

H2 2022 Zimbabwe Market Update

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1

Key Insights

2

Property Market Overview

3

Outlook

Key Insights

Exchange rate volatility prevailed for the better part of 2022 and this led to an unstable economic environment/currency depreciation which triggered increases in the prices of goods and services.

The Ministry of Finance projected a GDP growth of 4% in 2022, a downward revision from the initial 4.6% projection at the beginning of the year. Government's growth projection was still above the IMF and World Bank projections of 3% and 3.4%, respectively.

The country faced growth restricting factors, such as high cost of living, liquidity constraints and perennial power outages. Inflation continued to be stocked by rapidly depreciating local currency against the United States dollar, despite several measures by the government to halt the trend. Annual inflation continued on an upward trajectory driven by speculation and forward pricing of goods and services.

To tame resurgent inflation, the Central Bank tightened its monetary policy and raised interest rates from 80% to 200% in an attempt to contain triple-digit inflation while curtailing speculative lending. Inflation subsided marginally and closed the year at 243.8% from a peak of 285% in August 2022.

The government introduced gold coins on the 25th of July 2022, as part of several policy measures to ease demand for the greenback and stabilize the Zimbabwean Dollar exchange rate.

The Russia-Ukraine conflict had direct effects on increasing food, fuel and fertilizer prices, disrupted supply chains and trade,

leading to fiscal tightening and widening of inequalities and governance issues.

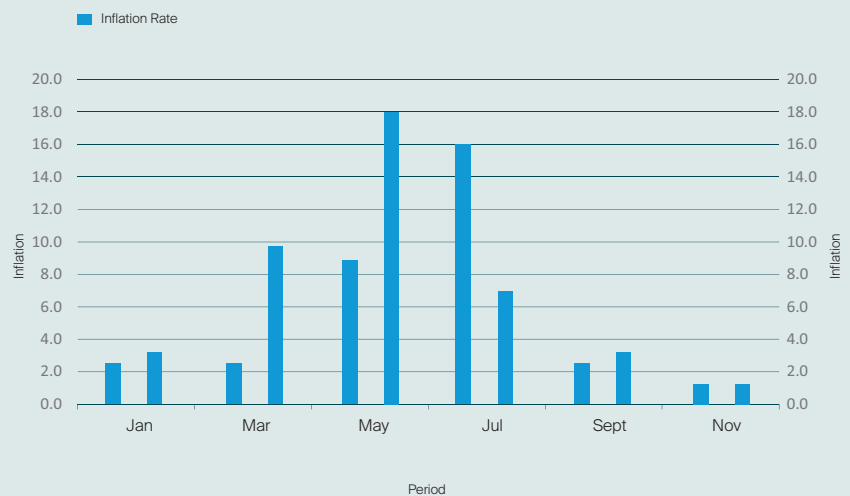
The economy continued to be affected by liquidity challenges, policy inconsistency, power outages, limited external support and depressed market confidence.

As at 14 July 2022, Zimbabwe had 256,083 confirmed COVID cases, including 249,862 recoveries and 5 566 deaths. By 13 November,

a total of 12,694,853 people had been vaccinated against COVID-19.

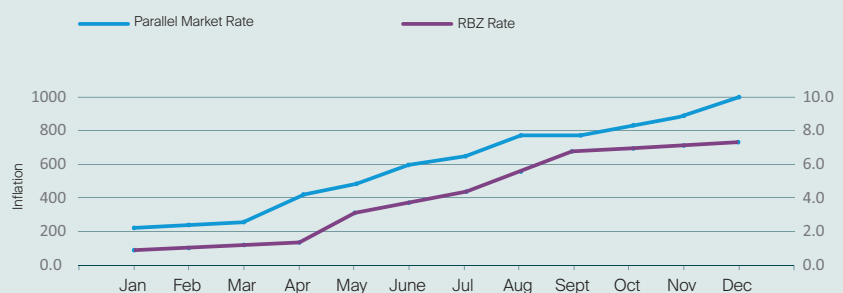
The government lifted night curfew and extended business hours for shops, bars and restaurants and generally opened the economy to pre-covid era.

Inflation Rate



Source: Zim Trade Economics

Exchange Rate



Source: Zim Trade Economics

PROPERTY MARKET OVERVIEW

Zimbabwe experienced foreign currency shortages which triggered turbulence, worsened by currency fragilities that led to low disposable incomes.

The development sub-market was the most affected as construction costs remained on an upward spiral in both currencies.

As a result, the sub-market continued to be dominated by residential property projects and small sized commercial developments.

The mortgage market was weak, and most buyers had to find cash to acquire properties.

Space absorption was insignificant during this period as demand remained weak with supply continuing to outstrip uptake especially in the CBD offices.

Suburban office market remained buoyant due to ongoing relocation activity away from the CBD.

Conversions from residential to commercial use was prominent in the main arterial

routes especially in the suburbs.

There has been ongoing major development of malls i.e. Highland Park, Chinamano Corner, Madokero Shopping centre , Ridgeway North and Five Avenue shopping malls.

Fuel station developments within the city continue to be on the increase giving motorists several refueling options.

The first Real Estate Investment Trust, the Tigere Property Fund with a property portfolio valued at US\$22 million listed on the Zimbabwe Stock Exchange. More similar listings are expected in 2023.

Heralding the construction of the multimillion-dollar Zimbabwe Cyber City a 2.5 million square foot development, the President of Zimbabwe, H.E. Emmerson Mnangagwa performed the ground breaking ceremony in July 2022.

Part of the new central business district of Harare is being built by UAE company,

Mulk Holdings and will feature a five star hotel, Mulk Office tower building, a shopping mall, restaurants, medical facilities, luxury villas, recreational facilities etc.

Re-emergence of cranes in the skyline of Harare, after a hiatus of over two decades, was witnessed after the ground breaking ceremony of the US\$80 million Regional Afreximbank Head office was held in September 2022 with completion expected in 28 months. The regional hub will include a five-star hotel, a conference centre and a trade and investment centre for entrepreneurs in the 35 000 square metre development.

The newly opened NMB headquarters, situated along Liberation Legacy way, in August 2022 joined other property players in embracing renewable energy and in the process addressed perennial power outages in the country.



Madokero Mall



Suburban office market remained buoyant due to ongoing relocation activity away from the CBD.



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Residential Market

Demand for residential properties was on the rise during this period with middle to high-income residential properties presenting investors with an avenue for value preservation as the inflation trend remained uncertain.

The residential rental market remained resilient in 2022, with demand for affordable houses exceeding supply.

The high demand against static supply saw property values in this market segment increase phenomenally as properties in some areas like Eastlea, Hillside, Milton Park, Belgravia and along major roads leading away from the CBD being converted for commercial use.

A number of private self-financed cluster house schemes amongst other developments were noted while financial institutions also delivered good housing stock, during this period.

Most rentals were being paid using the United States Dollars.

Office Market

Demand for small office space has increased since H1, this has seen property players repurpose their buildings to accommodate this segment which is characterized by small and medium sized enterprises.



The residential rental market remained resilient in 2022, with demand for affordable houses exceeding supply.



It has resulted in voids remaining high, especially within the Central Business District ranging from 40 to 60% as a number of corporate occupiers have relocated to the northern suburbs.

There are low voids in suburban office parks. Market rentals in suburban parks range between US\$8.00 and US\$13.00 per square metre per month.

Demand for space in the northern suburbs is high with any space that becomes vacant being let easier than that in the CBD, most landlords are recording 100% occupancy levels.

Most CBD tenants are relocating to suburban areas where residential houses are being converted into office space and this has been the trend since H1 2021.

CBD rental rates for office space have largely remained unchanged ranging from US\$5.00 to US\$8.00 depending on the size and state of the space.

Key Highlights

40 - 60%

Corporate tenant relocation in the CBD

\$8.00 - \$13.00

Market rentals in suburban parks

\$5.00 - \$8.00

CBD office rental rates

100% Occupancy levels in Northern suburbs

Frequent rent reviews have facilitated the increase in rental rates since H1 2022.

To be noted is the indexing of rentals in US\$ but payable at the prevailing auction rate which has resulted in resistance from property owners as they are trying to achieve purely US\$ rentals.

Retail Market

The retail sector has been relatively resilient despite the low consumer disposable incomes.

The informal traders have caused a boom in the retail market and vendors are flooding the CBD to maximize on the high volumes of traffic.



Highland Park

Rental rates have increased in the CBD ranging from US\$20.00 to US\$25.00 per square meter due to increased demand for retail space.

Several property players in the CBD have subdivided their buildings into small units to accommodate small and medium sized retailers and in the process achieve higher rental rates and returns.

Rental rates for the suburban locations have generally remained stagnant in the order of US\$15.00 to US\$20.00 per square metre per month.

Retail in the capital is at a low pace with a few ongoing developments including Highland Park Phase 2, Madokero Shopping mall & fuel filling stations. There was an expansion in supply of retail space as new complexes are being constructed for example the Madokero Shopping Mall, Highland Park Shopping Mall and Pomona becoming major economic zones.

Pick n Pay has increased its retail trading space courtesy of presence in recently opened Highland Park Shopping Mall, Madokero Shopping Mall and along Simon Mazorodze Road.

Industrial Market

Storage, distribution and logistics are becoming the predominant use of space in the industrial space as the manufacturing sector continues to be affected by competition from imported goods.

Leading hardware retail traders have established their presence in a number of the industrial and business parks. Demand for industrial and logistics space is high but is largely unfulfilled due to limited supply.

Private players and corporates have made significant investments in this sector to increase the supply of space in new industrial developments in Mount Hampden, Msasa, Madokero Business

Park and Pomona Industrial parks which have become major economic zones. Though growth in the sector is hampered by power outages, poor water supply, low capacity utilization and deteriorating infrastructure, rents have firmed to about \$5/ m2 for units less than 500 sqm.

Rental rates have remained stable, achieving US\$3.00 per square metre for units of up to about 1000 square metres while larger spaces are achieving in excess of US\$1.00 per square metre.



Pomona Industrial Park



Chinamano Corner

\$15.00 - \$20.00

/sqm rental rates for the suburban locations

\$3.00

/sqm rates for units up to 1000 sqm

OUTLOOK

Stakeholders in the property industry are expected to adopt a wait and see attitude in light of the forthcoming general elections, which are set to be held in 2023.

Majority of rentals to be paid in United States Dollar currency in 2023.

There are indications of dollarizing of the economy due to increased use of the greenback in all aspects of the economy.

Increased agriculture and mining production and tourism are sectors

that are projected to spur economic growth in 2023.

The Government has projected GDP growth of 3.8% against the World Bank projection of 3.6%.

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