

Q2 & Q3 2013

Zambia

Market Update

### HIGHLIGHTS

- Major rehabilitation and upgrading of transport infrastructure
- Increase in new retail in the Copperbelt towns
- Slower take up of new office space last two quarters
- Growing demand for new warehouse space with good access and loading areas
- Ever increasing competition between product type putting pressure on high end rentals
- Greater activity expected in the property investment market over next 18 months
- Farm sales reasonably buoyant with continuing demand from overseas institutional buyers

## Economy

GDP growth forecast for 2013 is predicted at 7.5% by the government. Latest projections show a figure closer to 6% due to a contraction in agricultural output however increase in copper output and strong growth in the public sector is maintaining strong growth overall. Inflation has remained at a single digit level, recorded at 7.1% at end of August 2013 and bank lending rates, whilst still relatively high to stimulate the mortgage and housing market, fell from an average of 18 – 20% in 2012 to 16.3% by June 2013.

One key focus of growth for the property market is the rehabilitation and upgrading of the transport infrastructure.

The Link Zambia 8000 and Lusaka 400 projects have commenced. This will see over 1,500 kms of road works constructed around the country in phase one and over 2,700kms of roads upgraded to bituminous standard under phase two. The Lusaka 400 road project will involve the rehabilitation and construction of selected urban roads.

The Pave Zambia 2000 Road project has been launched, in Chawama Township, Lusaka. It will be implemented to pave approximately 2000km of township roads in all the 10 provinces in Zambia and the project duration is estimated at four to five years.



Part of the road constructed using paving stone technology in Chawama Compound

The major road works underway and planned will have a significant effect on the property market and previously dormant sites will become prime and in demand overnight. It will increasingly become necessary to drill down, research and analyse in detail prior to owners and investors making correct market choices.

## Retail

Significant slow down in large scale retail development in Lusaka. Planned major developments to the south along Kafue Road and to the east towards the Airport put on hold whilst developers grappled with investment issues following the introduction of SI33.

Locally developed and smaller suburban developments are still proceeding however. These include Graduare, 15,000sqm anchored by Pick n Pay on University of Zambia land fronting Great East Road and Twin Palms Centre, 8,000 sqm anchored by Shoprite, located in Salama Park / Avondale. Graduare is due to open fourth quarter of 2014 and Twin Palms end of first quarter of 2014.

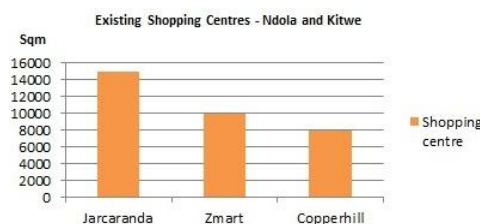


Twin Palms Mall, Lusaka

South African retail brands continuing to search for sites to expand.

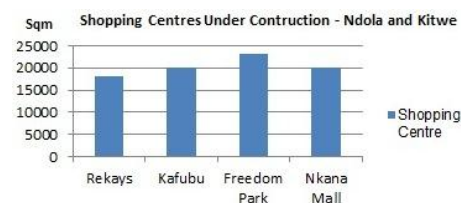
Whilst 2013 has witnessed a wait and see approach by some retail developers in Lusaka and a slow down in development due to the impact of SI33 (all contracts must be in Zambian Kwacha) supply has increased in the Copperbelt.

In Kitwe, the Copperhill Centre, anchored by Pick n Pay, opened fourth quarter 2012. In Ndola, the new Z-MART Centre with a smaller Pick n Pay store, plus Woolworths, Mr Price and Hungry Lion opened mid 2013 in the city centre. These new retail developments add to the existing Jacaranda Mall in Ndola.



Source: Knight Frank Research

New projects underway in Kitwe include, the Nkana Mall, whilst Freedom Park appears to be progressing to completion for opening by mid 2014. In Ndola, Rekays Mall anchored by SPAR and a new Rekays Hardware Super Store is due to open by mid first quarter 2014, whilst Kafubu Mall is under construction and due to open end first quarter 2014, anchored by Shoprite.



Source: Knight Frank Research

Construction is due to commence shortly on the new dual carriageway between Kitwe and Chingola. This will make a huge difference to improve traffic movement and positively impact the neighbourhood for potential developments, especially the key exit and entry points of both cities. In addition the Kitwe – Ndola dual carriageway is currently undergoing rehabilitation works.

## Office

Upgrading of inner roads around Lusaka is improving access and circulation, resulting in the emergence of new commercial nodes and the reinforcing of key existing nodes, as new links and routes open up.

The last two quarters did not see the same level of take up of new office space compared to the same period last year and transactions are taking longer to complete.

New buildings such as Kwacha House (4,700sqm) Aquarius House (1,600sqm) and Trinity Park (3,100sqm) are however now almost fully let. Tenants include First Quantum Minerals, Barrick (Lumwana Mines PLC) and Capital Bank Zambia for Kwacha House; JTI Leaf Zambia, Ernst & Young, Mopani Copper Mines and Goman Advertising Ltd for Trinity Park, and the British Council and World Fish for Aquarius House.



Kwacha House, Lusaka

The area known as the showgrounds and managed by the Show Society behind and adjacent to Arcades Shopping Centre will witness a number of new developments over the next 12 months, principally due to improved access and the tarring of the road linking Thabo Mbeki Road to Nangwenya Road and onto Alick Nkhata Road. New office properties under construction for completion mid 2014 include Blue House (7,000 sqm) and Pangea Office Park (10,000 sqm), both providing basement parking.

Demand continues for smaller modern office units for lease; incubator type of space in the region of 50 – 150sqm.

## Industrial

Demand for warehouse and manufacturing property is increasing. Occupiers are seeking expansion sites as business grows. This may be restricted on existing sites and access to the traditional industrial area to the west of the city is increasingly difficult.

Work on new ring roads around Lusaka and improved gravel roads has started. These will provide improved access to the Lusaka East and Lusaka South Multi Facility Economic Zones (MFEZ), a government programme.

The MFEZs are special industrial zones in a serviced estate for both export oriented and domestic oriented industries, with incentives.

The Lusaka inner ring roads project, which will link the south eastern areas of Lusaka to the South Multi Facility Zone and to Kafue Road, was launched in August 2013.

York Commercial Park, a new logistics and warehouse estate along the Kafue Road, will be the first purpose built modern estate in Lusaka providing first class occupier solutions for the distribution industry. Located approximately 10kms south from Lusaka CBD on the main access route for the transport of all goods into the country, the project will be developed in phases, on a 44 hectare site. The first buildings are expected to be ready for occupation by mid 2014.

## Residential

Demand for prime locations such as Sunningdale, Kabulonga and Woodlands is still high. Current shortage of supply maintaining present prices, despite a decline since the end of 2012. Pressure on prices also as a result of expansion of the city to the east and south with emerging high end popular areas such as Leopards Hill, Ibex Hill, Roma and Eureka.

Increasing supply of high end houses in a complex providing ever increasing competition between product type and forcing down rental prices. Quality and innovative designs now key to win over the best tenants.



Complex of 5 houses in Rhodes Park, Lusaka

Commencement of medium scale house building estates, in phases, starting to offer alternative to self build option. Traditionally self build has been the preferred option and is still the dominant and most accessible route to home ownership, as a result of the affordability gap between incomes and the cost of borrowing.



New formal housing estates under construction include Silverest (Great East Road), Roma Park (Roma area), Twin Palm Crest (Twin Palm), Foxdale (Roma), Northgate Gardens (Off Great North Road near SOS Village) and Kabulonga Park (Kabulonga).

Proposed estates include Camlands Estates (Makeni) and Southview (Kafue Road).

The supply of serviced plots on the market continues from existing serviced estate developments around Lusaka, although buyers now expect a much higher level of end product prior to committing and services must be in place.

New high end quality serviced estate schemes include Bonanza Residential Estate to the east of Lusaka with over 30 pre sales already completed. This estate offers over 200 serviced 2 hectare plots, with superb facilities and the prospect of a golf course and country lodge. It will be launched in November 2013.

Lusaka Heights, in Lusaka South, a medium cost estate is selling serviced plots of 300 – 600 sqm. Village 1 comprising over 110 plots is almost sold out and buyers have started building houses.



**Lusaka Heights, Lilayi**

## Investment

The property investment market is still relatively small in Zambia. However with growing demand from local and overseas institutional investors together with a steady increase of supply of commercial product at the top end of the market, we expect increased activity over the next 18 months.

Significant investment sales to date were the Arcades Shopping Centre (18,000 sqm) to a local property company REIZ (formerly Farmers House Plc) and most recently Manda Hill Shopping Centre (42,000 sqm) to African Land Investments, a new Pan African Property Fund, shortly to be listed on the Johannesburg Stock Exchange.

The prime 6,000 sqm PWC Office Park along Thabo Mbeki Road is presently on the market for sale.

Comprising three top tenants – PricewaterhouseCoopers, Cavmont Bank and JSI – it is priced at ZMW60,000,000.



**PWC Office Park, Lusaka**

## Farms, Lodges and Estates

Farm sales have been active as demand from overseas institutional agricultural investors is reasonably buoyant, particularly for under developed farm land to be upgraded to modern irrigated cropping.



**Foresythe Estates, Zimba**

Government is making land available for agricultural development under the Farm Block programme, such as Nansanga and Luena Farm blocks; and Nansanga has been connected to the national electricity grid.

Mumbuluma, a private game lodge in the Kafue National Park has recently come onto the market for sale. This represents a unique opportunity to acquire a wonderful lodge developed with passion and care for the local environment, habitat and wildlife.

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