



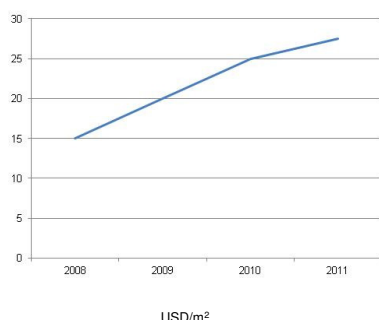
HIGHLIGHTS

- Levy Business Park due to open in November
- Parkway Shopping Centre breaks ground in Lusaka south
- Construction of speculative office space showing its cyclical nature
- Available office space dries up in Lusaka
- Still no relief for the low/medium cost mortgage market
- Housing rentals rates plateau
- MFEZ's create new industrial nodes around Lusaka
- Ndola Sports Stadium ready to open



Industrial

Kafue Road Land Pricing



Occupiers are starting to relocate further away from the traditional city centre industrial areas, as a result of tenant demand for better road access, loading requirements and more modern user requirements. The increase in traffic and inner city growth has put pressure on roads and infrastructure. In Lusaka, this has led to the sale of 1 - 2 hectare plots along an emerging corridor fronting the Kafue Road, in a new prime node 8-10 kilometres south of the city centre. We are also seeing industrial users looking to the east of the city, as Multi Function Economic Zones (MFEZ) offer incentives to owners to stimulate development in these locations.

Transport by road is by far the dominant transport sector for goods coming into and out of Zambia, with most imports arriving from the south, using the Kafue Road that links through the CBD to the Great North Road and on to the Copperbelt. While ring roads around the city to facilitate access are planned, the network is far from complete.

Offices

Speculative office space development can once again be found amongst the many construction sites in and around Lusaka. Current development projects will add over 14,000m² of new office space to inventory, which should be absorbed within the next 12 months. Zambian tenants continue to shy away from the concept of pre-leasing, making office development in Zambia not for the faint of heart. Fortunately, we are seeing increasing levels of demand from groups new to Zambia, and they are responsible for the majority of absorption in this market.

Copperbelt cities continue to suffer from aging inventory with no new speculative office developments on the horizon. Despite copper prices being down over the past 90 days, there is no talk of contraction in the office market there, but requests for office space from new players to the market are becoming more infrequent. With a new government in place, we predict growth in the Copperbelt office market for the next 18-24 months, from both existing and new players to the market.

Speculative Office Development - Lusaka

Trinity Office Park	3,400
Acacia Park addition	2,400
Elunda 3	2,500
Twikitane Road	1,800
Corporate Park	800
Katima Mulilo Road	1,500
Foxdale Court	1,800
	14,200 m²

Retail

Both Levy Business Park and Makeni Junction are due to open their doors in Lusaka by year's end. These projects will add approximately 40,000m² of new space to inventory, with both projects being anchored by Pick n Pay. While Levy Business Park will compete directly with Manda Hill, Makeni Junction will compete in the south suburban market with more established retail locations.

With new retailers looking to open signature locations in Zambia, choosing the right location for the flagship store will be critical to success in this market. Infrastructure, road access, demographics and parking all play critical roles in determining the best retail sites for new locations. With little data available, a significant amount of time is required to assess market conditions, and evaluate each potential site.

Retail Development - Zambia

existing	107,225 m²
under construction	88,000 m²
planned	94,000 m²



Residential

Yields

High cost	8% to 10%
Medium	8% to 12%

There continues to be a disconnect in performance between segments of the residential market since the economic crisis. The high cost sector is principally backed by a depressed investment market. Retrenchment of foreign workers (at NGOs, companies and embassies) has weakened demand and resulted in a significant compression in the maximum rental thresholds that can be obtained in urban centres. Despite falls in rentals, investors have not been under pressure of debt service and have not been forced into distressed sales to deflate pricing levels. Ironically, with no increase in supply, there has been a short term hardening of yields.

Affordable financing for the medium cost house?

house value	400,000,000
interest rate	21.0%
equity	20.0%
term	5 years
principal	320,000,000
monthly debt service	8,657,075
GDS ratio	40.0%
required monthly income	21,642,687
average monthly income	<u>10,000,000</u>

The medium and low cost sector was comparably less impacted by the economic crisis. Whilst still being investor dominated, the tenant mix is local and demand has increased with a growing middle income sector. Increasing rentals and higher capital values have provided price signals to developers who are looking to adapt existing affordable housing models to the Zambian market.

A lack of access to affordable financing on both demand and supply sides cushioned Zambia from the effects of the crisis, but now acts as a systemic weakness to opening the housing market to potential owner occupiers. Whilst retail rates have reduced slightly from a peak in 2008, they are still cost prohibitive to most Zambians.

The pattern of new development is increasingly following major transport corridors. This demonstrates the importance of public infrastructure provision, (roads and services) to project feasibility, (in terms of development costs and market demand).

The first stage of construction of the inner-ring road to the south of Chilenje to connect to the new Southern MFEZ, (enterprise zone), will prompt further development to the south. Proposed bypasses around Lusaka and other urban centres are too speculative for the private sector to make definitive development plans towards, but are worth taking account of when considering the future direction of growth.

Farms and Estates

Agricultural Land Prices

Central	↑
Eastern	↓
Northern	↑
Southern	↔
Western	↓

International commercial farming companies are generating the most interest in agricultural land in Zambia. Tracts over 2,000 hectares of well irrigated land is at the top of their list for entry into this market. Northern province seems to be the area of choice, with asking prices for land starting to creep up. While demand is increasing, more opportunities are coming to the market as existing owners look to cash out their retirement funds, or look to leave the farming industry completely.

With the government increasing it's focus on tourism, we are seeing more opportunities in this market. The number of lodges and/or game farms coming to the market has increased, with the majority located in Southern province, and along the Zambezi River. We expect these types of properties to be sold to groups already in these markets, as opposed to newcomers to the tourism industry.

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