Research

Zambia Market Update

H2 2020

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Standard Chartered Bank Zambia Head Office, Lusaka

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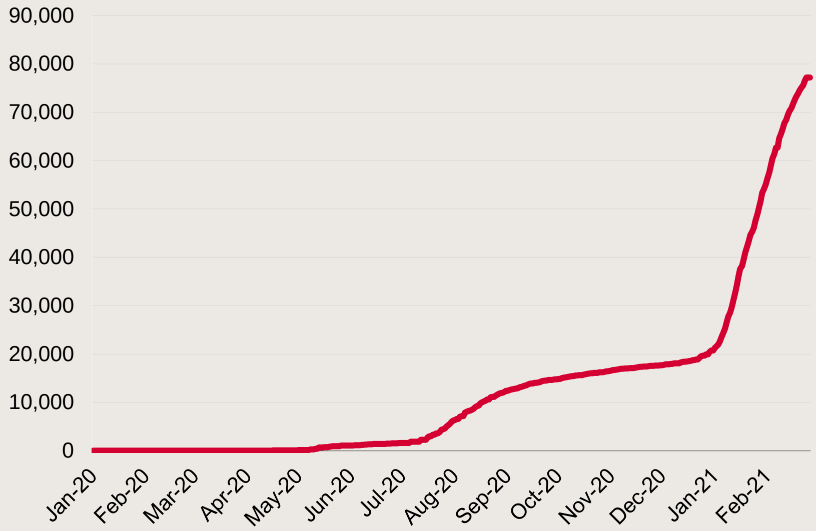
Key Insights

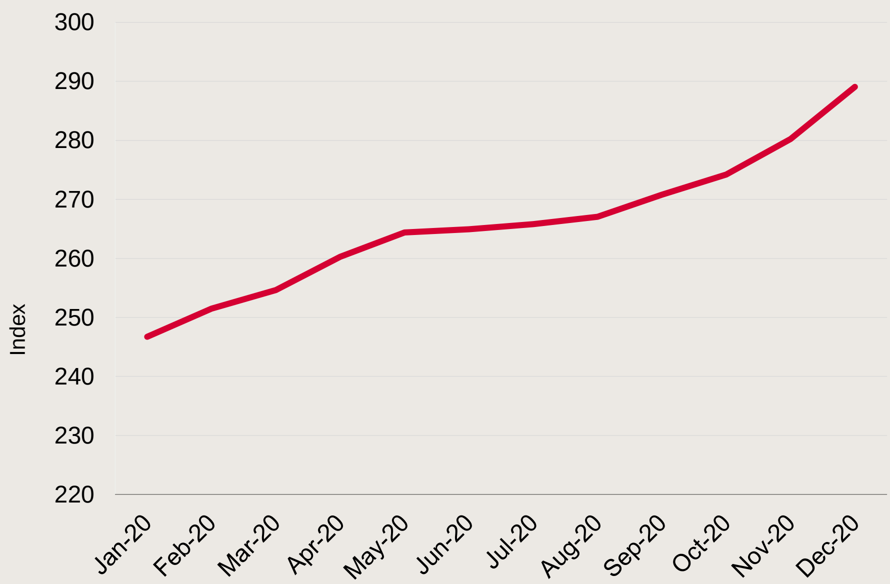
- The Zambian economy went into a technical recession in Q2 2020 due to the pandemic's impact on trade and construction.
- In November, Zambia opted out of a $42.5 million Eurobond repayment, becoming the first African nation to default on its debt in the Covid-19 era.
- Although the economy contracted at it's sharpest pace since the mid-1990s, it is expected to return to growth in 2021, albeit remaining subdued by historical standards.
- Rising inflation rates and economic uncertainty have continued to slow major development and transactions so far this year.
- High copper prices, the key export earner for the country, are expected to turn the tides resulting in an economic recovery.
- At the end of H2 2020, inflation had risen to 19.2%.
- Rents in the commercial and residential sectors stabilized in the second half of the year albeit with ongoing concessions from Landlords.

Zambia, Coronavirus Disease (COVID-19) Pandemic, Confirmed Cases, Aggregate



Source: Knight Frank Research, Macrobond

Zambia, Consumer Price Index, Total

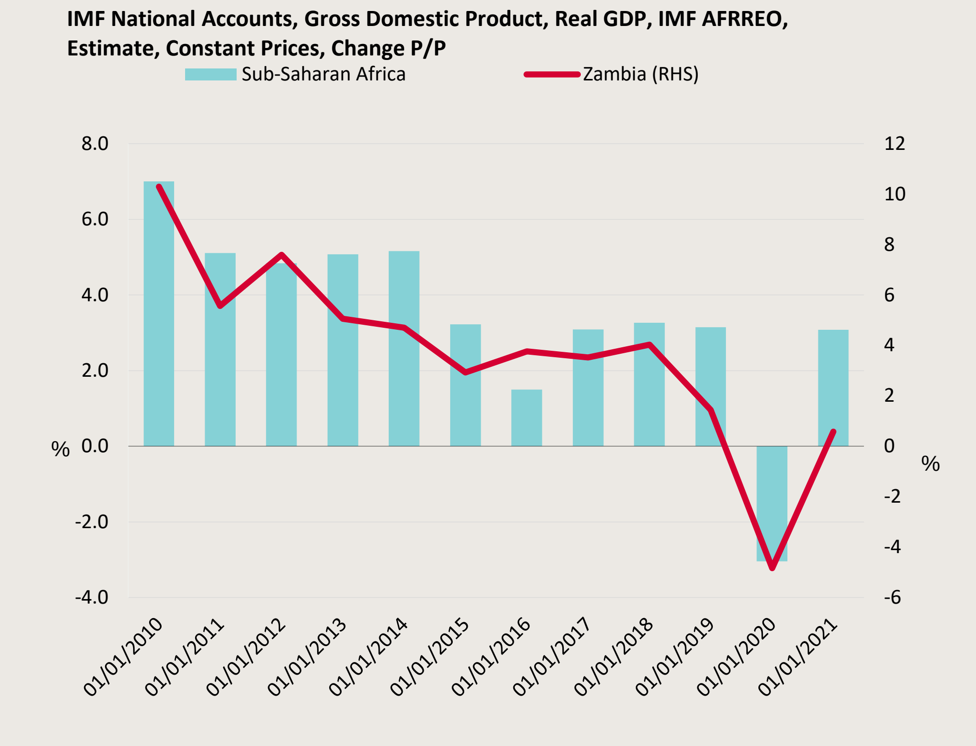


Source: Knight Frank Research, Macrobond

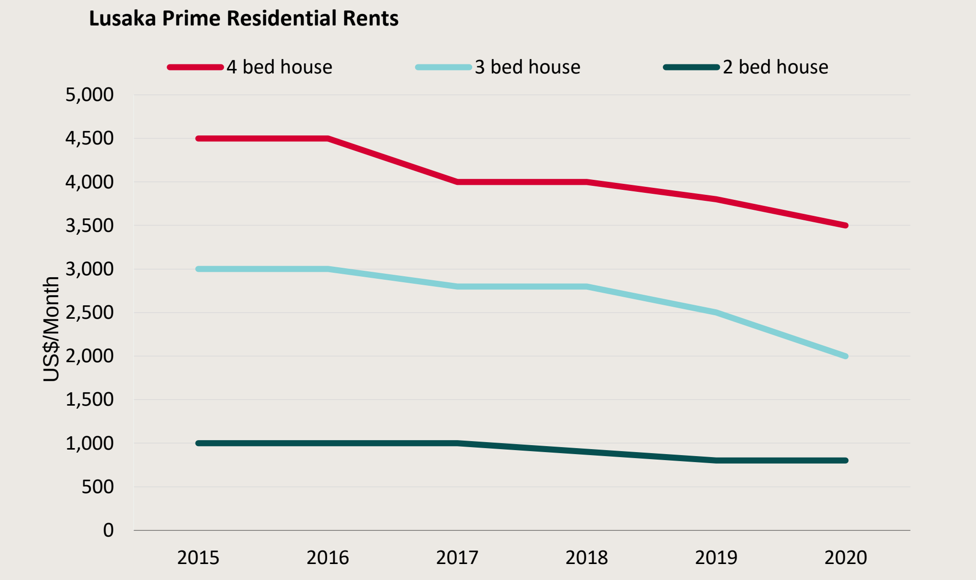
COVID-19

The impact of the pandemic has been worse since the end of last year with severe pressure on the local health system highlighting the weaknesses of the sector and the need for immediate investment and improvement. This is even more pertinent in view of a rapidly growing and young population.

Zambia did not have a complete lockdown during this period but schools and colleges were shut , pubs and restaurants closed and most offices introduced remote working. Malls remained open with provision of essential services whilst International flights were able to continue to key connection destinations , but on a reduced basis.



Source: Knight Frank Research, Macrobond



Source: Knight Frank Research

Farms & Estates Market

So far the rainy season has been better compared to the low rainfall levels recorded in 2019.

The sector's medium to longer term opportunities and current resilience recorded in the face of the pandemic, can be attributed to population growth of 2.8% , increasing urbanization , a growing small scale farming sector and improvements in irrigation techniques.

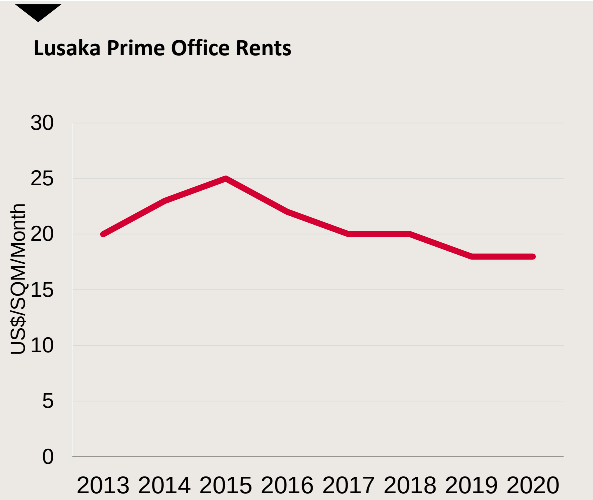
Residential Market

Demand for residential property for sale continued to soften in H2 2020, with a limited number of transactions being recorded in this period. However, demand for medium cost residential housing remained active due to the return of expatriates to the country after the easing of lockdown measures further supported by a young professionals demographic in need of affordable housing.

Whilst the COVID-19 pandemic exerted downward pressure on prices in H1, in the second half of the year the prime residential sector remained resilient against any further decline in prices.

In the period under review, overall prime residential rents remained stable after a significant decline in the previous year. However, rents on 3 bedroomed units reduced by between 10%-20% on average as result of over supply.

As a result of rents stabilizing, average yields for residential properties softened in the second half of the year.



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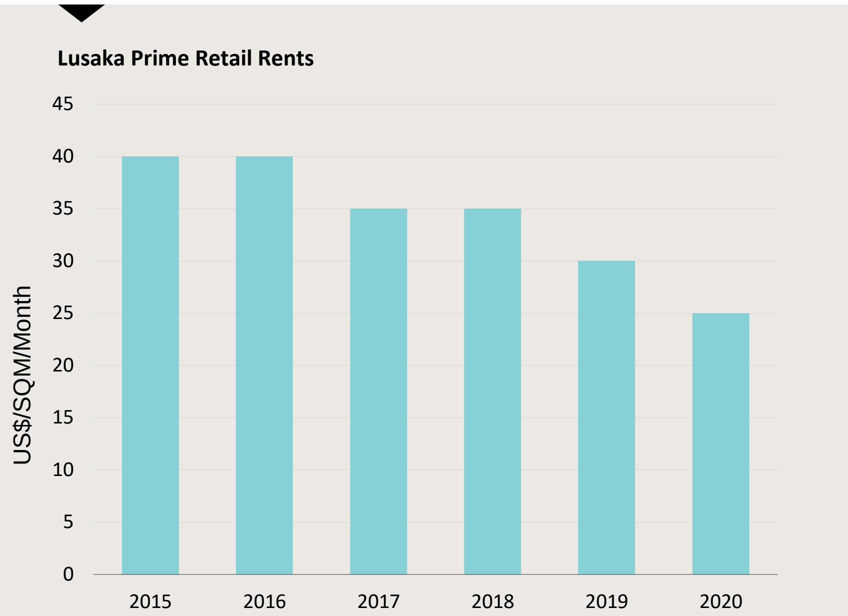
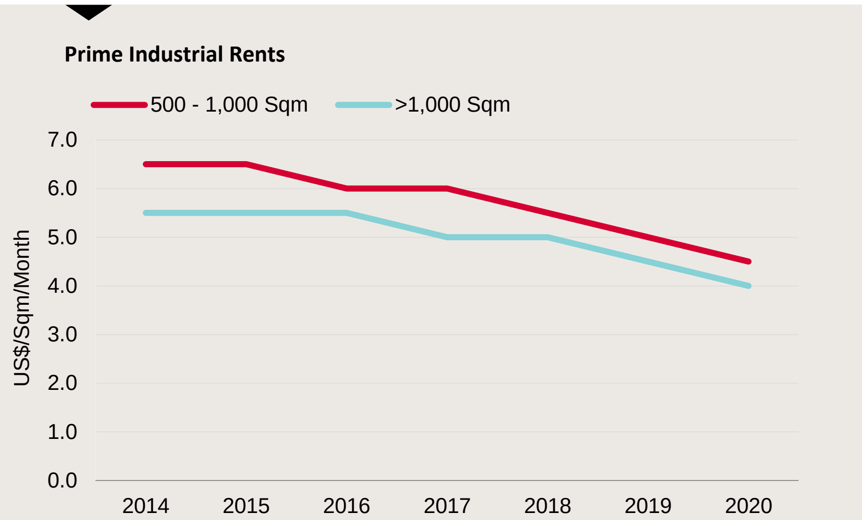


Source: Knight Frank Research



Source: Knight Frank Research

Office Market

The office market in the second half of the year remained stable despite the pandemic, albeit at reduced levels , with grade A and grade B rentals ranging between US$15 – US$18 and US$10 – US$14 per square metre per month respectively. Renegotiations are expected to continue on existing office rentals in the short to medium term , allowing landlords and tenants to focus on the longer term in the face of the pandemic and a subdued economy.

Market activity in the period under review included the move by Standard Chartered Bank into their prime new head office , developed by Novare and arguably best in class in the Lusaka market.

Retail Market

In the period under review, retailers saw demand levels soften against the backdrop of a subdued economy and the pandemic. The local currency devaluation impacted the market even further resulting in landlords offering lease concessions to retain existing and attract new tenants.

We anticipate that the Kwacha devaluation will continue to put pressure on landlords and tenants as well as financiers even as the debate on how best to deal with rent rages on.

However, in the medium to longer term the fast growing population and ever more affluent middle class is anticipate to underpin increased demand in the sector.

Industrial Market

The prime industrial sector in Lusaka in the period under review remained relatively undersupplied with low levels of demand recorded.

However, demand for lower quality space remained relatively stable during this period.

Overall, industrial rents in the second half of the year remained stable with prime industrial space achieving between US$4.00 and US$4.50 per square metre per month.

H2 2020 Outlook

We anticipate that the property market will continue to adapt to the subdued economy and the impact of the pandemic in the first half of 2021 with a recovery in most sectors not expected until the last quarter of 2021.

Growth drivers such as the rising population , growth of the mass affluent, increasing urbanisation and , infrastructure development will provide the platform for growth and increased opportunity , especially in the housing , agriculture , health and education sectors.

Please get in touch with us

Lusaka Office

Timothy D Ware, MRICS
Managing Director
tim.ware@zm.knightfrank.com
M +260 966 751 203

Mumba Kapumpa Jr, MRICS
Manager - Advisory
mumba.kapumpa@zm.knightfrank.com
M +260 979 662 150

Chalwe Silwizya, MRICS
Surveyor – Advisory & Agency
chalwe.silwizya@zm.knightfrank.com
M +260 961 873 345

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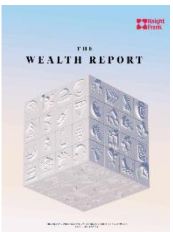

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