

ECONOMIC OVERVIEW

Wider political events continued to dictate decision making amongst major sectors of the economy following the July national elections. Instability persisted in the economy resulting in the formulation of the following economic recovery measures:

- * Issuing of the statutory Monetary Policy Statement in October;
- * Fiscal measures for reversing fiscal disequilibrium;
- * 2019 Budget running under the theme “Austerity for Prosperity”; and
- * Launching of the Transitional Stabilisation Programme.

Key highlights were:

- * Settlement of Capital Gains Tax in foreign currency when using offshore funds.
- * 50 million Construction finance facility.
- * Introduction of separate accounts for Nostro funds an RTGS electronic balances.
- * US\$264.8 million to be invested into the housing sector during 2019.
- * Review of the Intermediated Money Transfer Tax from 5 cents per transaction to 2 cents per dollar transacted.

- * Zimbabwe’s cumulative trade deficit for the seven months to July 2018 reached US\$1,5 billion from US\$1,1 billion for the previous equivalent period.
- * Government gazettes SI 154 of 2018 in an effort to lure foreign direct investment through the introduction of Special Economic Zones.
- * Year on year inflation as measured by the all items Consumer Price Index (CPI) increased drastically by 3770 basis points to 42.09% in December 2018 from 4.39% recorded at the end of Q3 2018.

ECONOMIC INDICATORS

Aspect	Q4 2017	Q3 2018	Q4 2018
Yearly Inflation (%)	3.46	4.84	42.09
Corporate Lending Rates (%)	7.00	7.11	7.39
ZSE Industrial Index	333.02	380.35	488.24
ZSE Mining Index	142.4	163.76	216.77
Property Index	194.52	175.00	207.15
ZSE Market Capitalisation (US\$ mln)	9,581	11,985	19,454

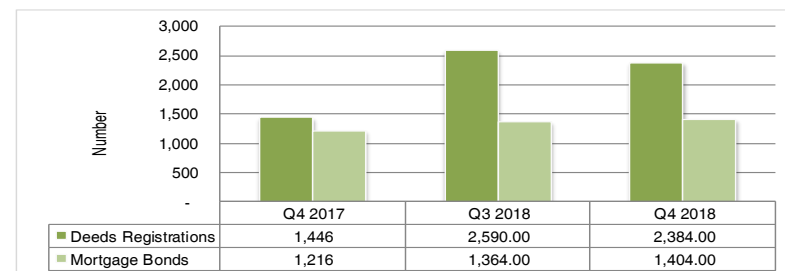
PROPERTY MARKET OVERVIEW

Despite the runaway inflation and disparity in exchange rates between the Bond notes and the US dollar, the property market remained relatively stable.

The following characterised activity in the sector:

- * Major market players compelled to maintain property rents as they adhered to US dollar denominated contracts even though settlement is in RTGS.
- * Currency distortions giving bargaining power to buyers and tenants affording to make settlements in hard currency.
- * Most sellers seek settlement in United States dollars.

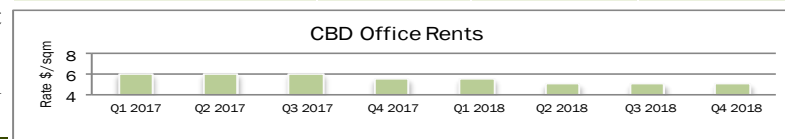
- * A surge in demand from buyers seeking to switch from RTGS bank balances to real estate investment.



OFFICE SUBSECTOR

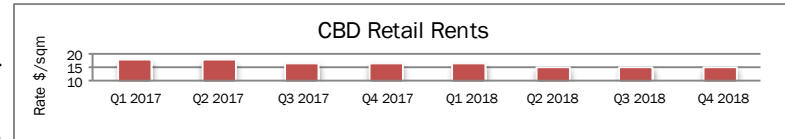
- * CBD vacancy factor now exceeding 50%.
- * Weakening demand and excess supply of space in the CBD continues to drive rents downward.
- * Rising demand for property as a result of improved political risk and rent reductions led to yield compression.
- * High occupancy and absorption rates sustaining a positive trend in the suburban office market with rents ranging between \$10 - \$15 per square metre.

Harare CBD Commercial	Q4 2017	Q3 2018	Q4 2018
Yields	10.5%	10.25%	10.25%
Prime Office Rents /m ²	\$5.50	\$5.00	\$5.00
Prime Retail Rents /m ²	\$17.00	\$15.50	\$15.50



RETAIL SUBSECTOR

- * Performance was impacted by rising inflation rate which is eroding consumer purchasing power.
- * Despite inflationary pressures, the sub-sector remains attractive and continues to achieve rents above \$15 per square metre.
- * A low vacancy factor of less than 10% and lack of significant supply is putting upward pressure on rents especially for smaller spaces.

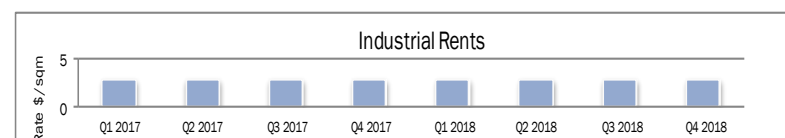


Harare Industrial	Q4 2017	Q3 2018	Q4 2018
Prime Rents /m ²	\$3.00	\$3.00	\$3.00
Yields	11.5%	11.25%	11.25%

INDUSTRIAL SUBSECTOR

- * Being an election year, the political environment did not offer much incentive to drive investment flow into the country despite slight improved capacity utilisation.
- * The largely ageing stock of buildings continues to hinder the sub-sector’s performance.
- * Vacancy factor remains high for large manufacturing space due to unsustainable production costs.

- * There has been relatively high demand for small warehousing and storage space in the 150-300 square metre range.



RESIDENTIAL SUBSECTOR

- * High density property continues to show a gentle upward trajectory as investors chase buy to let opportunities.
- * Low density property prices softening as demand weakens due to affordability concerns.

Harare Residential Property Values	Q4 2017	Q3 2018	Q4 2018
High Density	\$42,500.00	\$45,000.00	\$48,000.00
Medium Density	\$120,000.00	\$120,000.00	\$120,000.00
Low Density	\$280,000.00	\$270,000.00	\$270,000.00

RENTAL YIELDS

Rental yields across the property market have generally been driven by:

- * Increase in demand for real estate due to lower political risk and strong appetite amongst Institutional Investors.
- * Downward pressure on rents as a result of a general slowdown in economic activity.

ASPECT	Harare	Bulawayo	Mutare	Masvingo	Gweru
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OFFICES

CBD	10.25%	10.50%	10.50%	11%	11%
Suburban	9.5%	10%	10%	10.50%	10.50%
Office Parks	9.0%	9.50%	9.50%	10%	10%

RETAIL

CBD	9.5%	9.50%	9.50%	10%	10%
Suburban	9.0%	9%	9%	9.50%	9.50%

RESIDENTIAL

High Density	9.0%	9%	9%	10%	9%
Medium Density	7.0%	8%	8.50%	9%	8%
Low Density	5.0%	6.50%	7%	7%	6.60%

INDUSTRIAL	11%	11.5% - 13%	11.5% - 13%	11.5% - 13%	11.5% - 13%
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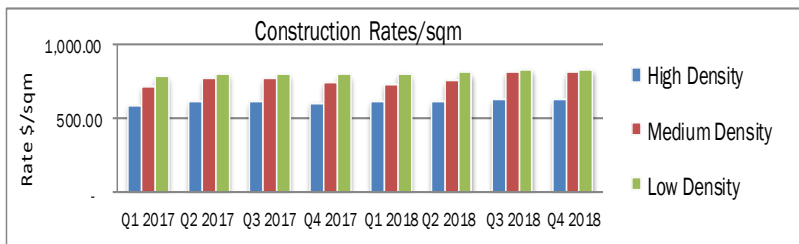
OTHER DEVELOPMENTS

- * Completion of the Old Mutual Eastgate SME Market Centre is at its final stages and is anticipated to achieve full occupancy within the first few months of commissioning.
- * ZPI Sawanga shopping mall in Victoria Falls expected to be operational by December ahead of the project completion date.
- * ZB Financial Holdings revealed intentions to deliver more than 700 residential stands in Plumtree before year end.
- * Two CBD building transactions breach the US\$10 mln dollar ceiling. Corner House sold for US\$1 mln while Zimre Centre sold for US\$10.8mln.

CONSTRUCTION COSTS

- * High building material prices continue to hinder provision of the required stock to reduce the ever rising housing backlog.
- * Construction costs have generally remained quite stable as suppliers price materials in hard currency.

Residential Construction Costs/m ²	Q4 2017	Q3 2018	Q4 2018
High Density	\$600.00	\$630.00	\$630.00
Medium Density	\$750.00	\$800.00	\$800.00
Low Density	\$800.00	\$840.00	\$840.00



OULOOK

- * Developers likely to gain greater exposure in the affordable housing segment under the Command Housing initiative.
- * Pricing distortions resulting from currency volatility likely to impact the performance of the sector.
- * Landlords likely to effect upward rent reviews upon failure by the Government to adequately address the currency issue.



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