



Q1 2012 ZAMBIA

Market Update
Knight Frank

HIGHLIGHTS

- Mining companies looking to “create” towns in Copperbelt
- New development anticipates rejuvenated infrastructure projects
- No new commercial development projects announced in 2012
- Kwacha continues to slide against US dollar
- Noticeable increase in leveraged commercial acquisitions
- Former US Embassy site to sell next quarter



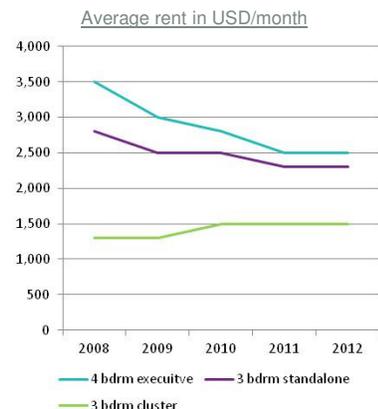
RESIDENTIAL

- **Growth of new suburbs putting pressure on infrastructure**
- **Low amount of quality product available for sale**
- **Increased demand for leasing in new suburban areas**
- **Lusaka Heights housing scheme coming on-stream Q2 2012**

Poorly serviced medium cost developments are expanding around the city, predominantly driven by high demand for new housing. These are generally self-build projects located south and east of Lusaka.

The sub-division of large tracts of land is becoming the norm for new developments, leading to pressure on existing infrastructure and services. The city urgently requires improved services through enhanced city planning, delivery and control.

Sales of high end single family homes have remained slow, however leasing activity has been buoyant. Demand for units in newer up market areas further away from the city centre has increased. These areas provide better value as rentals are generally lower, but housing product is new, and often in secure complexes.



There are number of planned new housing projects due to be added to inventory by mid 2012. Lusaka Heights, situated 14 kilometres to the south of Lusaka in Lilayi, will comprise over 2,500 units when completed. The ten year project is designed as an integrated lifestyle community with retail, restaurants, schools and open spaces.

Fully serviced plots in addition to completed houses within the first village known as Founders Park, will be released to the public shortly. This will consist of 177 serviced plots, with an option for purchasers to select a pre-approved modular design.

INDUSTRIAL

- **Out of town MFEZs continue to market availability**
- **Investors looking to upgrade obsolete buildings in town**
- **Incentives may be the key to attract new industry**

The country's six Multi Function Economic Zones (MFEZ) have been promoted for a few years and there has been guarded interest around the country, but none have yet to attract the anticipated new business and employment. Several announcements have been made involving investors and interested international companies, but we have yet to witness expected levels of construction

Investors in Lusaka are now capitalizing on the distressed sale of well-located industrial product. The planned redevelopment of these older assets with new facilities suited to occupier requirements, will provide tenants with more choice in the traditional industrial areas of Lusaka.

We expect this trend of industrial rehabilitation to extend to the Copperbelt as secondary and tertiary industries and services support the growing mining industry, indicating occupiers still prefer accessible, central locations

With generous stimulus packages in place for MFEZ locations, we also expect to see increased interest in these out of town locations as the economy strengthens. Consumer confidence has not waned despite the Kwacha slipping against the US dollar, with small and medium businesses continuing to expand across the country.

RETAIL

- **Jacaranda Mall expanding with additional 8,000m²**
- **Rumours of new "big box" tenants persist**
- **International tenants continue to search for Copperbelt locations**
- **"Smart" retail the key for 2012**

Jacaranda Mall in Ndola has begun its expansion of an additional 8,000m² of retail space adjacent to the 11,000m² of existing retail and office space.

There are persistent rumours of new big box tenants looking at multiple locations in Zambia. Preferred locations include Great East Road and Kafue Road in Lusaka, and main arterial routes in the Copperbelt.

This type of tenant requires main road exposure to large residential areas, and plenty of accessible parking.

Parking requirements
Per 100m² of rentable area

Industrial	1.5
Office	3.0
Retail	6.0



Along with big box tenants, established national and international tenants are becoming frustrated with the lack of quality retail space in the Copperbelt. They believe this market to be seriously underserved and are becoming desperate for locations there.

While Lusaka has enjoyed substantial gains to retail inventory over the past several months, smart retail will be the guiding principle for new developments in Zambia, as tenants attempt to rationalize expansion plans with changing consumption patterns demand, and retail space availability.

OFFICE

- **Older tenants looking for newer space**
- **International standards being placed on premises selection**
- **Developers search for next office node in Lusaka**

Many established tenants in Lusaka are looking to upgrade their premises with new space in accessible locations, with open floor plans and plenty of parking. As the nature of their businesses change, they are looking to keep pace with client requirements.

Many tenants looking for space in Lusaka are constrained in their selection process by their requirements to adhere to international standards regarding construction, safety, accessibility and security.

The majority of inventory including most new designs do not fully adhere to international standards, rendering them disqualified from any search by quality tenants.

With continued development in the Mass Media area reducing the amount of developable land, office developers are now looking for the location of the next node of new office development. The earlier the better as development and speculative interest in the new node renders projects unviable for latecomers. Early indications favour Great East Road over Kafue Road.

CONSULTING

- **Mining companies in need of housing for workers**
- **Basic servicing of plots assist sales process**

There is acute demand for housing due to the expansion of the extractive industries. Mining companies have been abrogated from their responsibility to provide housing to their employees, and their present strategy for meeting housing need is to invite developers to construct and finance housing to their workers.

This is a high risk opportunity for any third party interest due to the market dynamics involved, including: a single market economy; low average income earnings of mine workers; the high cost of construction; a high interest rate environment, and the size of the construction contract involved.

So what is a practical solution for attracting third party investment? Given the risks the answer requires more than one factor. First, for financing to be commercially viable, the security offered by individual mine employees has to be underwritten either by the mine operator, or by a public insurance bond.

Second, is the affordability gap between average income earnings and house construction costs.

average income/month	5,000,000 ZMK
interest rate	12%
term	10 years
GDS ratio	40%
maximum loan	139,401,044ZMK
average house price	250,000,000 ZMK

This calls for a re-evaluation of traditional construction methods in favour of temporary housing solutions more suitable for short to medium term demand.

A varied approach to housing provision can be adopted, with high to medium cost housing units constructed of more permanent materials and being available for sale, with the potential of satisfying housing demand post-mining activities, whilst the low cost compromising rent subsidised temporary units, with the capacity of transportation onto the next area of activity.

This will provide a more sustainable model given that the extent of demand will only persist for as long as mine operations remain economically viable.

FARMS AND ESTATES

There is increased international interest for existing farms in established farming blocks, with the key factor being water supply, as this ensures two irrigated crops in each farming season.

Overseas enquiries in tourism projects, game farms and lodges are on the rise, benefitting from new airline connections into Lusaka from Emirates, KLM and Lufthansa, as well as increased flights with SAA, Air Botswana, Air Namibia and Kenya Airways.



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Italy
Monaco
Poland
Portugal
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Spain
The Netherlands
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Malawi
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