



Q3 AND Q4
2014
ZAMBIA
MARKET UPDATE

HIGHLIGHTS

- 6% GDP growth in 2014
- Weakening of local currency
- New retail malls expanding to the main towns around the country
- Increase in prime office supply in Lusaka
- Expansion of industrial and warehouse nodes around Lusaka.
- Slow sales of new houses in Lusaka high end residential estates.
- Massive potential for agricultural investment.

Q3 AND Q4 2014

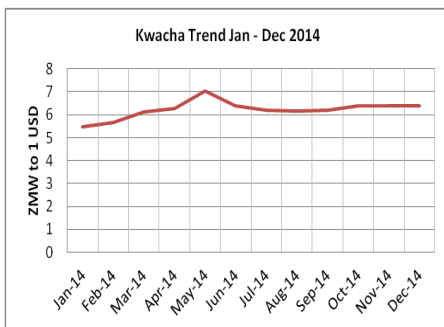
ZAMBIA

MARKET UPDATE

Economy

Zambia's economy continues to register strong growth with real GDP growth of 6.0 percent for 2014; this is lower than the 6.7% growth recorded for 2013 but above the IMF projected 5.5%.

2015 forecast data is positive with an estimated annual GDP growth of 7.0%. Continued investment in infrastructure, especially in mining, power generation and roads, with the Link 8000 project, will ensure that growth remains robust.



A stable exchange rate is key to the growth of the real estate industry, particularly as a substantial amount of building materials are imported.

Prime rentals in real estate in Zambia are generally fixed in US dollars as a hedge against a weaker Kwacha.

Political Scene

After a period of uncertainty during the last quarter of 2014 following the death of the country's president, the latest elections held in January 2015 were peaceful and should further strengthen Zambia's democratic credentials and increase investor confidence.

Retail

2014 witnessed a significant addition in retail developments with new malls opening, under construction and planned away from the capital, Lusaka. This has been marked by demand from South African national retailers to locate in the towns around Zambia.

The Copperbelt has benefitted first with Kafubu Mall in Ndola, anchored by Shoprite, which opened in the third quarter of 2014 and Reekays Mall, anchored by SPAR, expected to be open fully in the second quarter of 2015.

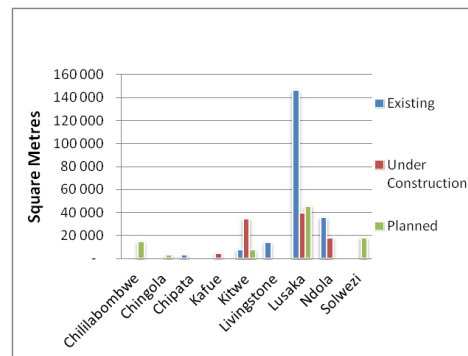
Mukuba Mall in Kitwe is scheduled to open in the last quarter of 2015, to be anchored by Shoprite and Game.

In addition, new malls are planned in Chirundu and Choma for 2016 and under construction in Kafue and Solwezi, anchored by Pick n Pay and Shoprite respectively. Shoprite has opened a new stand alone store in Kapiri Mposhi and Pick n Pay in Chingola.

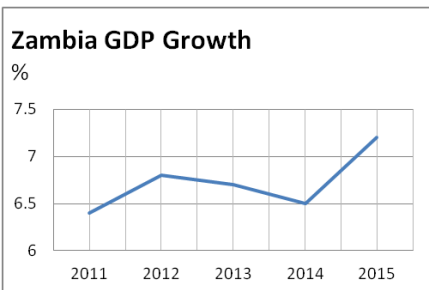
Lusaka retail continues to expand with East Park Mall's official opening in December 2014 anchored by Pick n Pay and Food Lovers Market, the Cosmopolitan Mall on the south of Lusaka under construction to be anchored by Shoprite and Game, and phase 2 of Twin Palm Mall planned to open in the second quarter of 2016. The retail flagship in Zambia, Manda Hill in Lusaka is understood to be planning an additional 10,000 square metres with more parking space.

Currently, Lusaka has approximately 145,000 sq.m of existing retail mall space.

Retail mall space in Zambia



A new suburban mall is planned for Kabwata in Lusaka, to be anchored by the Choppies supermarket group from Botswana – a new entrant into this sector.



In December 2014, the annual rate of inflation was pegged at 7.9 percent by the Central Statistical Office. This is lower than the November recorded rate of 8.1 percent but above the year end target of 6.5 percent.

2014 witnessed the Kwacha's depreciating trend against most major trade partner currencies except the rand. The decline in the price of copper and appreciation of the dollar globally also contributed to the weakening of the local currency.

The Kwacha had depreciated to approximately ZMW 6.40 to US\$ 1 by the end of last year, with further pressure expected on the currency in 2015. It reached an all time high of 7.05 in May of 2014.

Offices

Q3 and Q4 of 2014 was a slow period for most businesses resulting in less uptake of new office space in Lusaka and an increase in the vacancy rate.

Grade A Office Supply in Lusaka (Q3-Q4 2014)



With over 20,000 square metres of new prime offices in supply on the market, there maybe pressure on rentals, although some landlords are able to absorb vacancies and the over supply by slowing down final works. We estimate close to 60,000 square metres of existing prime offices in Lusaka excluding the downtown CBD area.

Opportunities existing for the supply of start up economical office space, from 50 to 200 square metres in prime and secondary nodes of Lusaka to support the expanding small scale business group. This has resulted in the use of residential properties for office use.

Industrial

Expansion of industrial and warehouse nodes around Lusaka supported by improved infrastructure such as the Government promoted Multi Facility Economic Zones and private sector driven Roma Park and York Commercial Park..

This will relieve pressure on the existing industrial area, dominated by access issues and traffic congestion at peak times.

There is increasing demand for logistics and storage solutions to support growing distribution businesses around the the country.

It is difficult to improve transport, power and water infrastructure on existing urban landscapes so it is better if investment can be joined up. For example, new ring roads proposed for Lusaka would be integrated with a new water and sanitation system.

Residential

The market is still dominated by self build and high cost of borrowing with interest rates above 20%. Continued sub division of large bush land around Lusaka into smaller plots for sale, with varying levels of services are resulting in unplanned developments and inconsistent service delivery. Improved regulation over these types of developments is required.

There is demand for quality, newer high end properties for lease in prime areas. Most houses in prime areas are old, in need of refurbishment or redevelopment.

Slow take up of new houses for sale in planned developments for high cost, above US\$ 250,000 pricing.

Farms and Estates

The contribution of the agricultural sector to the growth of the economy is growing. Prices of land depend on water, location and infrastructure. Agriculture contributes about 35 percent to the country's non traditional exports and about 10 percent of the total export earnings for the country.

Zambia has a total land area of 75 million hectares (about 752,000 kilometres), out of which 58% (42 million hectares) is classified as medium to high potential for agricultural production with massive potential for agricultural investment.

The country is divided into 10 provinces being Luapula, Northern, Eastern, Muchinga, Central, Copperbelt, North Western, Western, Southern and Lusaka.

Rainfall in Zambia is between November and April and the hottest and driest months are September and October with cooler temperatures between May and August.

Examples of current land prices, rainfall and beef prices

Area	Province	Irrigated Land per Acre/Ha (US\$)	Average Rainfall pa (mm)	Beef price per Kg (ZMW)
Chisamba	Central	1,500-1,800 / 600-700	800-900	17,000-19,000
Livingstone	Southern	800-1,000 / 300-400	650-700	13,000-14,000
Mazabuka	Southern	1,500-1,800 / 600-700	750-850	15,500-16,500
Mkushi	Central	2,000-2,300 / 850-950	950-1,100	16,500-17,500
Mpongwe	Copperbelt	2,000-2,300 / 850-950	1,100-1,300	17,500-18,500

Farm Block Development Programme

Government has an ongoing programme of opening up viable farm blocks in each province to be involved in primary production and value addition to agricultural produce. The farm block development initiative involves areas of not less than 100,000 hectares per block.

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