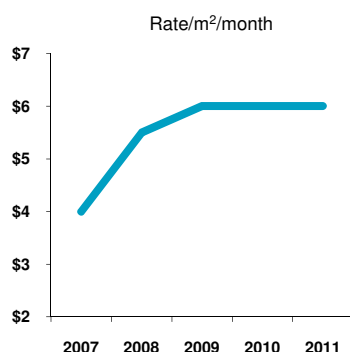




## HIGHLIGHTS

- Lusaka witnesses increased land transactions
- New retail product continues to be added to inventory
- SPAR to open small format 'Spar Express' in Zambia
- Class "A office rental rates continue to rise
- Sustained growth in popularity of medium cost self-build housing units
- High-end housing rentals rates continue to slide
- Demand for industrial units outpace supply
- Implementation of infrastructure improvements announced



## Industrial

An increasing demand for industrial facilities across the country is creating opportunities for the development of new industrial units, planned around projected road improvements to Lusaka and Copperbelt. Multi Facility Economic Zones promoted by government will encourage the development of new business nodes around Lusaka. Road transport is by far the dominant method for transfer of goods in and out of Zambia, necessitating substantial infrastructure rehabilitation to the roadway system.

The development of a manufacturing and showroom facility along the Airport Road indicates a shift from traditional industrial areas, to locations which are better able to serve businesses.

## Offices

Prime office space continues to show its popularity among tenants. New businesses to Zambia as well as existing tenants require more modern open plan offices. Flexible floor plate design and plenty of parking will be critical components to the success of new office developments. International corporate standards and requirements are forcing tenants out of existing locations, into new and modernized locations.

As the Zambian economy continues to outpace economies of neighbouring countries, existing and new tenants will have to move quickly to secure functional work space. Office markets now require longer term accommodation solutions, which matches tenant corporate goals for amortizing capital expenditures on office accommodations, and fresh interest from institutional investors requiring sophistication of existing lease agreements and longer term investment return.

### Office Lease Rates

	USD/m <sup>2</sup> /month	
	net rent	op costs
CBD	\$12.00 - \$16.00	\$1.50 - \$2.50
Class A	\$16.00 - \$22.00	\$3.00 - \$5.00
Class B	\$10.00 - \$14.00	\$2.00 - \$4.00

## Retail

National and international retailers new to Zambia have taken space at Manda Hill, the new Levy Junction and Makeni Junction malls, all in Lusaka. Edgars will open their first store in Zambia, a further indicator of foreign interest in the Zambian retail market. Retailers who recently entered the Zambian market, such as KFC, Wimpy, Mike's Kitchen and Mugg & Bean are already considering expansion opportunities.

Most of the new retail units at Manda Hill are already trading, with Levy Junction and Makeni Junction coming on stream in the last quarter of 2011. We foresee a lull in retail development in Lusaka until Q4 2012/Q1 2013 when the next major retail developments will be added to inventory, such as the 27,000m<sup>2</sup> Waterfalls Centre on the way to the airport, and the 12,000m<sup>2</sup> Parkway, to the south along the Kafue Road.

The redevelopment of the Zambia Building Society House offices and adjoining buildings, in Lusaka CBD, is planned to commence later this year and will also include a retail section with supermarket of 2,500m<sup>2</sup>.

### Retail Construction 2011

Waterfalls	Lusaka
Millennium Plaza	Ndola
Parkway	Lusaka
Jacaranda Mall	Ndola
Freedom Park	Kitwe
Makeni Junction	Lusaka
Levy Junction	Lusaka



## Residential

### USD per month

4 bedroom executive	\$2,800+
3 bedroom stand-alone	\$2,000+
3 bedroom cluster	\$1,700+

High end housing rental rates continue to fall as the market suffers from over supply and lower tenant budgets resulting in a predominantly tenant's market. The first six months of the year also witnessed lower demand for high end housing to purchase, as buyers' "election watch", waiting for the Presidential and Parliamentary elections to pass.

Demand and supply gap for medium / low cost housing widens as residential finance remains expensive and unaffordable for the majority of Zambians. The largest growth in this sector is self build projects as individuals purchase land around the major cities and build their own houses over a period of 3 – 7 years. Introduction of alternative building techniques are becoming increasingly popular as developers seek cheaper and faster house construction methods.

Recent introduction of the Estate Agents Act will help to regulate the profession and market transactions.

## Copperbelt

Mining investment has increased dramatically over the past twenty four months in the Copperbelt, bringing increased commercial and residential development to all markets. The resulting increase in market activity bodes well for the continued development of commercial and residential markets in the region. The new Jacaranda retail centre opened in the south end of Ndola, with Pick N Pay as the food anchor. While other retail projects are planned for the area, there is little new office space in development.

## Urban Planning and Development

More than ever, the critical building blocks to successful development projects in expanding urban areas will be market research and planning. Municipalities are expanding faster than ever before, creating new commercial and residential nodes, which must be supported by road improvements and planned ring roads. For example improvements to existing roads as well as the introduction of new roads in areas to the south along Kafue Road / Lilayi, to the south east around Twin Palm / Ibex Hill and to the east along Ngwerere / Airport road will add value to commercial and housing developments planned and underway.

# RESEARCH



## Americas

USA  
Bermuda  
Brazil  
Canada  
Caribbean  
Chile

## Australasia

Australia  
New Zealand

## Europe

UK  
Belgium  
Czech Republic  
France  
Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Russia  
Spain  
The Netherlands  
Ukraine

## Africa

Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe

## Asia

Cambodia  
China  
Hong Kong  
India  
Indonesia  
Macao  
Malaysia  
Singapore  
Thailand  
Vietnam

## The Gulf

Bahrain

## Zambia Contacts

Tim Ware  
Managing Director -  
+260 211 250683  
[tim.ware@zm.knightfrank.com](mailto:tim.ware@zm.knightfrank.com)

Harmony Chiboola  
Director  
Head – Valuations  
+260 211 250683  
[harmony.chiboola@zm.knightfrank.com](mailto:harmony.chiboola@zm.knightfrank.com)

Kangwa Chokolo  
Head – Residential Agency  
+260 211 250683  
[kangwa.chokolo@zm.knightfrank.com](mailto:kangwa.chokolo@zm.knightfrank.com)

Russell Drummond  
Head – Urban Planning & Development  
+260 211 250683  
[russell.drummond@zm.knightfrank.com](mailto:russell.drummond@zm.knightfrank.com)

Arthur Mungolo  
Head – Copperbelt Office  
+260 212 228047  
[arthur.mungolo@zm.knightfrank.com](mailto:arthur.mungolo@zm.knightfrank.com)

Mandy Nyasulu  
Manager – Property Management  
+260 211 250683  
[magdalene.nyasulu@zm.knightfrank.com](mailto:magdalene.nyasulu@zm.knightfrank.com)

Alan Seymour  
Head – Commercial Agency  
+260 211 250683  
[alan.seymour@zm.knightfrank.com](mailto:alan.seymour@zm.knightfrank.com)

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organizations, corporate institutions and the public sector. All our clients recognize the need for expert independent advice customized to their specific needs.

Knight Frank Research Reports are also available at [www.knightfrank.com](http://www.knightfrank.com)

© Knight Frank Zambia 2011

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank Zambia for any loss or damage resultant from the contents of this document. As the general report, this material does not necessarily represent the view of Knight Frank Zambia in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.