

The Zimbabwe Market Update

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Knight Frank's performance review of Zimbabwe's property market over the second half of 2025

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◆ Economic update

The 2026 National Budget Speech Report highlights several economic growth indicators, including stable inflation and exchange rates, an upward revision of the Gross Domestic Product (GDP), and increased foreign currency earnings. The growth trajectory is driven by a strong recovery in the agriculture, mining, tourism, and manufacturing sectors.

During the period under review, inflation eased to 15%, and the exchange rate stabilized at ZiG/ZWG 26 to the US dollar by the close of 2025. The Zimbabwe National Statistics Agency (ZIMSTAT) reviewed nominal GDP in 2025, which rose from US\$ 34 billion to US\$ 52.4 billion, resulting in a GNI per capita of US\$ 3,200, and the economy maintained a 6.6% growth. Foreign currency receipts increased by 21.8% to US\$16.2 billion from the US\$13.3 billion achieved during the year 2024. Favourable gold prices boosted foreign currency receipts, with diaspora remittances playing a particularly significant role. Notably, 16% of total receipts were derived from diaspora support.

Micro-economic factors

- Office rentals remain at US\$6/sqm in the CBD and US\$10/sqm in the suburban office spaces;
- New logistics; warehousing, and wholesale facilities in Pomona, Harare, achieved rental rates above US\$8/sqm;
- Depending on the quality, cap rates are estimated at 10% - 12% for offices, 9% - 10% for retail, and 11% - 13% for industrial properties;
- Office vacancies remain at 60% for Harare, and 40% for Bulawayo, and 25% in small towns;
- Design Quarter is 60% complete, transforming the Highlands Precinct skyline, with leases secured by Puma, Trafigura, and ZIMOCO.

Figure 1: Foreign Currency Receipts – Jan 2025 – May 2025 July 2025 – December 2025



Source: Reserve Bank of Zimbabwe

Highlights

Below are the macro and microeconomic highlights that reflect the financial levers driving the country's economy.

Macro-economic factors



Annual inflation eased to 15% by December 2025 – Reserve Bank of Zimbabwe Annual Report 2025;



ZiG/ZWG exchange rate stability at around ZiG/ZWG 26 to the US dollar – RBZ Annual Report 2025;



Gross Domestic Product (GDP) reviewed to US\$ 52.4 billion in 2025, up from US\$ 34 billion in 2024;



The GDP growth is reported to have increased to 6.6%, up from the initial projection of 6% in 2025 and projected to slide to 5% in 2026;



Foreign currency earnings in 2025 increased by 21,8% to US\$16,2 billion from US\$13,3 billion the previous year, driven by favourable commodity prices.



Cardinals Corner

The economic growth indicators highlighted above have not meaningfully translated into rentals or capital values of properties. One reason could be the poor infrastructure supporting the real estate ecosystem. While the government has improved funding for infrastructure development, it has been mostly channelled towards upgrading highways and strategic and bulk infrastructure, ahead of urban utilities and benefits. Poor road, sewer, water, and electricity infrastructure has hindered property values in the central business districts, thereby widening voids and reducing yields. Local authorities report incapacitation, citing revenue streams redirected towards central government control.

Managers' Index (PMI) consistently remained above the 50 threshold, signalling continued expansion in private sector activity. Firms reported growth in output and new orders across trade, manufacturing, construction, and services, supported by improving demand conditions.

RETAIL SECTOR

The retail sector remains subdued after the fast-moving consumer goods (FMCG) sub-sector suffered significant exchange rate losses, forcing OK Zimbabwe and other large retail groups such as Choppies Zimbabwe to either downsize or close shops across the country. Despite OK Zimbabwe's efforts to raise working capital by selling its real estate, sales and stock levels remain very low. The OK Zimbabwe Half Year Report, released in September 2025, shows the retailer reported a net loss of US\$17.81 million for the half-year to September 2025, a significant drop from profit in the previous year.

The retail sector is affected by the following challenges:

- Reduced consumer liquidity – the reduced demand for goods and services is caused by limited consumer disposable income;
- Poor liquidity – limited working capital affects stock replenishment, and supplier terms are tight because the market is basically a cash economy;
- Tight credit conditions – the tight credit terms and conditions, coupled with high interest rates, make the cost of borrowing prohibitive;

- Stock shortages – stores are experiencing significantly depleted stock levels, with reduced product ranges, impacting customer experience;
- Power supply disruptions – high costs from reliance on generators due to power outages add to operational burdens for all retailers;
- Cheap imports – cheap imports from neighbouring countries and China reduce the sales of major retailers;
- Competition – the informal sector offers a wide range of cheap merchandise from the street fronts to small lettable shops, choking the sales from big retail boxes.

The above factors have pushed down sales margins, leaving rental turnover yields too low to cover landlords' costs. The introduction of small retail spaces has not improved overall sector performance, largely due to the narrow merchandise mix, which exposes small retailers to significant losses and persistent rent arrears.

The fall of major retailers could have been caused by exchange rate losses incurred when the formal sector was obliged to use the official exchange rates. The informal sector flooded the streets with cheaper goods and foodstuffs, leaving large retail chains with less activity. Cheap imports and smuggled goods result in losses incurred by formal traders. The liberalisation of exchange rates allowed anchor retailers to minimise losses, charge in hard currency, and adjust their prices to compete with the informal sector.

Elsewhere, investor confidence is growing, particularly in Harare, where several new property-sector projects are being planned. Puma, Trafigura, and ZIMOCO have committed to taking up space at the Design Quarter facility as anchor tenants. The new building is 5,500 sqm and is set to change the skyline along ED Mhangagwa Road. In the next few years, the projected development corridor will see significant construction as part of a contemporary precinct project that will add another 200,000 sqm of mixed-use space to the area.



Design Quarter in Harare, Zimbabwe.

Retail & Wholesale Spotlight: Hardware Dominance

The increase in construction activities has made hardware retailers the most sought-after tenants for new retail centres. By growing its network to 25 locations around the country, Electrosales is solidifying its position as the leading hardware company. In Harare, the hardware store currently has 11 locations, including its newest flagships in Cardinals Corner and Westgate Shopping Centre. To provide a steady supply of value-added timber for the national building market, it also established a dedicated Timber Division with a new processing facility in Mutare. Bhola Hardware has

grown to 19 locations across the country on the same retail growth trajectory. Bhola has effectively seized the high-volume do-it-yourself market by focusing on busy intersections and the small to medium enterprises (SMEs) construction industry. It frequently serves as a secondary anchor in new retail developments.

The intersection of ED Mnangagwa Road and Harare Drive is home to Cardinal Corner, a prestigious leisure destination. High-thermal insulation roofing and “Passive Design” offers lower cooling expenses for tenants such as CFAO Toyota, Electrosales, and Spar.

INDUSTRIAL SECTOR

According to ZIMSTAT’s Economic Census 2025 report, the manufacturing sector contributes an estimated 15% to the country’s GDP. The trend is expected to continue with a good rainfall season, stable currency exchange rates, and good international commodity prices. The informal sector is estimated to account for 76.1% of business players and to contribute 60% of the country’s GDP. This development has seen large industrial properties being partitioned to introduce shared spaces by SMEs.

The industrial sector is largely underpinned by agriculture and mining. In November 2025, Cut Rag Processors commissioned a new plant in Harare, tripling its cut-rag tobacco processing capacity to three million kilograms per month.

Zimbabwe’s tobacco production reached a record high of 300 million kilograms in 2025, with farmers earning over US\$1 billion.

Improved tobacco production has created opportunities for investors to enter value-addition and beneficiation processes as well as related industries. Enhanced quality of export products, in turn, supports higher export earnings for the country.

The rental rates and yields have generally remained stable, and voids are at 40% despite reported economic growth and a positive outlook. The table below shows rates and yields for the different sub-sectors of the industrial sector:

| Type | Rate sq/m (US\$) | Cap rates % |
|------------------|------------------|-------------|
| Manufacturing | 1.00 – 2.50 | 12% |
| Warehousing | 5.00 – 10.00 | 10% |
| Service Industry | 3.50 – 5.00 | 13% |

Source: Knight Frank



Cut Rag Processors Plant



The 14,000 m² GLA Pomona Commercial Hub, developed by Mashonaland Holdings, is now Harare North's logistical hub. OK Mart, which occupies a premier 8,000-square-metre space, serves as the anchor. Six sizable industrial-retail spaces and a Chop Chop Restaurant are part of the hub, which was built for "flexible wholesaling."

OFFICE SECTOR

Harare is getting its first Grade A office buildings with the completion of upmarket offices by Afreximbank, NMB Bank, Stanbic Bank, First Capital Bank, Ecobank, and CBZ Bank. The facilities feature flexible utility designs, power- and water-saving measures, such as solar and borehole systems, and sufficient natural lighting and ventilation. Additionally, the materials and general skills for the different projects were sourced locally, thereby promoting local communities. Except for the Harare Trade Centre, which is being developed by Afreximbank, these projects were specifically built for self-occupancy. The asking rent at the Harare Trade Centre is US\$30/sqm for the available 4,500 sqm.

The office market remains subdued, with void rates at 60% in the Harare CBD and 40% in Bulawayo. A number of multi-storey buildings in the central business district (CBD) have been listed for sale, indicating a shift by investors away from the CBD due to deteriorating infrastructure, high operating costs, rising crime levels, and persistent congestion.

Stanbic Bank is currently building its 10000 sqm headquarters, which is a green rated office complex. The complex has a net-zero energy design and a high-performance "envelope" for natural temperature management. It has a large rooftop solar array that enables the building to run completely off the

grid throughout the day. With cutting-edge indoor air filtration and circadian lighting to boost employee productivity, it is the first in the nation to adopt wellbeing standards.

The headquarters of First Capital Bank, which is fully functioning in Borrowdale, favours collaborative banking spaces over typical segmented offices through an open-plan, modular architectural arrangement. Situated near the intersection of Piers Road and Borrowdale Lane, Ecobank Zimbabwe is a "Sustainable Flagship" that integrates water-circularity technology, such as a sophisticated rainwater-harvesting grid and grey-water recycling for landscaping.

Rental rates and yields have not improved due to limited business expansion, suppressed by reduced demand for goods and services, high interest rates, and reduced investor confidence.

The dashboard below shows the property performance variables that are achievable as follows:

| Type | Rate/sqm (US\$) | Cap rates % |
|----------|-----------------|-------------|
| CBD | 5.00 - 8.00 | 11% |
| Suburban | 10.00 - 12.00 | 9% |

NB: These are prime rates achieved in Harare

Source: Knight Frank



NMB Bank HQ - Harare

RESIDENTIAL SECTOR

The development of new housing stock is more active in cluster housing and in medium and high-density developments. The demand for cluster housing is driven by the need for security and lifestyle perspectives similar to those in comparable emerging economies. The increase in burglary cases and the need to reduce costs through shared security services are pushing purchasers to settle for gated-community housing schemes. Despite the poor infrastructure, several cluster housing projects delivered to the market are of high quality, thereby enticing young and middle-aged families to embrace the middle-class lifestyle offered by the total package.

Sustainability is also gaining momentum, with gated community developments increasingly incorporating environmental and social considerations. Modern designs emphasise the use of sustainable materials, natural lighting and ventilation, and efficient water and energy systems. These features enhance occupier comfort, improve user experience, and contribute to lower operational costs.

The high-density housing developments in most towns across the country are constructed without water, sewerage, tarred roads, or electricity, risking the health and safety of the beneficiaries. The medium-density suburbs are better funded and have all services, with some developments installed with solar street lights. The low-density residential developments are not very active due to limited demand for high-value residential properties. The high-value sector is financed by a few investors upon request from high-net-worth individuals in the market. Property prices vary by location, with medium-density housing typically ranging between US\$40,000 and US\$100,000, while low-density properties are generally priced above US\$200,000.

Funding for housing development remains multi-barrelled, with the private sector, banks, and property developers financing projects across the country. The decision to fund the sector is mainly due to housing projects having shorter turn-around times and low capital entry levels. The banking sector does not offer mortgage financing, and the possible appetite in the sector remains underfunded.



Turnbury Property Developers

Conclusion

The country's growth in manufacturing, agriculture, mining, and foreign currency earnings is a positive development. The introduction of SI 35 of 2025, which shielded the retail sector from collapse, also had positive spillover effects on other sectors of the economy. Prior to its enactment, most businesses were struggling with exchange rate losses, with the retail sector on the verge of collapse. The resilience that the country is touted for since the near collapse of 2007-08 hyperinflation is due to the introduction of the multi-currency system. At the time of the imminent collapse, the government had already exported enough labour to support the country's foreign currency earnings. Therefore, the reintroduction of the local currency must be a matter of influence because currency use and stability are a matter of trust. The multi-currency strategy is what is subconsciously referred to as a strategy to circumvent economic sanctions.

The near collapse of the retail sector also weighed heavily on the fiscus, delaying government-funded infrastructure projects. Turnover rental yields were negatively impacted, and in cases where base rentals exceeded sustainable levels, many retailers were forced to downsize, with some shutting down operations. While the office sector has remained relatively stable, it remains a low-yield asset class characterised by high vacancy rates, elevated default risk, and non-performing leases.

On a positive note, increased activity across production sectors has enabled the manufacturing industry to make a meaningful contribution to GDP. The housing market is equally vibrant, though the rapid expansion of suburbs has outpaced the development of the supporting infrastructure needed to meet rising demand. In conclusion, the country's growth prospects remain strong, provided that consistent economic policies are sustained to create a conducive environment for business expansion.



Mahatshula Medium Density, Bulawayo

KEY CONTACTS

HARARE OFFICE: 10 York Avenue, Newlands,

Harare, Zimbabwe, +236 242 793841-9

Email: Harare.office@zw.knightfrank.com

Siza Masuku

Senior Partner

+263 772252463

siza.masuku@zw.knightfrank.com

Francis Nyambiri

Head of Valuation & Advisory

+263 772516395

francis.nyambiri@zw.knightfrank.com

BULAWAYO OFFICE: 73A Robert Mugabe Way,

Bulawayo, Zimbabwe, +263 292 267231-4

Email: kfzbyo@zw.knightfrank.com

Sithembinkosi Mbavhumana

Managing Partner,

Head of Property Management

+263 712213851

nkosi.mbavhumana@zw.knightfrank.com

Girison Afia

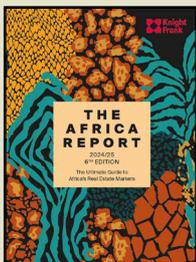
Head of Occupier Landlord

Strategy & Solutions

+263 785555837

girison.afia@zw.knightfrank.com

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