housing and discrimination..." (Leijten and Bel 2020)
 - Informal settlements or long existing neighbourhoods located in 'prime land' may be subject to evictions and displacement to make way for speculative investment (Leilani Farha, 2017)
 - Escalate housing prices (UN-Commission on Human Rights, 2017)
 - Heavily indebted individual households who are vulnerable to predatory lending practices (Karan, 2013)
 - Encourage state to abdicate their roles in social housing programmes and relegating these to private market solutions (
 - Absentee corporate landlords who may arbitrarily overcharge tenants and are not countable to human rights (Leilani Farha, 2017)
 - etc



Financialization of Housing ?

HOWEVER,

Financialization is an increasingly emerging housing discourse that is proven to:

- **Liberate housing from the knuckles of being a welfare to a capital**, a switch that is perceived to
 - Sustain investment in housing (Doling, 1999);
 - Increase capital inflows and opening up several facilities for the real estate industry (Ergüven, 2020)
- **Contribute to 'urban poverty reduction' at individual household levels**
 - Raise his/her standards of living
 - Benefit from financial innovations and instruments
- Financialization is the reality of modern business but calls for:
 - **Well-thought housing policies to protect the urban poor**
 - Regulated real estate and housing sector to safeguard interest of the common man against wealthy individuals
 - Adherence to business ethics and transparency in dealings

Tanzania at Glance

Urban Tanzania

- Over 200 towns
- One Primate City (Dar es Salaam)
- Five cities (Dodoma, Mbeya, Tanga, Arusha and Mwanza)
- 22 Municipal and Regional Towns
- Townships



Macro-economy

Land Size: 945,087 km² (The Netherlands – 41,523km²)

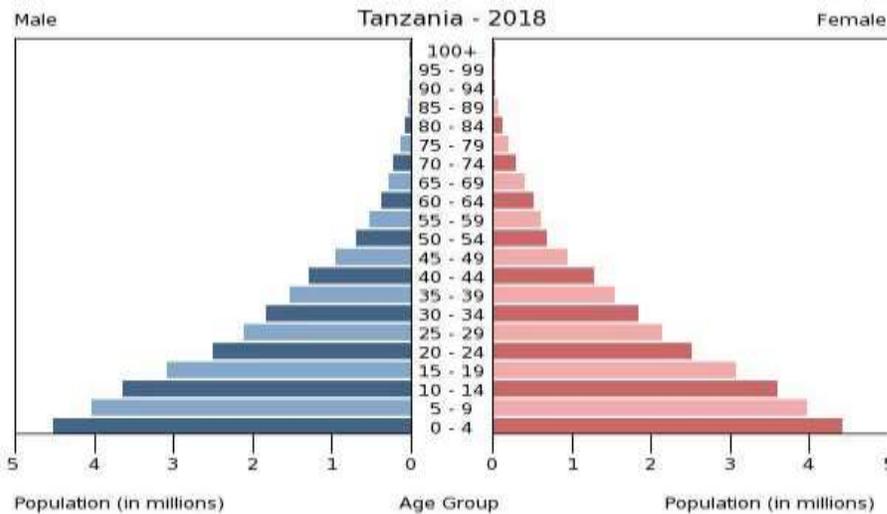
National Population: ~58,000,00

Urban Population: ~20m (33.68%)

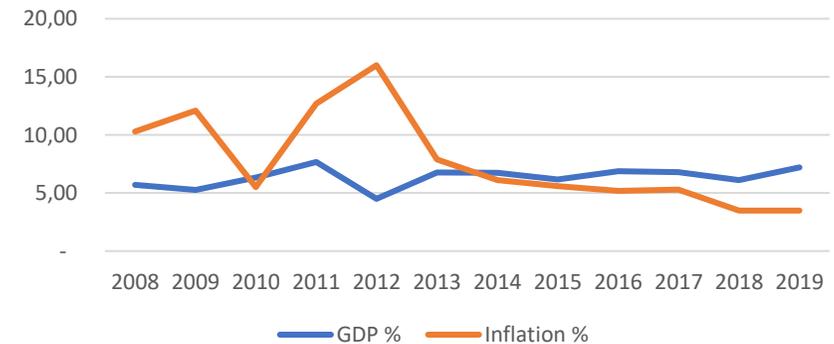
Urban Growth Rate: 5.22% p.a

No of Households: 8,44m

Urban House Consumption: btw 25 and 35% of personal Income(\$232 per month)



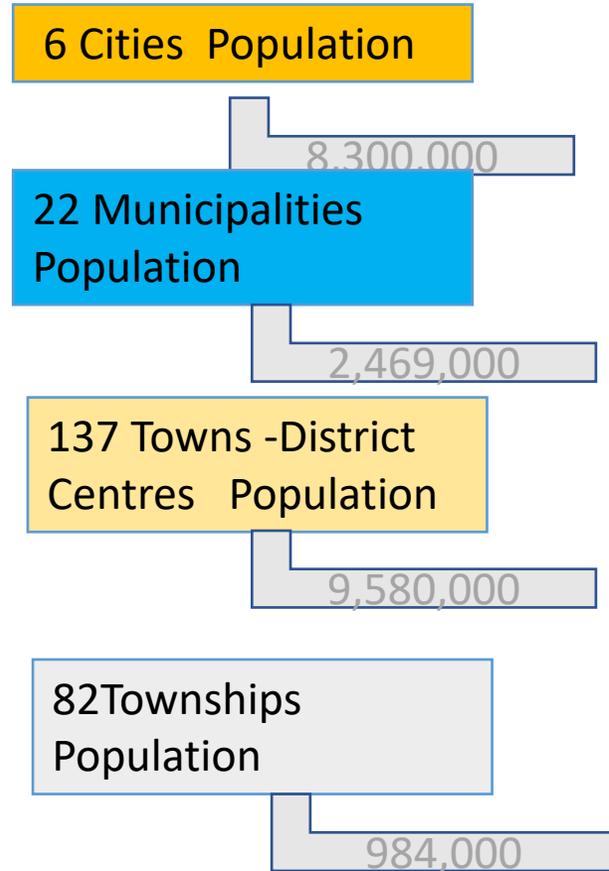
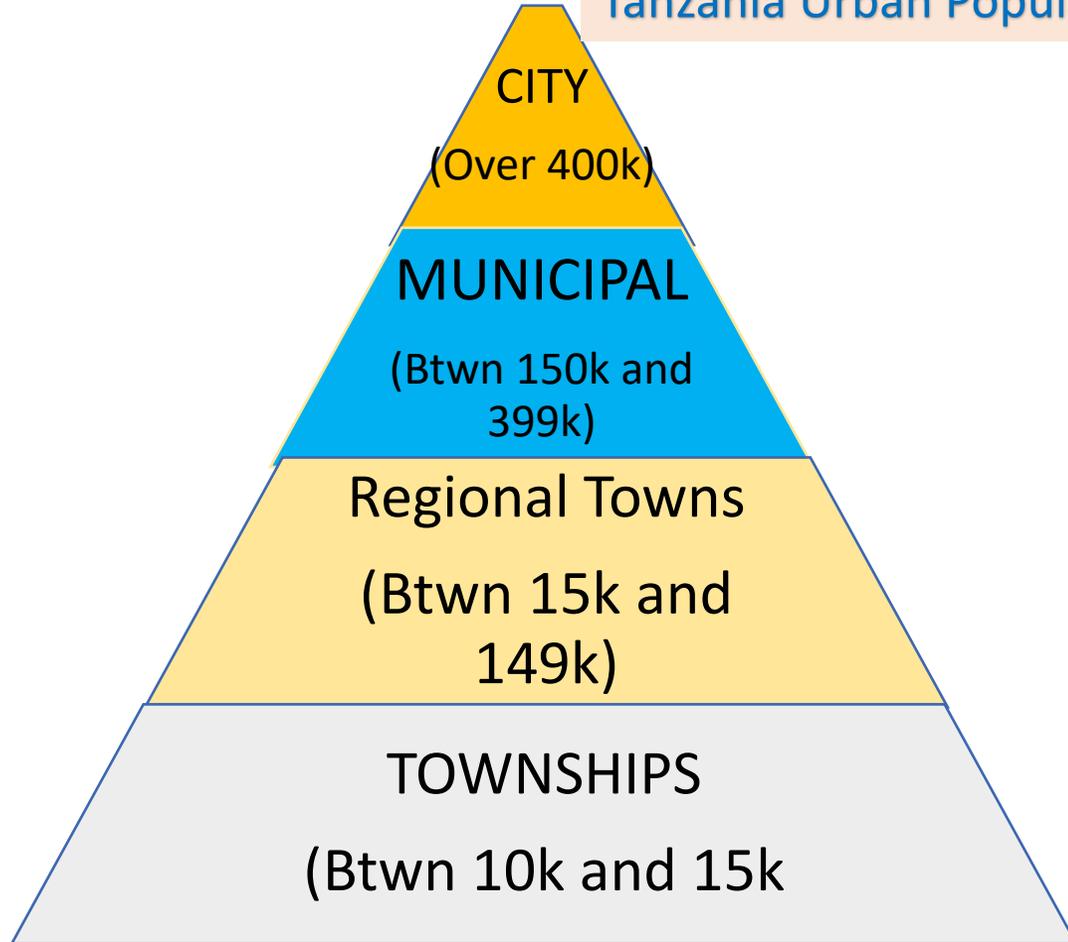
Inflation and GDP Growth rate Tanzania



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Tanzania Urban Population by Urban Size Category





General Housing Condition – Distinct differences

Rural Housing: 70% of National Stock

- largely on **un-registered land held** on customary norms
- **Almost 100% owner-occupied**
- Generally – **sub-standard, built of traditional- temporary and semi-permanent materials**
- **Traditional designs that emulate the differing climatical situations and therefore varying typologies**
- **Poorly provided with infrastructure** – Electricity, water, drainage etc
- **Average unit size (sleeping rooms):**
 - 40.3% of the rural housing stock comprises of dwelling units with over 3 bedrooms
- A majority has access to an external pit latrine.

Urban Housing – 30% of National Stock

- **High income housing** (15% of the urban stock)
 - largely in **formal planned urban areas**, prime residential areas
 - **Mixture of owner-occupied and rental;**
 - Large scale developers- which includes parastatal and pension funds
 - **Professionally managed**
 - **Sensitive to changing economy**
 - Highly priced
 - Often well provided with urban infrastructure
- **medium and low income** (85% of the urban stock)
 - About 70% of the stock is rental housing
 - **Over 65% found in informal settlements**
 - Least urban infrastructure



Affordable housing in Tanzania

Largely an Urban Housing Problem in Middle- and Low-Income Brackets

Formal Context (15%)

houses developed on lands planned, surveyed, titled and approved plans

Suppliers: Individuals, Public Institutions

Mixed Informal Context (20%)

informal settlements that are home of mix of the rich and the poor

Suppliers: Individuals- Self financing, mortgage financing

Informal context (65%)

houses developed on unplanned land and may also be on squatted land

Suppliers: Individuals- Self financing

Informality is key and may be construed differently by different people (decent, poor, congested, slums etc)

Affordable housing – largely provided by small landlords in informal areas



Affordable housing market Features

Formal Context

Informal Context

Housing Supply Constraints

Lack of affordable housing land
(new projects in remote suburbs)

Low Capacity- financing and
developing business strategies

High tax liabilities-VAT and Capital
Gains

Bureaucracy in development
permit processes

Lack of stimulus for target housing
market (affordable housing)

Several supply challenges

Poor access to long-term home
loans

Lack of planned and surveyed
development land

Low incomes- high poverty levels



Housing typology

- **Variety of house types** abound in both formal and informal housing areas:
 - Fewer types in formal settlement
 - Greater mix in informal settlements (in low- and medium- income areas)
- **Common types in formal settlement**
 - Single family detached houses and villas- two to three bedrooms (~ 48%)
 - Apartments/flats (~24%)
 - Shared units (landlords and tenants)- (~15%)
 - Backyard units or separate units (servant quarters) – (13%) ([21](#))



Discussions- Key Findings

- **Majority of housing stock is found in unplanned, un-surveyed areas** (Informal)
 - Only 16% of urban plots have registered certificate of title
 - About 84% of urban land is not titled/registered, held either on presumed customary tenure or sales agreements between individuals
 - Most of rural land is held on customary land tenure system (not registered)
- **Formalization of Informal Settlements** under Regularization Scheme in post-1999 Land Laws
 - Residential licenses of the terms not exceeding 5 years renewable are given in lieu of Certificate of Titles
 - 136,000 licenses issued out of over 600,000 in unplanned settlements during 2010-2020.
- **Residential licenses as Collateral for loans**
 - Commercial banks obliged to extend credit to holders of residential licenses
 - Microfinance institutions – a major lender for the informal landowners.
- **Active borrowing by landowners**
 - On average, 50 new borrowers each month pledging owned housing units with residential licenses (compiled from various sources including Valuation Reports during 2020-2021)
 - No record on Loan defaulting (non-performing)



Discussions- Key Findings

- **Financialization Empowering Informal/small landlords**
 - Housing as source of income for homeowners
 - Rental income - sharing with tenants- room lettings
 - Housing supply enhanced
 - Stimulates investment in housing especially for the low-medium income housing areas
 - Loans against house for Improvement and Investment
 - Borrowing against the house for constructing additional units (extension, backyard housing)
 - Enhancing rental income
 - Financing home-based enterprises
 - Housing as a source of loans for acquiring other assets
 - Purchase of motor bikes, popular business 'boda boda'



Discussions- Key Findings

- **Dilemma in financializing affordable housing**

1. Growing trend of reducing lettable space for tenants' occupation

- Increasing congestion within neighborhoods
- Strained access to infrastructure like clean water, roads, sewer

2. Lack of support programmes to communities and individuals that encourage development of community culture of respect in housing areas

- Un-regulated housing transformations within the community
- Passive role of governments/authorities to exploit potential of small landlords in solving housing shortage problem

3. Legal frameworks lacking

- Existing legislation, rules and policies limited to formal settlements
- Difficulties of enforcing local authorities' rules and regulations

4. Financialization of housing stimulating housing transformation

- Potential for duplicating informalities in formal areas (has happened!)
- Growing need for backyard housing



Conclusions

- In order to **promote housing supply in developing countries**, there is a need to:
 - Recognize the potential of housing as a vehicle for wealth and investment by individuals
 - Understand and explore potential of each of the housing sub-markets
 - Review housing policies to accommodate the changing business environment
 - Need to consider adapting and subsequently rolling operational norms of informal actors' actions to the formal market.
- **Financialization of (affordable) housing should be positively perceived**
 - The ugly part of housing as a commodity can be readily addressed and should not be avoided.



Thank You!

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Annexes

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Summary of characteristics of affordable housing by Suppliers

Characteristic	Private small-scale landlords	Private large-scale landlords	Employer based	Public institutions
Size	Sleeping room lettings range between 9m ² and 16m ² within detached house(s) with central corridor and shared toilet in the backyard	One-bedroom unit (Bed-sitter) of between 20m ² and 36m ²	One-bedroom unit (Bed-sitter) of between 25m ² and 40m ²	One-bedroom unit (Bed-sitter) of between 25m ² and 40m ²
	Two rooms-lettings, sleeping room between 9m ² and 12m ² and a living room of between 6m ² and 10m ²	Two-bedroom units of between 39m ² and 45m ²	Two-bedroom units of between 45m ² and 50m ²	Two-bedroom units of between 45m ² and 50m ²
	Split Dwelling Unit forming two lettings on either side of the unit, each between 12m ² and 16m ²	Larger houses – three to four -bedrooms units of between 60m ² and 82m ²	Larger houses – three to four -bedrooms units of between 60m ² and 105m ²	Larger houses – three to four -bedrooms units of between 60m ² and 105m ²



Summary of characteristics of housing by Suppliers

Characteristic	Private small-scale landlords	Private large-scale landlords	Employer based	Public institutions
Type	Detached units, Rooms with shared facilities,	Flats, Town Houses, Apartments, Villas	Flats, detached, semi-detached	Flats, detached, semi- detached, Townhouses, Apartments, Villas
Rent	Affordable to high rents	Mostly high rents	Subsidized to rent- free	Low rents (25% off market rents)
Income	Low to Middle	Middle to High income	All income groups	Middle to high
Tenant-landlord relationship	Informal to formal	Formal	Formal	Formal
Location	Urban areas, peri-urban areas, Informal to formal housing areas	Urban Informal to formal housing areas	Urban, Formal, government or semi-government land areas	Urban Formal residential areas



Affordable housing suppliers- micro level actors

- Public sector developers
 - Three categories (accounting for 12.6% of the total stock (Cytonn, 2018))
 - 1) **Institutional investors**- though not real estate business entities, have a large real estate portfolio, some of which is housing e.g AICC which owns 654 rental units in Arusha
 - 2) **Pension Funds**- significant role in rental housing: several housing schemes around the country approximately 10,000 units during 2010-2019
 - 3) **Public companies**: few companies- total stock added in the market estimated at 40,000 during 2010-2019
 - National Housing Corporation is the main supplier 15,000 units
 - Tanzania Building Agency and Watumishi Housing Company planned to supply 10,000 units
- Private sector developers
 - Two categories
 - **Small scale investors** – may be owning and leasing either a whole or part of a dwelling unit in an area, most numerous approximately supplying over 75% of rental stock
 - **Large scale investors** – about 3.9% of stock in large housing development either through equity or borrowed funds