
Zambia Market Update

H2 2019



Office Market Review – Q4 2019

Lusaka

Office rentals in Lusaka stabilized slightly in Q3 and Q4 2019, with Grade A and Grade B rents ranging between US\$16-US\$20 and US\$12-US\$16 per square metre, respectively.

Vacancy rates remain high amongst existing space, with landlord’s experiencing vacancy periods of up to 2 years. Lusaka’s Grade A office supply as at Q4 2019 was approximately 160,500 sqm with a development pipeline of 28,000 sqm.

Copperbelt and other towns

In cities outside of Lusaka, the office market is at its nascent stages remaining devoid of investible grade buildings.

Rentals in these towns are commonly charged in Zambian kwacha and can range from between ZMW50 to ZMW160 per sqm. The most common demand for commercial office space in these towns is in the range of 30sqm-100sqm.

Key trends

Rising inflation rates (12.5% January 2020), decline in Zambia’s real GDP (4.1% in 2017 to 2.2% Q4 2019) and economic uncertainty have slowed development and transactions.

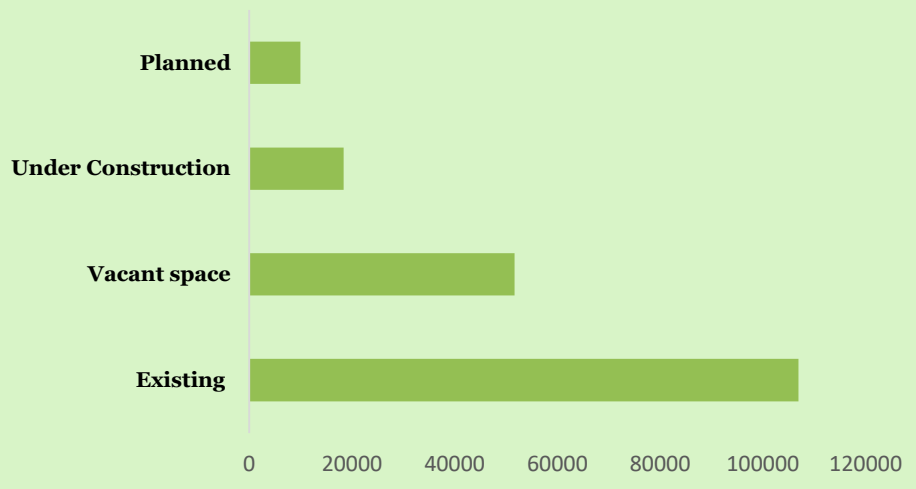
Office rents have decreased due to oversupply of new space in the market and a reduced demand particularly from multinationals and domestic corporate occupiers.

Global trends on sustainability and flexible space have continued to feature in the market with buildings such as ZEP-RE office park (9,400 sqm) and the Evexia building 5,500 sqm being LEED certified.

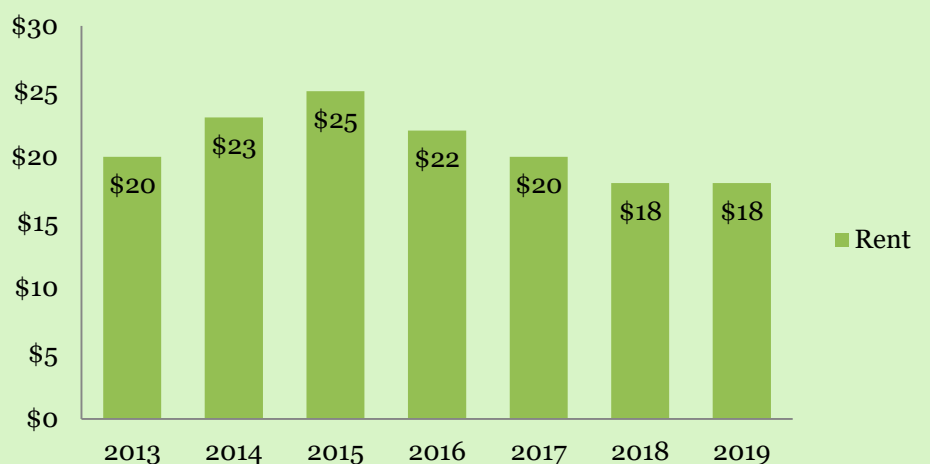
ZEP – RE office park is also the first office building to offer the sale of floors or part of a floor on the market for investment or owner occupation, under The Common Leasehold Schemes Act.

The Common Leasehold Schemes Act allows tenant occupiers an option to purchase rather than lease, as well as for buyers to purchase for investment.

Grade A Office Space Supply in Lusaka



Prime Office Rentals (US\$ / sqm / month)



Residential Market Review – Q4 2019

Lusaka

In general, there was a significant amount of transactions in the residential market in 2019. However, transactions were lower and there was a downward pressure on prices in Q4 2019. This trend is set to continue throughout 2020. Average yields for residential properties were recorded at approximately 9%.

The outskirts of Lusaka have continued to develop due to increased demand as a result of the increased urbanisation in the city and available vacant land in areas such as Leopard's Hill, New Kasama, Ibex Hill, Makeni and Lilayi. Prices of Land in these areas range between \$20,000/acre and \$70,000/acre. Areas such as Kabulonga, Woodlands and Rhodes Park continue to command high prices, with land values ranging between \$300,000/acre-\$600,000/acre.

Copperbelt and other towns

The residential sector in the Copperbelt and other towns around Zambia is also dominated by self-build projects, although the scale of these developments rarely match up to those in Lusaka.

Whilst the number of new developments is growing, a recent trend towards refurbishment of older housing at a relatively lower price is gaining momentum. There is a growing trend of buying these houses at a relatively low price and then renovating them.

High-Medium cost housing in the Copperbelt range from ZMW600,000 to ZMW3,500,000 and ZMW650,000 to ZMW1,300,000 in other towns around Zambia.

Key trends

The residential market continues to be dominated by self-build projects as a result of high interest rates.

In Q4 of 2017 the Central Bank of Zambia reduced its interest rate to 10.25%, however in Q4 2019 the interest rate had been raised to 11.5% as a result of inflationary pressures. Mortgage rates range between 20%-30%

There has been a greater demand for leasing, largely driven by home buyers who are waiting for their own self-build projects to come to fruition.

An increased supply of residential units onto the market together with slower demand has led to a softening of the market and a reduction in rental levels.

Prime Yields

Residential	
High-density Residential	7-9%
Low density – High End	8-10%

Serviced Estates in Lusaka

Development	Location	Plot sizes/Price Range
Nkwashi , Thebe Investments	Off Leopards Hill Road , Lusaka East, Chongwe District	1,286 ha site. Over 9,000 residential plots ranging from 335 to 1,300 sq.m. US\$ 30 to US\$ 55 per sq.m.
Ibex Hill Meanwood	Off Twin Palms Road , Twin Palm area	1000 and 2000 sq.m plots for sale. US\$20 per sq.m
Roan Park Galaunia Farms	Ngwerere Road Ngwerere	2 hectare plots. USD3.00 per sq.m
Nkosi Meanwood Property Development	3 kms north from the Ngwerere and Chisamba Roads junction	Price per plot is K450,000 US\$2.50 per sq.m
Bonanza Estate and Resort	Ngwerere Road 7 kms from the international airport. Golf course & Hotel	2 hectare plots. 3 types with prices of US\$7.5 -15.00 per sq.m

Retail Market Review – Q4 2019

Lusaka

The Zambia retail sector has seen a significant growth in the recent years, with over 450,000 sqm of existing GLA, 37,500sqm under construction and over 130,000 sqm of GLA planned.

The short pitch of Great East Road from Addis Ababa to Thabo Mbeki remains the prime area for retail in Lusaka and at 97,000sqm, comprises almost 40% of the city’s total shopping centre space. The pitch is anchored by two of Southern Africa’s best shopping centres outside South Africa, the 44,000 sqm Manda Hill and the 34,000 sqm East Park, as well as the recently expanded Arcades Mall.

Copperbelt and other towns

Commercial developments recently completed in the Copperbelt include the Protea and Urban Hotels, Kafubu and Dola Hill Malls, Mukuba Mall, opening of the new Z-Mart Pick n Pay centres in both the CBD and Kansenshi and the new Ndola Square Mall near Kafubu Mall.

Demand for new retail space continues to increase, as developers search for sites and plan schemes to meet the shortage of all types of property, for example Kitwe has witnessed significant retail development which includes Mukuba Mall ,anchored by Game Stores, Shoprite and Pick n Pay situated at the former Kitwe Zoo on Chiwala Avenue , and the recently opened ECL Mall and Nkana Mall.

Key Trends

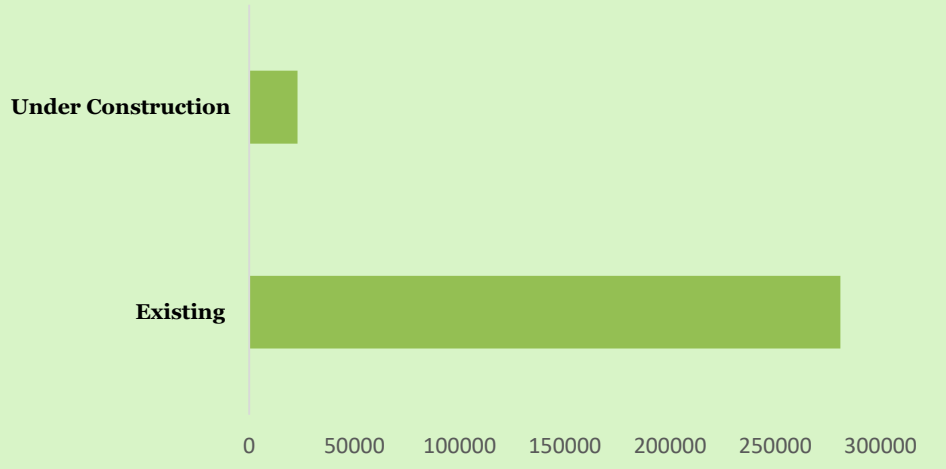
The number of shopping malls continue to grow, with 87% of Zambia’s modern shopping mall space being in either Lusaka or the towns of the Copperbelt, excluding Solwezi and Kabwe, with approximately 300,000m² of existing retail space in these locations.

There are opportunities to develop formal and smaller retail centres in expanding towns and neighbourhood locations.

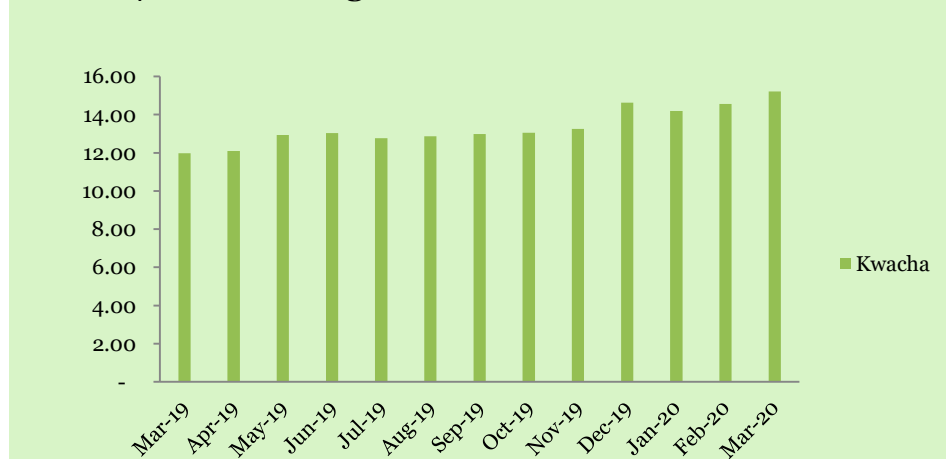
Almost all prime property commercial leases in Zambia are denominated in US Dollars, decreasing currency risks and allowing access to lower cost financing, however the recent devaluation of the Kwacha is creating pressure for retailers and tenants are requesting for Kwacha rental negotiations.

Some major supermarkets are leasing smaller stores of 800 - 1000 sq.m in very busy locations , either as a stand alone unit or as part of a small centre as opposed to the traditional shopping malls.

Retail Supply in Lusaka



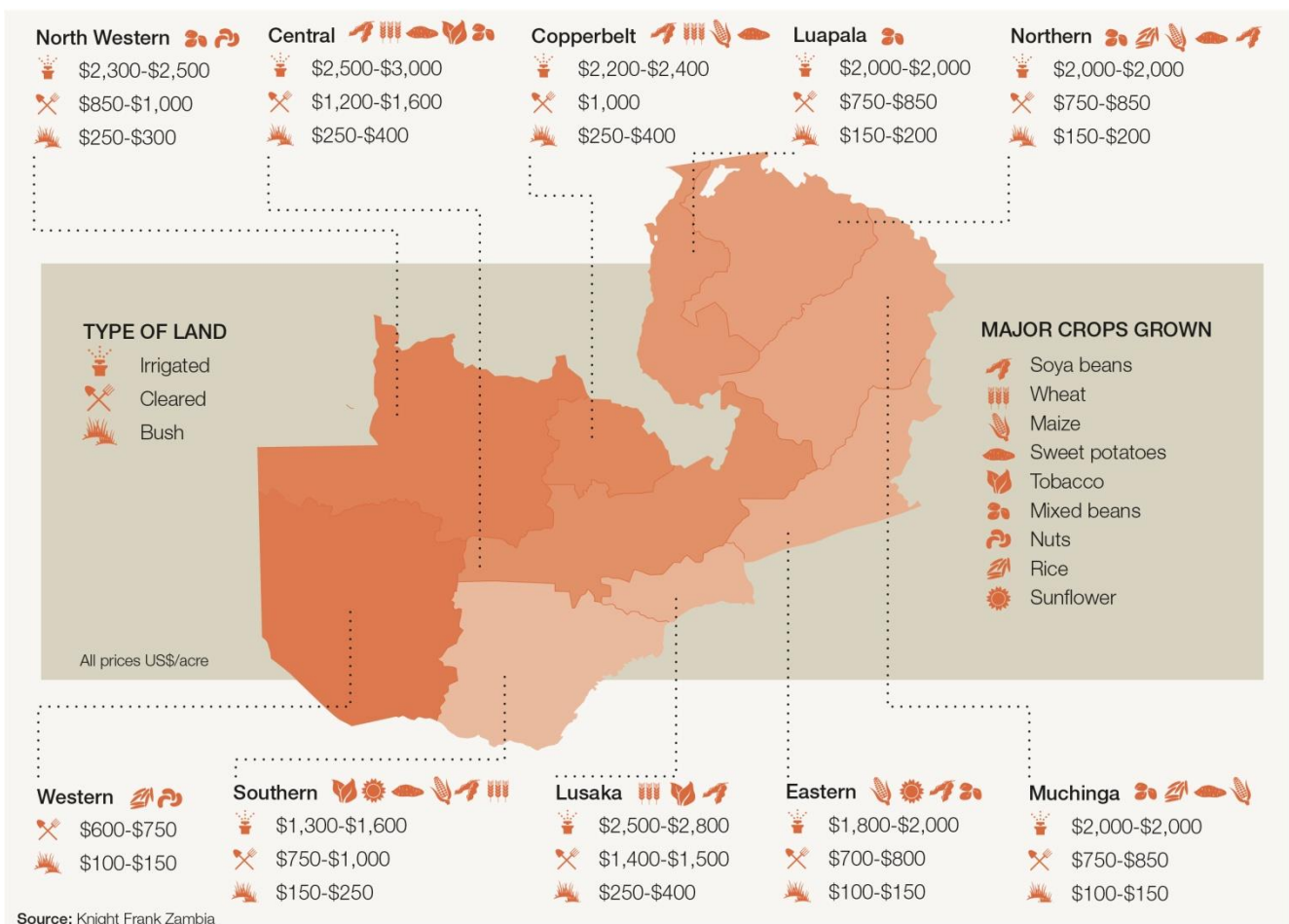
ZMW / USD Exchange Rate



Agriculture Review – Q4 2019

Zambia is often viewed as a safe haven due to its relative stability – attracting private and institutional investors. Over 40 million hectares of the country are classified as having medium to high potential for agriculture production; only 1.5 million hectares are cultivated annually. Significant volumes of water available for irrigation. Various traditionally grown crops include staples such as maize, wheat, other grains and other higher value crops such as nuts/citrus are growing in importance.

Farmland Prices(2019)



Why Agriculture

Agriculture contributes about 35% to the country's non-traditional exports and about 10% of the total export earnings for the country. The agriculture sector employs more than half the total labour force in Zambia, bearing in mind that only 15% of arable land is under cultivation. It is because of this potential that the government encourages investment in commercial farming and has identified and established farm blocks to facilitate investments in agriculture.

Why Zambia

Zambia occupies a strategic trading position in Sub-Saharan Africa, bordered as it is by the Democratic Republic of the Congo, Tanzania, Zimbabwe, Angola, Mozambique, Namibia, Botswana and Malawi. It is one of the few countries in the region to have an annual surplus of cereal crops, which is exported officially or informally to these eight countries.

Corporation Tax for agriculture is only 10% compared with 35% for other sectors.

Zambia Real Estate Market Outlook 2020

Macroeconomic Outlook

The Central Bank of Zambia raised its benchmark interest rate by 125 bps to 11.5% during its November meeting, saying that the decision aims to curb inflationary pressures and bring inflation back to the target range to restore macroeconomic stability.

In Q1 2020 Zambia's credit rating was lowered to CCC from CCC+ by S&P Global ratings and assigned a negative outlook, citing missed interest installment on an existing debt.

Power cuts and energy problems effecting all the property sectors will force developers, landlords, tenants and owner occupiers to find solutions to ensure constant power at home and in business.

Office Market

Continued downward adjustment on rentals as the market adapts to match the demand from tenants in order to lease vacant space

Residential Market

Self build projects will still be the main type of housing development driven by high interest rates and supported by improved road networks opening up new areas with better access.

Lower rentals and a tenant's market across most of the housing sector although the highest demand is from the low to medium end of the market

Retail Market

Opportunities for retail space in new mini developments located in high vehicle and foot traffic area. For example Pick n Pay has recently leased units of 600 - 1,200 sq.m in these type of locations and is continuing to search.

Pressure on rentals from the devaluation of the Kwacha.

Agricultural Market

Recent droughts emphasize the need for reliable irrigation and whilst the rainy season is predicted to be above average for some parts of the country, not everywhere will benefit from the improved rains.

Increasing opportunities with a variety and growing range of crops across the country.

Alternative Real Estate Sectors

The Education and Health sectors are growing in importance as part of the property sector as developers and landlords consider this group in their development and leasing plans for the future.

Student Hostels, University Campus and mini hospitals and clinics increasingly make up a key part of the new neighbourhoods in cities around the country.

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