



HIGHLIGHTS

- Zambia National Building Society CBD project delayed
- Infrastructure contracts on hold pending internal examination
- Speculative office space available soon
- Interest rates move below 15% for Kwacha loans
- Political stability in Zambia keeps foreign investment on course
- Shortage of available product in high-end housing



RESIDENTIAL

- **Lower interest rates to help make housing more affordable**
- **Minimal amount of quality product available for sale**
- **Tenant rental budgets to remain constant for 2012**
- **Several middle-income housing schemes to come on-stream**

The Central Bank lowered prime interest rates in Q4 2011, which in turn allowed commercial banks to lower their lending rates for prime customers to the range of 15% - 16% for Kwacha loans. While this has not resulted in a stampede of customers applying for new home loans, this is perceived as a positive step towards making home ownership more affordable for Zambians. It does however lend more credence to the concept that affordable housing is more closely linked to monthly income, rather than interest rates.

Sales of high-end single family homes slowed in Q4 2011 as there was little quality product available on the market. Indications are this will be a market segment to watch in the new year, as pent-up demand spills over into 2012, with many purchaser appetites not satisfied with the current inventory of opportunities.

USD per month

4 bedroom executive	\$2,500+
3 bedroom stand-alone	\$2,300+
3 bedroom cluster	\$1,500+

The new year will also witness compression in yields for high-end housing as tenant budgets for rentals remain fixed.

Prices for quality product will continue to rise, but budgeted rental rates for tenants have remained constant, with no indication of positive movement for the coming year.

In-fill residential developments in the south and east of the city will provide renters with an opportunity to purchase their first homes, and thereby build equity as they move up in the housing market.

With several housing projects having been announced over the past twelve months, the new economic and political climate should facilitate and accelerate development of these projects, bringing affordable housing to more Zambians.

INDUSTRIAL

- **Several developers looking at land for new industrial parks**
- **Construction taking place farther away from traditional industrial areas**
- **Good road quality and access part of decision making process for new locations**

The industrial market will be the development darling in 2012 with several land purchases coming to fruition, allowing the development of light industrial facilities along major arterial routes throughout the country. These will provide tenants with better accessibility to shipments coming into the country, and the dispersal of their inventory across the Zambian marketplace.

Solid economic growth over the past few years has meant an increased number of trucks coming to Lusaka on a more frequent basis.

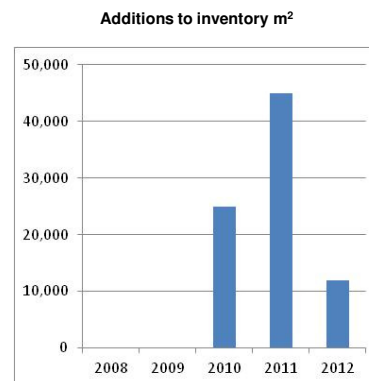
The demand for all types of goods increased to the point that local storage facilities are warranted to maintain supply and stock shelves.

Road repairs and construction have been slow to match demand and requirement, but the new government is a friend to infrastructure rehabilitation, a necessary component to development in the country.

RETAIL

- **Levy Business Park opens in November**
- **Edgars and Jet open first stores in Zambia**
- **Makeni Junction opens in December with Pick n Pay first "hyper" store in Zambia**
- **Freedom Park on hold, again**

Levy Business Park opened in November adding 30,000m² of new retail space to compete directly with Manda Hill. New stores to Zambia opening include Edgars and Jet. Pick n Pay opens their third store in Zambia as the anchor tenant.





Also opening in Q4 2011 was Makeni Junction, anchored by Zambia's first Pick n Pay "Hyper" store. The project of 15,000m² also includes Zambia's first fast food drive through location, a KFC on Kafue Road.

Manda Hill continues to open shops post expansion with first floor restaurants and cinemas now drawing customers to the mall. A few prime ground floor locations remain vacant.

Construction at Freedom Park in Kitwe is on hold as developers look to secure final financing. Also, Copperbelt City may have sorted out its land issue, and may again be looking for tenants.

OFFICE

- **Over 10,000m² of new space absorbed in Lusaka last quarter**
- **More demand for new space from local tenants, rather than international tenants**
- **Continued and sustained tenant flight from CBD to suburban locations**
- **Parking and access most important criteria**

The final quarter of 2011 saw almost all of available newly constructed office leased absorbed, leaving tenants to wait for completion of projects slated for Q1 2012.

Projects at Elunda 2 and Elunda 3 are fully let, and part of the office space at Levy Business Park will be leased to NAPSA as their new headquarters.

Asking rates for new space hovered at \$21.00/m²/month as available space dwindled. Expected rates for 2012 should remain at this level.

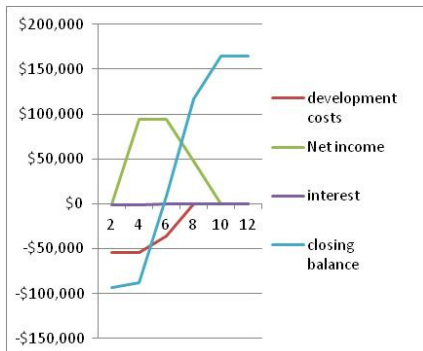
With almost 7,500m² of new space being added to inventory in Q1 2012, tenants will again have some choice although very limited by both time and location.

CONSULTING

- **City of Lusaka has expanded 70% over seven years**
- **Basic servicing of plots assist sales process**

According to the Urban Development Plan 2009, Lusaka had expanded by 70% over the previous seven years. Most of this is peri-urban residential development, where large tracts of land have been subdivided and sold as un-serviced or part serviced areas.

This is currently the most popular route to home ownership, but concerns are heightening over the sustainability of this form of development given the environmental externalities that result.



Recently commissioned appraisals on a number of sites around the periphery of the city demonstrated how a combination of market affordability constraints and high

private servicing costs often make it cost effective, and lower risk for landowners to choose only the basic servicing option.

Whilst higher development values can be achieved on the disposal of progressively more comprehensive developments, the actual net returns that can be achieved on the additional site preparation costs required steadily fall from 50% on the basic servicing options to 25% or less for housing development.

Clearly an appropriate development strategy will depend on location and demand, but the results provide an indication of the commercial dynamics that must be resolved if privately led development projects are to have a role in providing a sustainable route to meeting housing needs.

FARMS AND ESTATES

- **Substantial foreign interest in existing farms**
- **Interest predominantly in established farming communities**

Farms are once again popular in Zambia with a dramatic rise in foreign interest in available farm properties.

This interest seems to be focused on established farming communities throughout Zambia, while local and regional interest targets new farm properties in less fashionable areas.

Consummation of legitimate transactions remains a lengthy process, but interest stimulated by the new government's focus on agriculture should help to streamline the process.



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Canada
Caribbean
Chile
USA

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Italy
Monaco
Poland
Portugal
Russia
Spain
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Ukraine
United Kingdom

Africa

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Nigeria
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