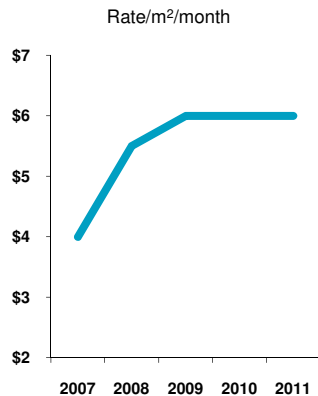




HIGHLIGHTS

- More stores scheduled to open at Manda Hill in 2011
- Levy Junction construction continues
- Great East Mall in Chipata anticipates opening of Spar Zambia
- Speculative office development in Lusaka still scarce
- Land sales slow in 4th quarter
- High end housing experiencing interest
- No new industrial space on horizon
- Kwacha stable against rising copper prices



Industrial Leasing

The industrial market remains tight throughout Lusaka with only Phase II of Krimanvi Park planned for 2011 bringing over 15,000m² of speculative warehouse into inventory. The shortage of distribution centre space in key locations remains a problem for both existing and new tenants to the Zambian market in both Lusaka and the Copperbelt. We expect increased demand over the next 18 months to signal new speculative construction in both traditional and non-traditional industrial locations in and around the major centres.

Office Leasing

Office Lease Rates

	USD/m ² /month	
	net rent	op costs
CBD	\$12.00 - \$16.00	\$1.50 - \$2.50
Class A	\$16.00 - \$21.00	\$3.00 - \$5.00
Class B	\$10.00 - \$14.00	\$2.00 - \$4.00

Very little new product was added to inventory in 2010 resulting in rising rental rates and declining vacancy rates. Focus in the commercial markets seem to be moving back towards office construction in 2011 with several projects planned in suburban areas. As the average sized office tenant in Lusaka averages 150m² – 250m², design of floor plate and modularity in construction will afford tenants better selection and flexibility for future growth. As always, generous parking ratios coupled with modern amenities attract the best quality tenants.

Retail Leasing

Retail Construction 2011

Manda Hill Expansion	Lusaka
Millennium Plaza	Ndola
Great East Mall	Chipata
Jacaranda Mall	Ndola
Freedom Park	Kitwe
Levy Junction	Lusaka

Several new retail centres moved closer to completion in 2010 bringing new retail concepts to Zambia. A 21st century look and feel to the shopping experience allows Lusaka to compete on the international stage for new retail players looking for opportunities in sub-Saharan Africa. Existing retailers in Zambia are expanding with multiple locations across the country, while others new to Zambia continue to study the growing retail marketplace before entertaining multiple locations.

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%

Investment

The investment market was quiet last quarter with few buildings trading on the open market. While there are rumours of large assets available for sale, we have yet to see the results of sustained interest in the Zambian investment market. Retail plazas seem to be the preferred product of foreign capital, but well leased office buildings are also being solicited. We expect to see this continue in 2011 as the Kwacha remains stable against other currencies.



	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%

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Residential

The last quarter of 2010 neighbourhoods such as Kabulonga and Sunningdale continuing to command premium pricing in both the sales and rental markets, with prime properties experiencing high demand. There is definitely more choice in the medium/medium high cost sectors of the market, with these properties taking longer to rent. Lower cost housing developers are actively considering less expensive construction techniques. With the cost of money still problematic, simple accommodation remains out of reach for most Zambians.

Copperbelt

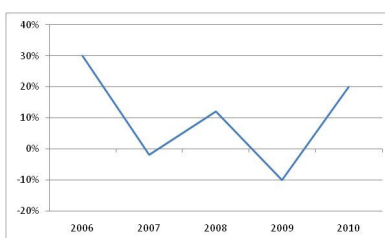
Despite the closure of Bwana Mkuba mine in Ndola, the local property market is active with the ongoing development of the new Jacaranda Shopping Centre, anchored by Pick n Pay with its first store in the Copperbelt due to open by mid year. Existing property owners are now starting to consider what to do with surplus space or old buildings to suit changes in the market and occupier demands.

Preliminary results of the 2010 census of population and housing indicate that Zambia's total population is just over 13 million, with approximately 2.2 million in Lusaka and 1.95 million in the Copperbelt Province.

In Kitwe, construction has recommenced at the Freedom Park development, now anchored by Pick n Pay and Shoprite, and is proposed to be built in two phases. Demand for high end housing for rent and sale in the Copperbelt is less than in Lusaka and rentals/prices far lower, although pockets of housing in certain Copperbelt towns with limited supply attract premium prices above the average.

Farms and Estates

Mkushi Land Values



Major investment opportunities exist in agriculture and demand for agricultural land is increasing from overseas investors and funds. A Middle East investor recently purchased a commercial farm in Mkushi for further development. Government, through the ZDA, is making land available for investment; an example is the 100,000 hectare Nansanga Farm block in Serenje.

In Lusaka large tracts of farmland have been sold and subdivided for residential and commercial development. Similar opportunities will continue as the city expands and development land values overtake agricultural values. Land is often sold with limited services and the opportunity exists to develop serviced estates.

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