The Zimbabwe Market Update

Knight Frank

H2 2024

This report provides occupiers, landlords, and investors with a regular analysis of the rental performance and trends of the real estate market across Zimbabwe.

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The Afrexim Trade Center, Harare Zimbabwe

Executive summary

Zimbabwe's economy faced a turbulent 2024, grappling with high unemployment, a liquidity crunch, soaring energy prices, and a significant decline in agricultural output due to El Niño.

These challenges were compounded by exchange rate volatility and the exodus of several foreign firms.

While inflation stabilized towards year-end, concerns remain about the country's economic recovery and long-term growth prospects.

The property market witnessed a surge in development activity, driven by both government initiatives and increased participation from financial institutions.

However, infrastructure constraints, regulatory hurdles, and town planning challenges pose significant risks.

The establishment of the Afreximbank African Trade Centre in Harare offers a potential catalyst for regional trade and investment.

ECONOMIC OVERVIEW

El Niño severely impacted agricultural output, further straining the economy. The manufacturing sector also faced significant challenges.

Exchange rate volatility in the first half of the year led to currency depreciation and price increases, eroding consumer purchasing power.

Despite these challenges, inflation showed signs of stabilizing towards the end of the year, reaching 3.7% month-on-month in December, within the Reserve Bank of Zimbabwe's (RBZ) target range.

The RBZ maintained a tight monetary policy stance to anchor inflation expectations. Economic growth for 2024 was projected at around 2%, primarily attributed to the El Niño-induced drought.

Other growth-restricting factors included the high cost of living, exchange rate volatility, and a significant informal economy.

The exodus of several foreign firms, including Barloworld, Unilever, Nampak South Africa, and potentially Tongaat Hulett, raised concerns about investor confidence and future foreign direct investment. The departure of Deloitte & Touche and Pricewaterhouse Coopers (PwC) further underscored these concerns.

3.7%

Inflation showed signs of stabilizing towards the end of the year, reaching 3.7% month-on-month in December 2025.

Source: Knight Frank

"The property market witnessed a surge in development activity, driven by both government initiatives and increased participation from financial institutions."

Property market dynamics

The property market experienced a period of dynamic change, with increased development activity and a shift in market dynamics. The Harare City Council's proposed Cluster Development Policy, aimed at increasing densification, generated both interest and concern among industry players and residents. Concerns centred on the city's infrastructure capacity to support increased density and the potential impact on neighbourhood character.

The Ministry of National Housing and Social Amenities actively sought investment partnerships for housing developments. Several notable commercial projects were announced, including the opening of Hogerty Hill Shopping Centre, with a new Pick n Pay superstore, an office complex by Mashonaland Holdings, a hotel and office expansion by First Mutual Properties, and the launch of Pfuma REIT by Simbisa Brands. Terrace Africa is developing a US$20 million Greenfields Shopping Mall, anchoring a massive redevelopment of the Showgrounds Precinct under a 25-year Build-Operate-Transfer (BOT) agreement. This landmark project will revitalize the area and provide a world-class retail experience.

The President also commissioned a significant number of housing units in Dzivarasekwa and launched "The Hills" luxury estate, marking a shift towards branded residences.

A significant trend in the property market is the increasing role of banks and financial institutions, which are now competing with traditional developers. CBZ Holdings launched the Northgate Mortgage Diaspora Scheme in the UK, announced a major housing project, and secured funding for additional housing construction. Other banks, including Banc ABC, NBS, and FBC, also offered various housing schemes catering to different income segments.

TOWN PLANNING AND REGULATORY CHALLENGES

Harare faces growing town planning challenges, with businesses encroaching on residential areas and the CBD struggling with informal activity. The proliferation of service stations, driven by the lucrative foreign currency trade in fuel, poses environmental and safety risks. The unchecked growth of commercial businesses in residential areas contributes to traffic congestion, loss of community character, and potential health hazards.

Simbisa Brands – Chicken Inn Outlet

The Harare Afreximbank African Trade Centre

A pan-African multilateral financial institution, the African Export-Import Bank, also known as Afreximbank (the Landlord), was founded to offer financing options and advisory services for the growth, diversification, promotion, and development of trade within and between Africa. Its main office is located in Cairo, Egypt. Seven Afreximbank African Trade Centres will be located around Africa, including the Southern Africa Regional Office and Trade Centre. Based near the intersection of Herbert Chitepo Avenue and 7th Street in Harare, Zimbabwe, the project is being built on a 15,000-square-meter block of property on the outskirts of the city centre.

The seven-story corporate offices, three-story conference and exhibition centre, and ten-story, 119-key, four-star hotel will make up this distinctive 31,256 square meter mixed-use business complex.

A wide range of shared services and amenities, such as private club areas, trade data, educational programs, exhibit and conference rooms, temporary office and meeting spaces, video conferencing, secretarial, and translating services, are expected to be available to members and guests.

The Harare Afreximbank African Trade Centre (HAATC) is intended as an iconic business complex that provides an integrated one-stop shop for trade services and business facilities.

It is proposed that the trade services will be provided by way of possible joint ventures/ partnerships through co-branding and servicing with relevant partners.

31,256 sqm

The Afriexim Bank Trade Center is comprised of seven-stories of corporate offices, three-story conference and exhibition centre, and ten-story, 119-key four star Hotel

Source: Knight Frank

Afreximbank African Trade Centre

Market Overview

As stated in the November 2024 Budget Speech by the Ministry of Finance, Zimbabwe's GDP is anticipated to increase from 2% in 2024 to 6% in 2025. An additional 6% growth in mining, 5% in construction, 11% in energy, 10% in ICT, 4% in tourism, and 13% in agriculture will support the anticipated growth.

The African Development Bank (AfDB) projects Zimbabwe's GDP growth rates for 2024, 2025, 2026, and 2027 at 2%, 6.5%, 5.1%, and 5.2%, respectively. This growth is expected to be driven primarily by a recovery in the agricultural sector, supported by forecasts of normal to above-average rainfall, and by the industrial sector, which is set to benefit from significant investments in new steel production facilities, particularly in 2025.

Reduced mining prices, power outages, currency volatility, macroeconomic instability, and drought are some of the factors behind the current low economic growth rate of 2%. Rebounding agriculture, robust exports, significant foreign investment, and manufacturing capital projects are all factors that are expected to influence the economic recovery. Due to its large capital requirements, the real estate market was most negatively impacted in H2 2024. Large infrastructure projects and a few high-capital ventures were currently financed by foreign entities, mainly Chinese companies and the government.

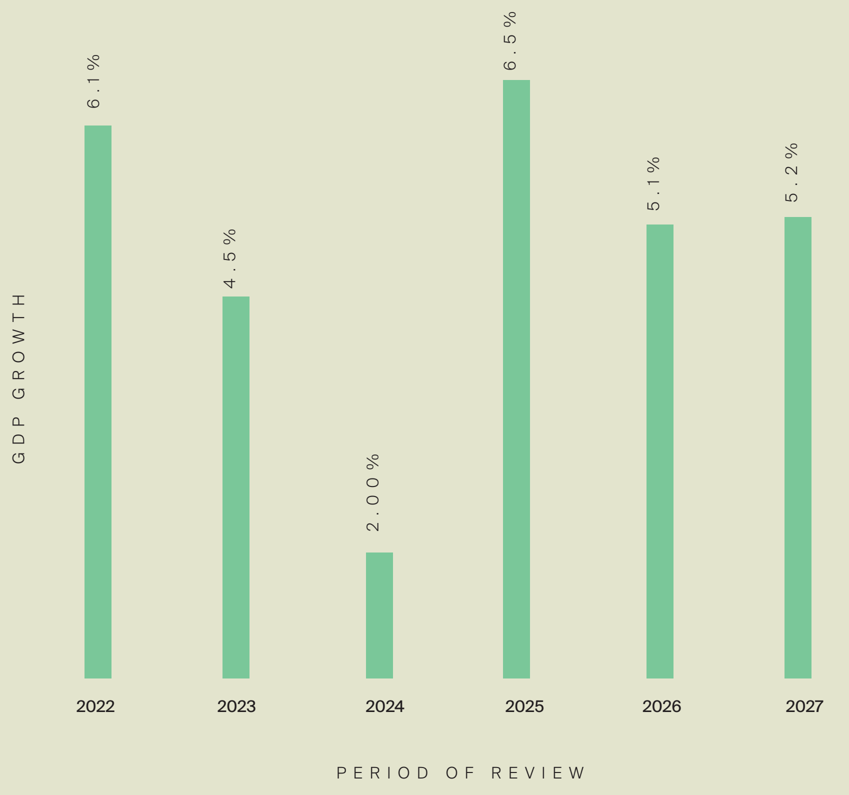
2% - 6%

Anticipated increase of Zimbabwe's GDP

Source: Knight Frank

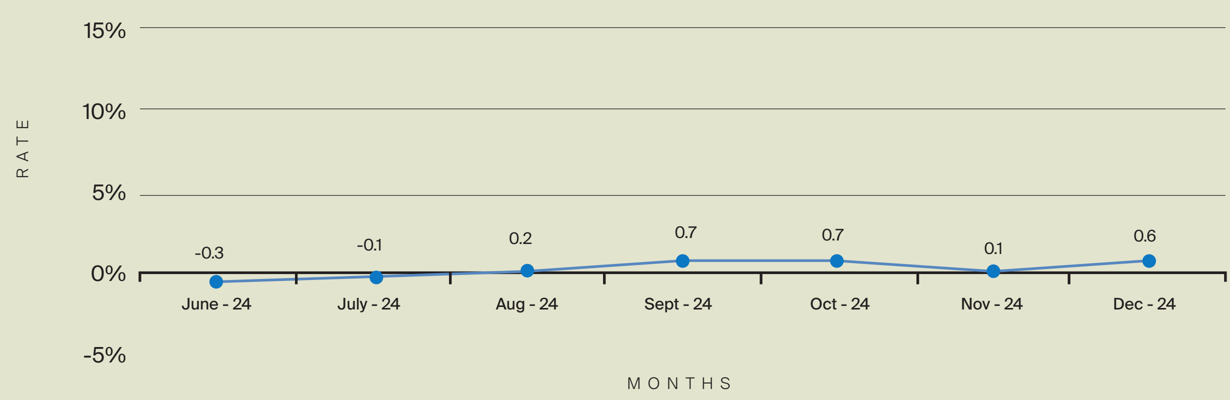
"Due to its large capital requirements, the real estate market was most negatively impacted in H2 2024"

Figure 1: Real GDP growth



Source: African Development Bank

Figure 2: Month on Month Inflation rate from June 2024 to December 2024



Source: Reserve Bank of Zimbabwe (US$, CPI)

Inflation: With commodity prices stabilizing, global inflation is predicted to slow from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025.

Yet, because of currency depreciation, low-income nations are expected to see higher inflation, which will have a knock-on effect on the cost of fertilizer, food, and fuel. Inflation is predicted to decline from 16.2% in 2023 to 15.3% in 2024 in Sub-Saharan Africa as a result of currency depreciation and the knock-on effects of higher food and fuel prices, whereas advanced economies estimate inflation to average 2% in 2025.

In Zimbabwe, the low inflationary trend does not point to price and currency stability but a deflationary direction driven by low demand for goods and services due to high unemployment, reduced disposable income and the effects of drought.

Despite rentals remaining relatively low, tenants are still failing to pay on time.

Energy Supply & Demand: While the country needs 5000 megawatts of capacity, its installed capacity is 2800 megawatts or just 56% of the current demand.

The average daily supply is about 1000 MW after the Kariba Hydro-electric Power Plant's supplies were reduced due to the current drought's impact on water levels.

Due to a shortage of power, the new real estate development projects do not readily get power upon completion unless alternative power sources (usually backup power) are enhanced for instance, solar power.

A number of new and old developments are switching to solar and gas.

The Zimbabwe Power Company gives frequent updates on power supply in the format shown below:

Table 1: Daily Power Genration statistics 02 January 2025

SOURCE	MAXIMUM SUPPLY TO-DATE
Hwange	700MW
KARIBA	599MW
IPPs	54MW
TOTAL	**1353 MW**

"With commodity prices stabilizing, global inflation is predicted to slow from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. "

Source: Knight Frank

An artistic impression of the proposed Zambia/Zimbabwe agro processing industrial park

Vacancy Rates: Passive voids are common in the industrial and office sectors and have now become structural.

These have pushed investors into huge losses caused by fixed operating cost obligations such as deferred maintenance, municipal rates and taxes, insurance and security. The retail sector is active with only transitory vacancies.

Rent Default Rates: The default rates vary from one asset class to another, with retail carrying the lowest risk at less than 10%, Offices are second at 15%, and the industrial sector is above 25%.

Retail tenants fight to retain space and can easily switch merchandise to trending products and services because of easy access to the market.

However, the quality of tenants occupying the CBD worsened because of the informalization of the market.

Rental Yields: Some of the factors that weigh down on property yields are the quality of a property, tenant quality, lease terms and conditions, inflation, vacancy, and default rates. The office sector returns averaged 9%, the retail sector at 8%, and the industrial sector is pegged at 13%.

Market Rental Rates: The reduction in tenant quality affected rentals in all towns around the country, leaving only a few prime locations and quality assets achieving prime rentals.

> "Some of the factors that weigh down on property yields are the quality of a property, tenant quality, lease terms and conditions, inflation, vacancy, and default rates."

25%+

Rental default rates is highest within the industrial sector

Source: Knight Frank

Sectoral Analysis

OFFICES

Vacancy rates in Harare and Bulawayo's CBDs have reached 60% and 40%, respectively. This significant level of vacancy can be attributed to several factors, including aging and poorly maintained infrastructure, a reported 13% increase in crime within the CBDs between H2 2023- H2 2024 (Source: Safeguard Crime Report 2024) and limited and expensive parking options, with average casual parking costs in the CBD reaching US$1.00 per hour compared to free parking in most suburban locations.

According to our data, 30% of businesses previously located in Bulawayo's CBD have relocated to suburban areas such as Suburbs and Khumalo between H2 2020 and H2 2024. In Harare, a similar trend has been observed, with all the major banks having relocated, planning, or are in the process of building head offices in the northern suburbs such as Highlands, Newlands, and Borrowdale during the same period.

Tenants are also leaving the CBD because of traffic congestion and high rental rates in the CBD. For instance, traffic congestion within the Harare CBD has increased by 30% in recent years, contributing to tenant dissatisfaction. Average rental rates in the CBDs are currently US$ 6.00 per square metre, compared to US$ 10.00 per square metre in suburban locations. Furthermore, while parking is typically charged at US$1.00 per hour in the CBD, free customer parking is widely available in suburban office parks.

Ecobank – Harare

RESIDENTIAL SALES

The residential property market is driven by cash sales, mostly through diaspora remittances and small-scale miners.

No mortgages are extended towards real estate because of the high cost of borrowing and currency uncertainty.

The high-density properties in Harare are priced between US$ 60,000 – US$ 80,000, medium-density at US$ 120,000 – US$ 250,000 and the low-density ones at US$ 500,000.

Source: Knight Frank

Gated community

> "The residential property market is driven by cash sales, mostly through diaspora remittances and small-scale miners."

RETAIL

The large boxes remain in the form of supermarkets and hardware stores. The department stores are closed, and space has been converted to micro shops.

The division of large retail spaces into smaller units targets small-to-medium business enterprises (SMEs), reflecting the retail sector's rapid shift towards informal and decentralized operations.

In November 2024, Choppies Supermarkets, a Botswana-based grocery retailer, announced its planned disinvestment from the Zimbabwean market.

This follows the depreciation of the local currency, shortage of foreign currency and decline in disposable incomes, resulting in low demand for goods and services.

The company operated 32 stores across Zimbabwe prior to the announcement.

The retail market leases are structured on a basic rent and turnover rent basis with an average percentage of 2%.

National retailers in Zimbabwe typically receive revenue in a mix of Zimbabwean dollars (ZWG) and US dollars, with a current estimated ratio of 90:10 ZWG to USD. This high reliance on the ZWG exposes retailers to significant exchange rate risk and macroeconomic instability.

These units range from flea market cubicles with lettable areas of around 9 sqm on average to the informal sector and start-ups these small units.

Rental rates for these SME units vary depending on location. In other towns, monthly rates are typically between US$20 and US$30 per square metre, while in Harare's CBD, rates can reach as high as US$50 per square metre.

These higher rates in the CBD are associated with a high tenant turnover rate of approximately 40% annually, indicating a competitive market with short-term leases. They are administered on short-term leases. Lessee turnover is high because they sell the same merchandise and compete with cheaper Chinese retailers.

US$50

Maximum monthly rates per square meter in Harare CBD

Source: Knight Frank

Highland Park, Harare

INDUSTRIAL

The industrial sector rental yields are currently averaging 13%, compared to 11% in H2 2023.

These subdued yields are expected to persist in the short term until the positive effects of increased activity in primary production sectors, such as agriculture and mining, translate into increased demand for industrial space and related services.

Debt market: The real estate sector receives 5.84% through mortgages and 1.17% through construction projects, and the figures explain why there is limited activity in the sector.

The housing sector, being a low capital bracket, also benefits from cash investments through diaspora remittances and small-scale miners. The graph below shows that the market loan book is dominated by the consumptive, agricultural mining and manufacturing sector.

Following a meeting on December 3, 2024, Zimbabwe's central bank declared that it will keep the benchmark interest rate at 35%, maintaining borrowing prices at their highest level since March 2024. The cost of borrowing is high and unsustainable at this level.

Non-Performing Loans (NPLs) & Risk Control: In an active economy, the standard non-performing loan rates are an average of 5% (percent).

These are markets where loans are disbursed to the market without stringent restrictions, pointing to a stagnant economy with a high default risk. The banks tighten the lending conditions, leaving the market with little debt cover to allow free borrowing.

The residential development sector is surviving on diaspora remittances and a few loans extended to high-net worth individuals.

Figure 3: Debt Ratio

Source: Ministry of Finance and Economic Planning

Outlook and Opportunities

Harare, Zimbabwe

Zimbabwe's economic outlook for 2025 suggests a potential recovery, with GDP growth projected to reach around 6%. This recovery is contingent on a rebound in agriculture, growth in the mining sector (particularly driven by demand for energy transition minerals), and continued development of the tourism sector. The property market is expected to experience growth, driven by increasing demand for housing and commercial space.

However, realizing this potential requires addressing key challenges. Infrastructure constraints, including roads, water, and sanitation, need urgent attention. Regulatory challenges related to property rights, zoning, and town planning must be addressed to ensure sustainable development. The dominance of financial institutions in the property market presents both opportunities and challenges for traditional developers.

CONCLUSION

Zimbabwe's economic and property market outlook for 2025 presents a mixed picture. While there is potential for recovery and growth, significant challenges remain. Addressing infrastructure constraints, streamlining regulations, and fostering a stable macroeconomic environment are crucial for achieving sustainable development. The exodus of foreign firms serves as a reminder of the need to restore investor confidence and attract foreign direct investment. The Afreximbank African Trade Centre presents a promising opportunity to unlock growth and prosperity, and with a supportive economic and regulatory framework, it has the potential to be a game-changer for African trade and development.

A concerted effort from all stakeholders is required to navigate these challenges and unlock Zimbabwe's full economic potential.

"Addressing infrastructure constraints, streamlining regulations, and fostering a stable macroeconomic environment are crucial for achieving sustainable development."

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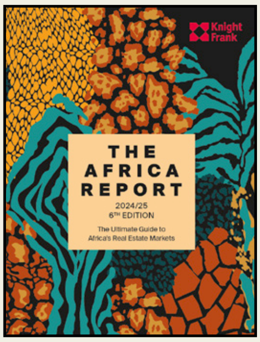

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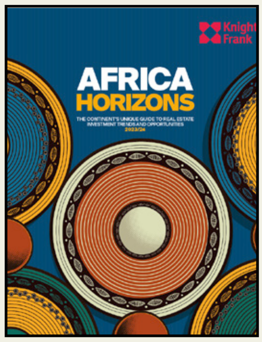
AFRICA OFFICES MARKET DASHBOARD H2 2024

AFRICA INDUSTRIAL MARKET DASHBOARD H2 2024



AFRICA HORIZONS 2023/24

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