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ZAMBIA: PROPERTY MARKET OVERVIEW

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COUNTRY OVERVIEW

MARKET HIGHLIGHTS

- Zambia is a politically stable country with a fast-growing economy, which is primarily driven by its large copper industry.
- The country's geographical position makes it an important gateway between Central, Eastern and Southern Africa.
- Lusaka is a growing commercial hub, with rising office space demand coming from the financial and communication sectors.
- Zambia is a major target for regional retailers' expansion plans; Shoprite, Pick n Pay, Choppies, SPAR and Food Lovers Market.
- Lusaka's newest shopping malls are Waterfalls Mall and Kabulonga Centro, joining existing centres such as Manda Hill, Arcades, Levy Junction, East Park and Cosmopolitan Malls.

Property Market Data

<table>
<thead>
<tr>
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<th>Prime Rents</th>
<th>Prime Yields</th>
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<tbody>
<tr>
<td>Office</td>
<td>US$20/sq m/month</td>
<td>10%</td>
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<tr>
<td>Retail</td>
<td>US$40/sq m/month</td>
<td>8.5%</td>
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<tr>
<td>Industrial</td>
<td>US$6/sq m/month</td>
<td>12%</td>
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<tr>
<td>Residential (4 bed executive house)</td>
<td>US$3,500/month</td>
<td>10%</td>
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ZAMBIA POPULATION   16.2 MILLION
ZAMBIA POPULATION FORECAST, 2025   20.6 MILLION
LUSAKA POPULATION   2.4 MILLION
LUSAKA POPULATION FORECAST, 2025   3.3 MILLION
ZAMBIA GDP GROWTH, 2016   3%
ZAMBIA GDP GROWTH FORECAST, 2017   3.8%
INFLATION 6.6%  EXCHANGE RATE  USD 1.00 = ZMW 9.00
BOZ MONETARY POLICY RATE 11.0%
Approximately 87% of Zambia's modern shopping mall space is in either Lusaka or the towns of the Copperbelt, excluding Solwezi, with approximately 300,000 sq m of existing retail space in these locations.

As a result there are opportunities to develop formal retail centres in expanding towns around the rest of the country as well as retail wholesale in existing centres like Lusaka and the Copperbelt.

The recently opened Kafue River Shopping Mall, anchored by Pick n Pay and the new mall under construction in Chirundu anchored by Shoprite highlight the demand for niche malls in other towns around Zambia, from both shoppers and retailers.

Competition for customers and retailers has intensified between the shopping malls in Lusaka, however Zambia's fast-developing property market is proving to be a resilient and risk-tolerant long-term investment destination.

Need to grow businesses in the local retail sector to support the demand for retail in the suburbs and provincial areas.
OFFICE MARKET

• Lusaka is a growing commercial hub with office space demand primarily stemming from the financial and communication sectors.

• An oversupply of Grade A space has placed downward pressure on rents, as well as providing more choice for occupiers.

• The economy was relatively sluggish in 2016, largely due to low copper prices, and trade is still difficult for most businesses but economic commentators suggest a return to better economic growth is expected from Q1 2018, which should result in increased demand in 2018 and beyond.

• The prime location is the emerging Great East Road/Thabo Mbeki Road node in the immediate vicinity of the East Park Mall and Arcades Shopping Centre, but niche opportunities exist in emerging neighbourhoods such as Kabulonga, the Great East Road airport roundabout and Roma Park / Foxdale area.

• Increasing demand for office space from companies with a smaller size requirement.
This does not include the large planned office development like the ZICA Building (about 30,000 sq.)
The logistics and industrial sector has been one of the most consistent-performing property market sectors in Lusaka, with strong demand for warehouse space supported by the growth of the retail, food and beverage and agricultural industries.

However even demand for warehouses with low quality specifications and lower rentals has slowed, and in the long run pressure on Lusaka’s transport infrastructure combined with the demand for increasingly sophisticated logistics properties will result in a shift away from the existing industrial area to emerging hubs elsewhere around the city.

This should produce a more clearly defined prime and secondary market.

Major infrastructure development with new and upgraded roads planned around the country alongside tolls.

New dual carriageway works started on the Lusaka to Copperbelt road.
OTHER MARKETS

Residential

- Housing deficit
- Dominated by self build
- Increased infrastructure development creating new suburban areas

Farms & Estates

- Some of the best wilderness, wildlife and agriculture in Africa.
- Unique range of lodge and agricultural opportunities.
- Government encourages investment in commercial farming.

Medical, Education and Hospitality

- Opportunity for new health infrastructure.
- Growing and predominately young population seeking higher education.
- Niche opportunities in hotels and leisure.
- Student housing.