

---

# Zambia Market Update

## H1 2020

---



Great East Road, Lusaka

# Office Market Review – H1 2020

## Lusaka

Office rentals in Lusaka continued to stabilize in H1 2020, with Grade A and Grade B rents ranging between US\$15 – US\$18 and US\$10 – US\$14 per square metre, respectively.

The office market has remained relatively resolute so far in the face of the pandemic, coming from a background of over supply, as office rentals adjust to demand over the medium to long term and landlords and tenants renegotiate terms.

## Copperbelt and other towns

Outside of Lusaka, most cities remain significantly undersupplied with Grade A offices.

Rentals in these towns are commonly charged in Zambian Kwacha and can range from ZMW 50 to ZMW160 per square metre. The most common demand for commercial office space in these towns is in the range of 40 sqm – 100sqm.

### Key trends

Rising inflation rates and economic uncertainty have continued to slow major development and transactions so far this year.

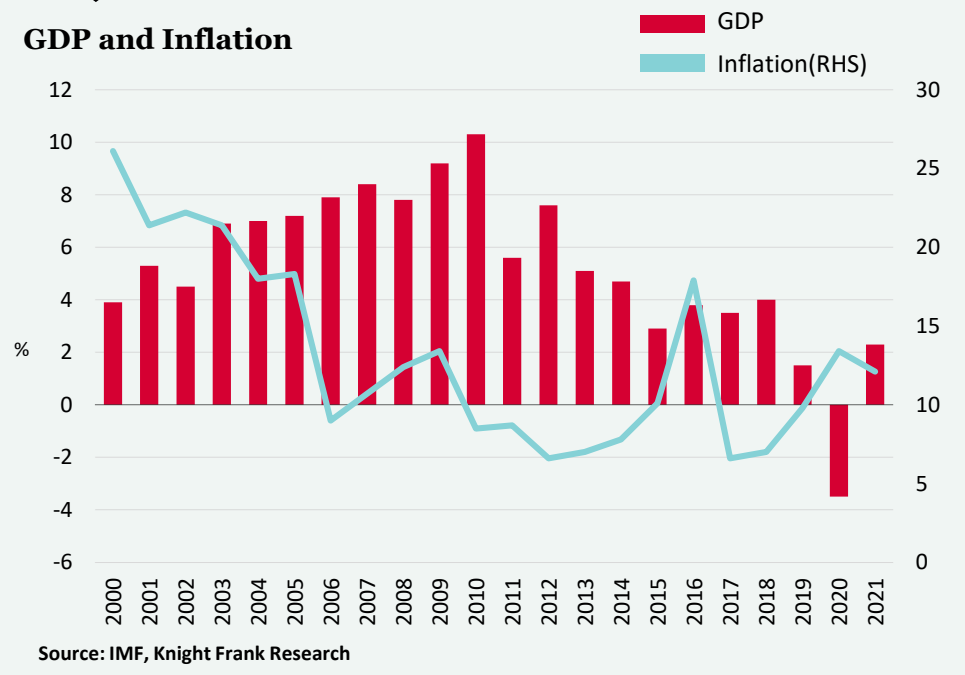
Renegotiations on existing office rentals for the short to medium term, allowing Landlords and Tenants to focus on the longer term once macro economic factors improve and adjust to the effects of the COVID – 19 virus.

The IMF has forecast GDP growth of 2.3% in 2021.

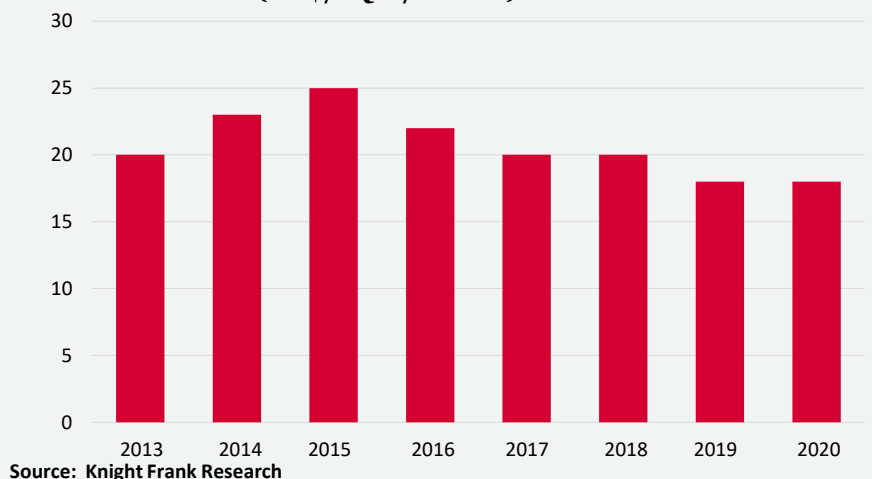
Global trends on sustainability and flexible space have continued to feature in the market with buildings such as the ZEP – RE Office Park, offering small and larger units for sale or lease and EVEXIA building being LEED certified.

There is still a strong demand for converted residential properties in central areas for small office uses, and often fixed at Kwacha rentals.

### GDP and Inflation



### Prime Office Rents (US\$/SQM/Month)



# Residential Market Review – H1 2020

## Lusaka

Overall transactions in the residential market slowed in H1 2020 as a result of the COVID-19 pandemic exerting downward pressure on prices. This trend is set to continue in H2 2020. Further, average yields for residential properties have sharpened in H1 as a result of falling rentals.

Prices have remained relatively high in areas such as Kabulonga, Woodlands and Rhodes Park with land values ranging between \$300,000/acre and \$500,000/acre.

In the medium term, increasing urbanisation and infrastructure development in the city is set to lead to increased demand for land in Leopard's Hill, New Kasama, Ibex Hill, Roma, Ngwerere and Lilayi with prices ranging between \$20,000/acre and \$70,000/acre.

## Copperbelt and other towns

Outside of Lusaka, an emerging trend has been the conversion of agricultural land into serviced plots in order to facilitate self build projects.

Prime residential units in the Copperbelt continue to range from ZMW600,000 to ZMW3,500,000 and ZMW650,000 to ZMW1,300,000 in other towns around Zambia.

### Key trends

The residential market in Zambia continues to be dominated by self-build projects as a result of the very high interest rates and the long term growth of the market is supported by new roads opening up new neighborhoods around the city under the ongoing Lusaka Decongestion Project

In H2 of 2017 the Central Bank of Zambia reduced its benchmark interest rate to 10.25% and in H1 2020 the central bank interest rate reduced to 9.25%. mortgage rates range between 20%-30%

An increased supply of residential units onto the market together with lower demand has led to a softening of the market and a reduction in rental levels and this looks set to continue throughout 2020.

Affordable housing demand continues to persist with the rise in young professionals

### Prime Residential Areas Lusaka – Key Facts

Location	Significant Developments	Comments
Kabulonga/ Woodlands	Expansion of main roads. Three New shopping Malls. Solar street lighting installation	Significant road infrastructure improvements, further enhancing it's established position as one of Lusaka's most popular areas.
Leopards Hill/State Lodge	Significant high end residential development. New mall under construction. Destination retail Solar street lighting.	Establishing itself as one of Lusaka's main areas for high end residential away from the centre of the city.
Rhodes Park/Longacres	New Medland Hospital  Standard Chartered Bank new Head Office	Has continued to move further towards a mixed-use nature and becoming Lusaka's primary mixed-use area. Land values remain high.
Roma leading to Ngwerere	Upgrading of Zambezi Road and Ngwerere Roads. Prime residential for small, medium and larger sized plots	This area has made significant strides towards being one of Lusaka's new sought after areas offering a variety of long term property development opportunities.

# Retail Market Review – H1 2020

## Lusaka

The COVID-19 pandemic has had an adverse effect on the retail sector resulting in some tenants vacating space or negotiating short term rental discounts. Retailers such as SPAR have closed down all their corporate owned stores in Zambia while Food Lovers closed down its East Park supermarket.

Smaller outdoor designed neighbourhood retail centres have continued to gain preference over larger malls. This has been attributed to ease of accessibility and convenience factors.

## Copperbelt and other towns

The Copperbelt is naturally dominated by the mining sector. Despite the COVID-19 pandemic, copper prices have remained stable over the last one year having a ripple effect on the local economy leading to a more resilient retail sector.

Malls such as Mukuba in Kitwe, have continued to trade fairly strongly attracting shoppers from across the border from the DRC, where there is still very limited formal retail.



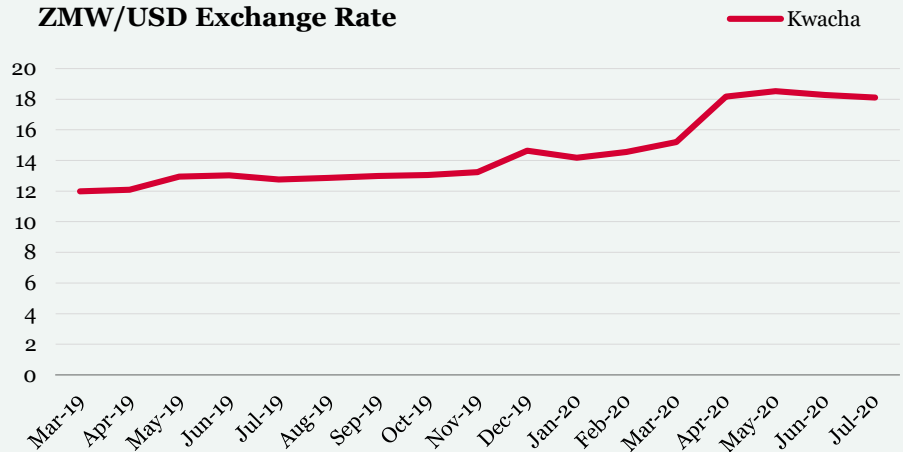
## Key Trends

Logistics and supply for regional retailers has been severely disrupted by COVID-19 and in certain cases, created a shortage of stock. However, this has created an opportunity for local food producers to supply retail supermarkets.

Whilst there are severe pressures on the retail sector, shopping is still a key lifestyle habit and malls a major destination in Zambia for the majority of the population, with little online trade options.

Pick n Pay is in the process of acquiring some of the former SPAR supermarkets in Lusaka locations such as Foxdale, Northrise and Twin Palm and is opening a new 900 sq. m Pick n Pay at the Great North Business Centre along the Great North Road less than 1km from the north end roundabout with Cairo Road.

### ZMW/USD Exchange Rate



Source: Knight Frank Research/ Macro bond

### Zambia Consumer Spending (% Change Y/Y)



Source: Oxford Economics

# Agriculture Review – H1 2020

## Impact of COVID-19

At the start of H1, Zambia announced a record maize crop yield of 3.39m tonnes, one of the best in the last twenty years ,mainly due to above average rainfall around the country during the October – March 2019 / 2020 season and an increase in farmers growing maize.

Disruption in the supply of food has negatively impacted on inflation causing a rise in prices in the shops as Zambia is landlocked and highly dependent on food imports. However conversely the virus has had a positive impact on small scale farmers growing vegetables and herbs, supplying the local market to fill the gap in the market.

## Why Invest in Zambian Agriculture

- Zambia is often viewed as a safe haven due to it’s relative stability – attracts private and institutional investors
- Over 40 million hectares of the country are classified as having medium-high potential for agriculture production; only 1.5 million hectares are cultivated annually.
- Corporation Tax for agriculture is only 10% compared with 35% for other sectors.
- Various traditionally grown crops include maize, wheat, other grains and other higher value crops such as nuts/citrus are growing in importance.



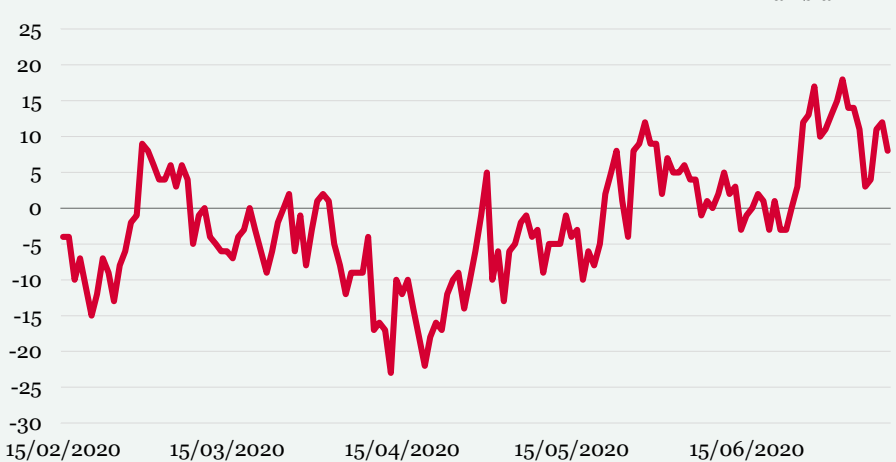
## Key Trends

It is too early to tell the effect of COVID-19 on values for farmland but to date values have remained stable and the sector resilient.

The ongoing road infrastructure improvements around the country , under The Link Zambia 8,000 project , support the growth of the sector for local supply and demand , and assist with better logistics and the opening up of farming areas. The aim is to construct an efficient road network in Zambia with international highways linking Zambia to South Africa, Zimbabwe, Mozambique, Malawi, Tanzania, the Democratic Republic of Congo and Namibia

A key long term trend is the high population growth , approximately 2.9% pa and increasing urbanisation , driving the demand for food and supporting the positive outlook of the agricultural sector.

## Community Mobility Index (Grocery Visits)



Source: Knight Frank Research, Macro bond



Kalangwa Estate

# Zambia Real Estate Market Outlook 2020

## Macroeconomic Outlook

The Central Bank of Zambia reduced its benchmark interest rate by 225 bps to 9.25% in order to stimulate the economy and reduce bank lending rates in the midst of the COVID -19 pandemic effects .

In H1 2020 Zambia's credit rating was lowered to CCC from CCC+ by S&P Global ratings and assigned a negative outlook, citing missed interest installment on an existing debt and in the latter part of H1 the Zambian government hired Lazards to advise on the foreign debt.

The IMF forecasts growth to rebound in 2021 to +2.3%

## Office Market

Continued adjustment of rentals as the market adapts to match the lower demand from tenants in order to lease surplus space. Rentals are expected to further stabilize in H2 2020.

## Residential Market

A significant slow down in self build projects which is the main type of housing development in Zambia driven by high interest rates and supported by improved road networks opening up new areas with better access.

The market is expected to remain tenant driven .

## Retail Market

A difficult time for retailers and landlords as a result of the unpredictable COVID-19 pandemic, Kwacha devaluation and higher inflation leading to pressure on rentals and more vacancies subject to short term renegotiations on terms.

## Agricultural Market

Medium to longer term opportunities combined with short term resilience in the face of the COVID-19 pandemic, driven by average annual population growth of 2.8% , increasing urbanisation , a growing small scale farming sector and an established commercial farming sector, better road infrastructure and improvements in irrigation techniques.

## Alternative Real Estate Sectors

Whilst COVID-19 has severely slowed the growth of the education sector, as schools and universities were forced to close , it remains a key opportunity for property investment in the long term.

The pandemic has also laid bare the frailty of the healthcare sector and the need for substantial and planned investment in clinics and hospitals around the country, at all levels.

## KEY CONTACTS



**Timothy D Ware, MRICS**  
**Managing Director**  
[tim.ware@zm.knightfrank.com](mailto:tim.ware@zm.knightfrank.com)  
**M +260 966 751 203**



**Mumba Kapumpa Jr, MRICS**  
**Manager - Advisory**  
[mumba.kapumpa@zm.knightfrank.com](mailto:mumba.kapumpa@zm.knightfrank.com)  
**M +260 979 662 150**



**Chalwe Silwizya, MRICS**  
**Surveyor – Advisory & Agency**  
[chalwe.silwizya@zm.knightfrank.com](mailto:chalwe.silwizya@zm.knightfrank.com)  
**M +260 961 873 345**

Knight Frank Research Reports are available at

[Knight Frank.com /Research](https://www.knightfrank.com/research)



### Important Notice

© **Knight Frank 2020** - This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

Knight Frank Zambia Limited is part of Knight Frank LLP. Our registered office is at No. 3 Chikwa Road, Lusaka, Republic of Zambia.