

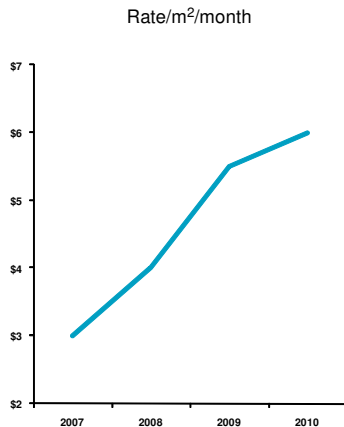


## Q1 2010 ZAMBIA

Market Update  
Knight Frank

### HIGHLIGHTS

- Severe shortage of modern warehouse space with proper access, loading and truck-turning area
- Retail demand increasing, Cairo Road Mall opens in Lusaka city centre
- Largest demand in office sector is for space in the range of 100 – 250m<sup>2</sup>
- Increased opportunities for attractive returns in property investment
- Over-supply of new housing estate developments may lead to decrease in rental rates
- Continued demand for low/medium cost housing in all centres
- After no significant development in the Copperbelt for many years, new commercial schemes have now commenced construction in Kitwe and Ndola.



## Industrial Leasing

There is a growing shortage of modern flexible storage space, with proper access, loading and truck-turning area on an estate type of development. As the local economy expands and attracts new as well as expanding businesses, there is increasing demand for warehousing of 1,000 – 2,500m<sup>2</sup>. Location is becoming critical as planning issues are more influenced by proposed ring roads in and around the city, coupled with increased levels of vehicular traffic each year.

At Krimanvi Park, a new warehouse development in the industrial area, four recent transactions totaling 8,300m<sup>2</sup> have raised the occupancy level to over 90%.

### New Offices, Lusaka - 2010

Elunda 2, Lusaka	3,755m <sup>2</sup>
Lusaka Circle	2,500m <sup>2</sup>
Acacia Park	450m <sup>2</sup>
Celtel House	1,600m <sup>2</sup>

## Office Leasing

The strongest demand in this sector is for occupiers requiring offices in the range of 100 – 250m<sup>2</sup>. As this “incubator” space is in short supply, developers are now looking to design floor plates of new projects to allow for space to be divisible in smaller units to accommodate these tenants, while retaining the ability to combine units and attract large corporate users.

The serviced office market in Lusaka is in short supply, as tenants new to the city looking to set up offices and operations quickly, have few choices in the market.

### Retail Construction - 2010

Millennium Park, Ndola	12,000m <sup>2</sup>
Great East Mall, Chipata	1,800m <sup>2</sup>
Cairo Road Mall, Lusaka	3,200m <sup>2</sup>
Manda Hill	15,000m <sup>2</sup>
Waterfalls Centre	25,000m <sup>2</sup>
Southview	12,000m <sup>2</sup>

## Retail Leasing

There is very high demand for retail units in Lusaka. The most popular malls of Manda Hill, Arcades and Crossroads are full. Manda Hill is undergoing an extension of 15,000m<sup>2</sup>. A new retail centre anchored by AutoWorld/Pick n Pay is under construction at the north side of the Woodlands roundabout, due to open later this year.

A new city centre mall opened in April on Cairo Road, in Lusaka. There are 17 shops on the ground floor and 20 on the first floor, with parking for at least 70 cars at roof level. Cairo Road Mall is an exciting development, including an escalator, not seen in Lusaka for many years. The project is a vibrant, colourful addition to the landscape in the city centre, and should help to modernize Lusaka's main street currently dominated by older buildings.



#### 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%

#### USD per month

4 bedroom executive	\$3,250+
3 bedroom stand-alone	\$2,800+
3 bedroom cluster	\$2,500+

#### Average House Price – Lusaka (USD)

high cost	\$300,000 - \$600,000
medium cost	\$60,000 – \$190,000
low cost	\$20,000 - \$40,000

#### Average House Price - Kitwe (USD)

high cost	\$100,000 - \$200,000
medium cost	\$40,000 – \$70,000
low cost	\$15,000 - \$25,000

1 USD = 4,500 ZMK

## Investment

The commodities boom, combined with debt relief and increased foreign aid, puts Zambia and many of the countries of sub-Saharan Africa on better financial footings than they have been in many years. This new-found stability in Zambia should enable the broadening and diversification of the economy, which in turn will lead to increased growth in the property market.

Opportunity for attractive returns driven by rental growth, yield compression and active asset management raises Zambia's profile in the investment property market.

## Residential Rentals

With the increasing number of new housing complex and estate developments coming onto the market there will be more competition amongst landlords but more choice for tenants. This is likely to lead to a fall in rentals. Critical issues such as facilities and services on offer, location, finishes and quality will become key to the success of schemes and level of rental.

## Residential Sales

The sales market is extreme in terms of demand and supply. There is a shortage of houses at the top end of the market, while demand is reasonably high a number of top end, occupiers look to build in emerging areas of Lusaka such as Eureka, Lilayi and Leopards Hill. Overall the limited supply of houses in prime areas has resulted in a steady increase in values over the past five years, from what is a relatively small pool of buyers.

Demand for new low / medium cost housing continues to increase, but sales will be linked to affordable finance, quality, location and ability to build and sell quickly.

## Copperbelt Market

The main towns on the Copperbelt, Kitwe and Ndola, and smaller centres have seen no significant property development over the past ten years. Solwezi, as a result of the Lumwana Mine project, has grown and developed. Overall, the Copperbelt suffers from a shortage of modern commercial and residential property, and limited quality retail facilities.

This is now changing. The Freedom Park Shopping Centre in Kitwe has commenced construction, as has the Millennium Shopping Centre in Ndola. In addition, a new 35,000 seat soccer stadium is under construction in Ndola, close to the Millennium Centre. New commercial developments have recently been completed in Ndola city centre.

# RESEARCH



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