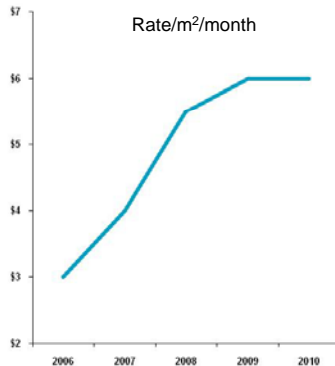




HIGHLIGHTS

- Renovations at Manda Hill continuing into next year
- Ground works commence at Freedom Park site in Kitwe
- Pick n Pay opens first location in Zambia
- New office space becoming a rarity in Lusaka
- Land sales continue to foreshadow new development in all major markets
- Residential rental market still active in medium-cost range
- Industrial tenants continue to search for more functional facilities
- Since July 2010, weakness in USD equates to 9.5% rental loss against ZMK rents



Industrial Leasing

With little speculative industrial building planned for 2011, we are seeing more and more industrial users looking to purchase land to construct their own facilities. The lack of quality industrial product in Lusaka is forcing tenants and existing owners to seek new locations farther from the traditional industrial area, where land is available, more competitively priced, and accessible for large vehicles and customers.

We expect very little new speculative product coming into inventory in 2011.

Office Leasing

Demand in this sector is presently dominated by users wanting new space rather than older existing accommodation. Incompatibly with modern office user requirements is rendering the balance of CBD inventory obsolete. The key requirements for tenants are open-plan flexible space, plenty of parking, proper electrical power, trunking for voice and data communication, plus expansion capabilities. Only these types of properties are being considered by tenants new to Lusaka. With few available opportunities, potential tenants must act quickly.

Office Lease Rates

	USD/m ² /month
CBD	\$12.00 - \$16.00
Class A	\$16.00 - \$21.00
Class B	\$ 8.00 - \$12.00

Retail Leasing

Woodlands Centre has opened in the east end of Lusaka and with it, Pick n Pay's first location in Zambia. Several other local tenants have opened for business as well, with the balance of the space to be leased by year's end. Manda Hill will open their expansion next month, adding over 21,000m² of retail and office space to inventory.

Millennium Shopping Centre in Ndola will open next year along with the redevelopment of an industrial site as a retail centre, indicating a healthy economy in the Copperbelt.

Retail Projects Opening 2010

Manda Hill Expansion	Lusaka
Great East Mall	Chipata

Investment

Institutional –grade capital continues to investigate the Zambian market, looking for stable secure investment vehicles in sub-Saharan Africa to diversify expanding portfolios. Debt and equity groups are also looking to secure development opportunities in Zambia, mostly in the office and retail markets, but have not discounted land in their preferred asset class. Zambia's growing international reputation as an economically and politically stable African country is beginning to pay dividends.

Capitalization Rates

Industrial	12.0% - 14.0%
Office	
Class A	11.0% - 13.0%
Class B	13.5% - 15.0%
Retail	10.0% - 11.0%



Residential

	interest rates	
	real	lending
Botswana	1.0%	16.2%
Malawi	18.9%	27.7%
Mozambique	11.2%	19.5%
Namibia	3.3%	12.9%
South Africa	3.8%	13.2%
Tanzania	6.5%	16.1%
Zambia	6.3%	18.9%

www.tradingeconomics.com

Lusaka has quickly become a Tenant's market with landlords feeling compression in rental rates, coupled with longer vacancies between tenants. Inventory of available rental units continues to grow, while asking rental rates are starting to decline as landlords sit with vacant units. Sales are experiencing the same price compression, as the number of available opportunities increase.

Affordable financing continues to elude the majority of Zambians. With interest rates hovering above 20%, a home purchase remains well beyond the financial means of people looking to enter the housing market.

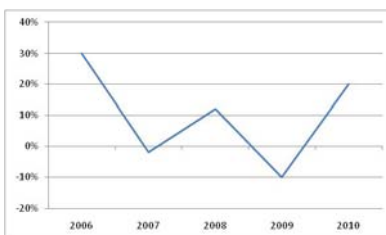
Urban Planning and Development

A new planning act, The Urban and Regional Planning Bill, is currently before Parliament. The purpose of the bill is to integrate local council services and provide a more structured basis for planning and development for the future. The comprehensive Urban Development Plan for the City of Lusaka has been adopted. It was funded and supported by the Japan International Co-operation Agency (JICA), working alongside the Ministry of Local Government and Lusaka City Council.

The JICA plan delineates proposed areas of growth, infrastructure works and land use up to the year 2030. Developers need to be aware of proposed road improvements, satellite towns and multi-facility economic zones as suggested in the plan. Improved accessibility, service provision and infrastructure growth could provide competitive advantages for development sites.

Agriculture

Mkushi Land Values



Increasing investment in established farming areas such as Mkushi, Chisamba, Mpongwe, Mazabuka and Choma / Kalomo has led to a shortage of commercial farms to buy and a need to expand existing farm blocks and open up new farming areas, as was done with Serenje and Mkushi Chitina areas. Key to support new commercial farming development will be the provision of electricity and roads.

Prices vary widely and will be significantly higher for the best quality or irrigated land. In the Chisamba area, for example, which is close to the capital, Lusaka and has good rainfall, prices start at US\$1,200 per hectare and will double for centre – pivot irrigated land.

1 USD = 4,700 ZMK

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