



Real Estate Commentary 2019. Q2

Real Estate market continued to slow down in Q2.

While it is clear that government austerity measures are meant to reduce the pressure the Zambian Economy is facing, the second quarter of 2019 has not been easy for real estate players. The forecast for the growth of the economy is around 3.2% in 2019 and expected to drop to around 2.7% in 2020. There is a reduction in consumer spending due to reduced economic activities and this has been seen in real estate also. The inflation rate is expected to be kept between 7.5% and 10%. Although the Bank of Zambia monetary base rate is at 10.25% most Banks are lending between 20% to 30%.

The residential market has seen an increase of supply for the medium-cost units due to mainly two factors namely offloading of recovered properties by financial institutions and new constructions. According to many real estate agents, there has been a reduction in sales of real estate generally. Q2 has seen the rental market for Houses, Offices and Industrial properties remaining within the same range, however, there is a push for a downward trend and we foresee new leases to reflect that. The same applies to the prices, although we don't see an immediate reduction but a slower increase in the prices. Land values are also following the same trend. An average medium three (3) Bedroom house is between K3,000 to K4,500 per month and around K450,000 to K950,000.

Q2 has seen a further increase of office space coming on the market especially in Lusaka and a few on the Copperbelt. Office rentals are currently between 10 USD and 18 USD per square metre, we project a downward reduction due to increased supply and dwindling demand. Q2 also showed an increase in Retail shops tenants vacating shopping malls. This is mainly attributed to subdued sales and the depreciation of the Kwacha against the Dollar. The current rentals for the retail shops are between for most shopping malls are around 12 USD and 35 USD per square metre per month for shopping malls within and around Lusaka and 5 USD and 15 USD per square metre per month for shopping malls within and around the Copperbelt province. For retail shops to attract businesses to rent, the rate per square metre has to reflect the current economic trends and also consider having lease agreements in Kwacha.

Q2 also continued to see the development of Industrial Parks mainly in Lusaka and the Copperbelt. Though there is demand for fully serviced warehouse/office facilities for rent the demand currently is not meeting the supply. Industrial properties are currently going

around 2 USD and 6 USD per metre square per month. Zambia has attracted a lot of investments in Agriculture which has seen a lot of Farming Blocks created. The major factors affecting values of agricultural properties is accessibility by all-weather road network and availability of water for irrigation. The agricultural sector has seen very low sales, going rates are around 1,300 USD to 3,000 USD for Irrigated land, 600 USD to 1,600 USD for Cleared land and 100 USD to 400 USD for Bushland.

So what does this mean if you want to buy?

The current market conditions are unprecedented. There are a lot of people who want to dispose of their property to meet various financial obligations. Though due to high-interest rates real estate buyers are finding it increasingly difficult to get the funding required.

There are a number of sellers for various properties, so as a buyer your choices won't be limited. And better yet, the prices of the properties be it residential, commercial, industrial or agricultural are not expected to go up as fast as previous years. This means as a buyer you will definitely have the negotiating advantage.

What does this mean if you are looking to sell?

The current interest rates around 20% to 30% are making it difficult for many buyers getting adequate financing. The slow economic activities and business transactions have led to high Non-Performing Loans which are above the prudential threshold of 10% resulting in many Banks off-loading a lot of recovered properties or owners looking to sell.

As a seller, you will be competing with the number of properties on the market reduced for a quick sale. If you have no option to hold but just sale you have to be patient and aggressive to expose your property to many potential buyers either locally or internationally.

Whatever the situation is, always use professional help to navigate your property market decisions.

By Mr Chisebwe Fumbeshi

The author is a Chartered Valuation Surveyor, CEO & Chairman of **Fairworld Properties Limited**, Executive Chairman of **Money FM 93.7**