H2 2021 Kampala Market Performance Review

January 2022

knightfrank.ug/research

Windsor Apartmments, Windsor Crescent , Kololo, Kampala

Key Insights

Bank of Uganda maintained the central bank rate at 6.5% throughout H2 2021.

The Uganda shilling appreciated by 3.9% against the USD in H2 2021.

Uganda's economy is projected to grow at a rate between 3.5-3.8 % in the FY 2021/22

12% increment in occupancy rates in Prime residential suburbs.

8% increase in office space uptake.

Carrefour expanded, opening four additional stores in H2 2021.

Lugogo One, Lugogo bypass.
Cover Photo by Canaanze Construction Limited.

ECONOMIC OVERVIEW

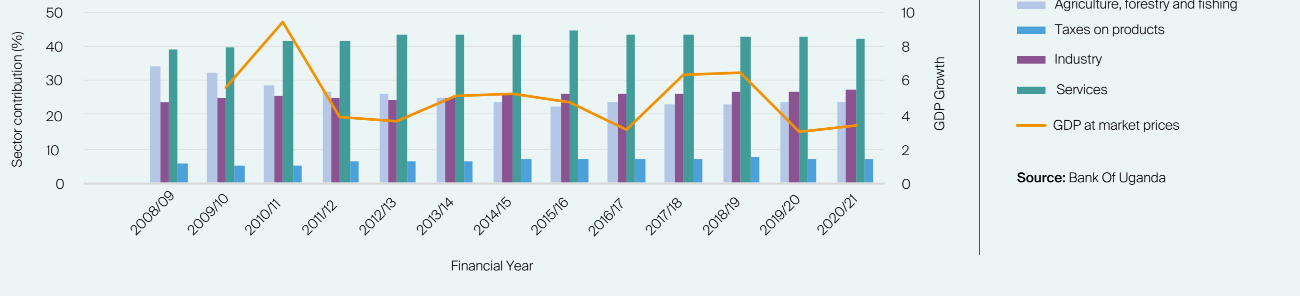
GDP

On the back of the economic downturn recorded in the aftermath of the COVID-19 pandemic in 2020, 2021 was welcomed with optimism, as many hoped it would be the year when everything began to normalize, at least for those sectors that had been severely hit by the effects of the pandemic. It can be said that to an extent, this was achieved. Increased activity was observed in the general economy and in the various real estate sub-markets, especially with the signing of major oil deals in early Q2 2021.

The second wave of the pandemic, which resulted in a second nationwide lockdown in June 2021, slowed the progress that had been gained at the time. However, since the lockdown was lifted, a gradual pick-up in economic activity has been recorded and is projected to continue into 2022, especially with the scheduled full re-opening of the economy.

Revised GDP estimates from Uganda Bureau of Statistics (UBOS) indicate that the economy grew by 3.4% in FY 2020/21, as compared to the 3.0% growth registered in FY 2019/20. In fact, various real sector indicators such as the Composite Index of Economic Activity and the Business Tendency Indicator showed an uptick in economic activity and positive sentiments about the business environment. In terms of sector contribution, the services sector continued to be the biggest contributor at 41.9% compared to the agriculture and industry sectors whose contributions were 23.8% and 27.1% respectively. Taxes on products accounted for 7.2%.

Figure 1: GDP contribution by sector



Source: Bank Of Uganda

COVID-19

The Government of Uganda commenced a nationwide vaccination campaign on 10th March 2021, almost a year since the first case was reported in the country. As of 31st December 2021, the country had recorded; 144,540 cumulative cases, 3,302 deaths, 98,489 cumulative recoveries and 11,377,067 total doses of the vaccine had been administered.

Despite several restrictions being lifted in the course of 2021, the government maintained select domestic measures, among which included.

- Maintaining the nationwide 19:00-05:30 curfew, with only essential workers and authorized personnel allowed to move during the curfew hours.
- Bars, nightclubs and cinemas remained closed, with other entertainment venues still prohibited until a considerable portion of the population was vaccinated.
- Boda-Bodas to stop operating by 18:00.
- Education institutions remained closed

However, on 31st December 2021, the president, while delivering the National Presidential Address indicated that the economy will fully reopen in a phased manner from January 2022 despite the surge in COVID-19 cases as a result of the Omicron Variant. This will see schools, universities, bars, lounges, cinemas, and clubs open after being closed for almost two years.

- Schools reopened on 10th January 2022.
- Performing arts, sports events, bars to open after 2 weeks of reopening of schools.
- Curfew to be lifted after performing arts resume.
- Boda-boda's not to operate past 19.00.
- The transport sector, which was operating at half capacity, to operate fully as long as travellers and operators maintain SOPs.

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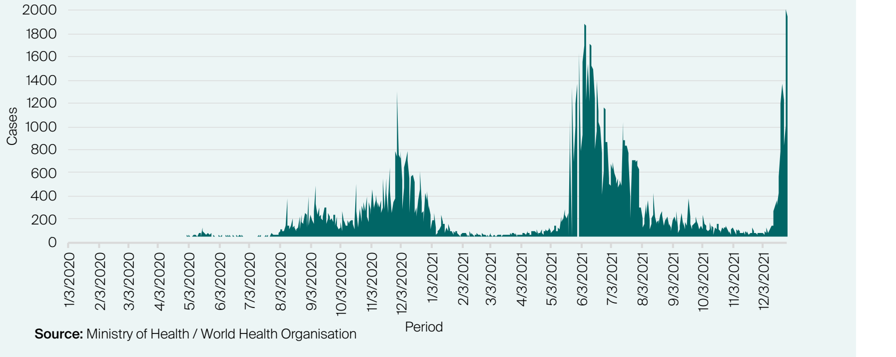
Figure 2: Covid 19 Cases

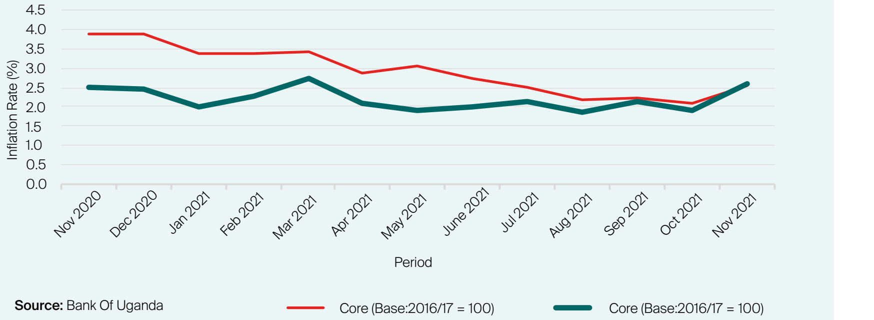


Source: Ministry of Health / World Health Organisation

Inflation

Annual headline inflation rose by 0.7% to 2.6% in November 2021, while core inflation rose to 2.6% from 2.1% in the same period. This was mainly due to an increase in the energy, fuel and utility inflation, and rising food crop prices. In the face of the current uncertainty brought about by the pandemic, inflation forecasts point to a rise in inflation in the medium term as the economy recovers. Inflation is expected to rise due to release of pent-up demand, especially with the economy expected to reopen in 2022. Projections indicate that inflation is expected to rise and stabilize at the 5% target, depending on how the pandemic evolves, when the economy will fully open, and the effectiveness of the vaccines being administered.

Figure 3: Inflation Developments



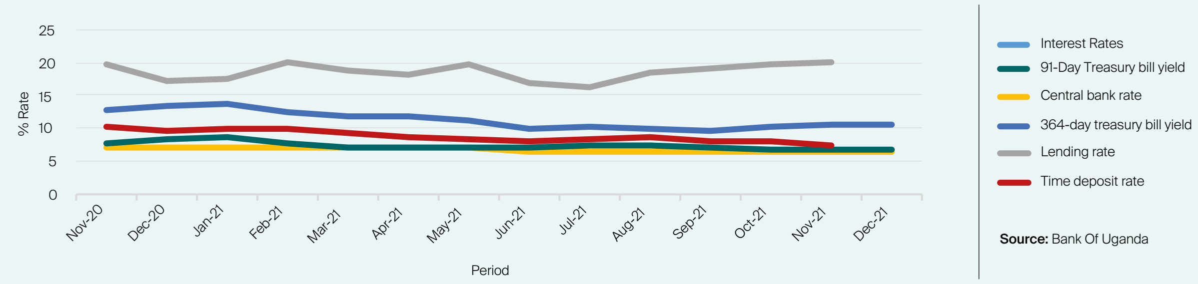
Source: Bank Of Uganda

Money Market

Month-on-month commercial bank lending rates that had reduced at the start of the year, from 19.9% in February 2021 to 18.1% in April 2021 increased in May 2021 to 19.6%. As of H2 2021, average lending rates for the period were recorded at 18.6%. The lending rates increased in the quarter to October 2021 by 1.4% to 19.0% as compared to 17.6% recorded in the quarter to July 2021, reflecting risk aversion due to uncertainty associated with the adverse effects of the pandemic and expiry of credit relief measures. According to the Bank of Uganda Monetary Policy Statement for December 2021, the Central Bank Rate was maintained at 6.5% amid the uncertainty surrounding economic recovery, given the current COVID-19 situation.

The yields to maturity for different tenors declined for the larger part of 2021. Yields on short term (91 days) government securities, which had declined in H1 2021, recording an average of 7.5% remained subdued, averaging at 7% in H2 2021. Similarly, yields on long term (364 days) treasury bills steadily declined throughout the year, albeit retaining relative stability in H2 2021 at an average of 10.1%. The decline in yields for short term securities was reflective of eased liquidity conditions partly as a result of Bank of Uganda (BOU)'s accommodative monetary policy stance.

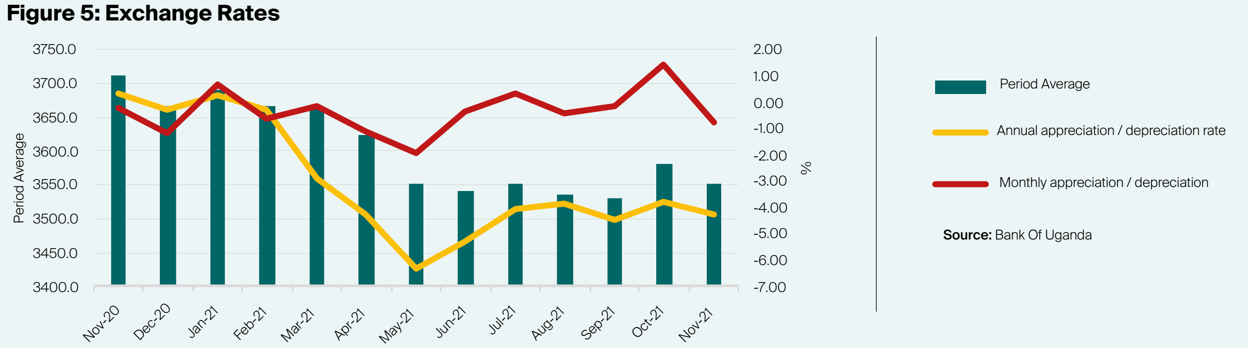
Figure 4: The Money Market



Exchange Rates

The Uganda Shilling appreciated by 0.79% in November 2021 against the USD to an average of 3551.5 as compared to 3579.9 recorded in October 2021. The shilling recorded an appreciation of 4.29% for the year ended November 2021 on an annual basis, and an average appreciation of 3.9% in H2-2021 compared to the 3.1% recorded in H1 2021. This was attributed to increased foreign exchange inflows from offshore investments, transfers from NGOs, earnings from exports and remittances.

Figure 5: Exchange Rates



LEGAL & POLICY ALERT

Registration with the Personal Data Protection Office

Following the passing of the Data Protection and Privacy Act in 2019, the requisite regulations were gazetted in March 2021 and subsequently, the Personal Data Protection Office (PDPO) was operationalized in August 2021 with a mandate to regulate the collection and processing of personal data in Uganda. Pursuant to a press release dated 2nd November 2021, the Personal Data Protection Office granted a grace period of up to end of December 2021, requiring that all persons or institutions that collect personal information are registered with the Data Protection Office.

Furthermore, the press release stated that starting January 2022, enforcement measures shall start against organisations/persons who have not registered. Regulation 15 sub-regulation (3) of the Data Protection and Privacy Regulations 2021 provides that contravention amounts to commitment of an offence and is liable, on conviction, to a fine not exceeding six currency points or imprisonment not exceeding three months or both. As per the notice from the PDPO, if it is possible to identify an individual directly from the information one is collecting and processing, then that information is personal data and therefore one is required to register with the Personal Data Protection Office. All persons, institutions and public bodies collecting and processing personal data are encouraged to comply and register with the PDPO.

A company with no restrictive clause on transfer of shares to non-Ugandans is deemed a "non-citizen comany"

In the case of Biyinzika Enterprises Ltd & Others v Biyinzika Farmers Ltd & Another, Civil Appeal No. 18/2012, the Court of Appeal of Uganda ruled that a company incorporated in Uganda whose Articles of Association do not contain an express clause restricting issue of transfer of shares to non- Ugandans is deemed a non-citizen company pursuant to s. 40(7)(e) of the Land Act Cap 277 and thus, cannot constitutionally and legally acquire the mailo land tenure irrespective of the fact that Ugandan citizens have majority controlling interest.

Companies are advised to review and amend their Articles of Association to reflect the legal requirements of the Companies Act, 2012 for Ugandan companies. Other stakeholders that are affected indirectly like the financial institutions are also advised to undertake reviews of the security/collateral held by them and where required, to perfect the documentation to ensure compliance with the legal requirements.

The bottom line is, existing companies that are currently non-compliant should amend their shareholding to have a controlling interest in Ugandans and to revise their Articles of Association to restrict the transfer of majority shares to non-citizens, so that they can satisfy the requirements of s. 40(7) of the Land Act in order to qualify as either citizen or non-citizen companies for the purposes of dealing in land in Uganda and, if the former, become capable of owning freehold (or mailo) tenure.

Rental Income Tax

The Income Tax (Amendment) Bill, 2021 which was tabled before parliament in April 2021 was passed into Law, taking effect from 1st July 2021. The new amendment provides changes in the tax rate and allowable deductions for rental income. Prior to the amendment, the income tax rate for individuals was computed at 20% of the chargeable rental income, while that for entities was at 30% of the chargeable income. The allowable deductions to arrive at the chargeable income for individuals included: a tax-free allowance of UGX2, 820,000, interest on mortgages and expenses amounting to 20% of the rental income. There was no limit on deductions for corporate entities.

With the new amendment, a standard tax rate at 30% of chargeable income has been introduced for both individuals and entities, after allowable deductions amounting to 75% of the rental income (to cover expenses and losses incurred in production of such income) have been removed. The non-taxable threshold of UGX2, 820,000 will no longer be applicable to individual entities. Despite the increment in the tax rate for individuals, the effective rental income tax payable is lower due to the increase in the percentage for the allowable deductions, currently capped at 75%. Any expenses that spill over beyond this cap will be carried forward and deducted in the following year of income. The revisions are intended to; ensure equitable taxation, harmonise the tax regime, and increase revenue collection by the Uganda Revenue Authority, as a taxpayer will not be permitted to enter a loss-making position for tax purposes.

REAL ESTATE MARKET

Office Sector

Office leasing and investment activity has continued to improve steadily, with a noticeable increase in activity recorded in H2 2021 compared to the same period in 2020 on the back of increased movement in the oil and gas sector, following the signing of key oil agreements in April 2021.

Knight Frank commercial agency noted that increased demand for office space was driven largely by oil affiliated companies, financial intitutions, audit and accounting firms, consultancies, medical organizations, insurance companies, government bodies and NGO's. This resulted in a positive trend in uptake and rental levels. Average grade A office rents in Kampala increased by 3.6% in H2 2021 as compared to H2 2020 while prime office occupancies increased by 4% in the same period.

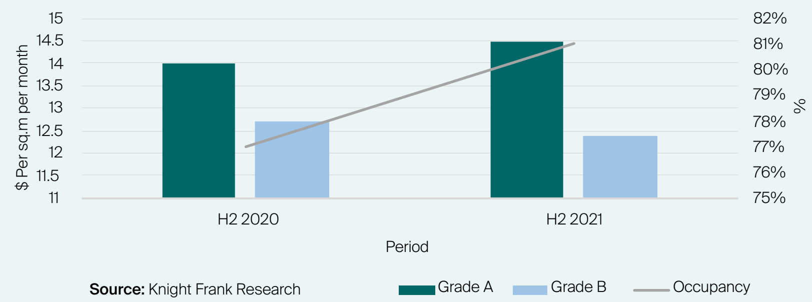
The increasing demand for space has led to a steady shortage in availability of prime space for immediate occupancy. If this trend continues, we should see a steady return to pre-covid rental levels in the short to mid-term. Uptake of Grade A and AB office space increased by 8% in H2 2021 compared to H2 2020, largely due to increased demand from oil and gas affiliated companies. To an extent, the rising demand for Grade A space has been partly met by the new developments that were completed in 2021. With over 40,000 square meters of office space expected online in 2022, we anticipate downward pressure on occupancies for less prime office space.

Office development for owner occupation continues to gain traction, such as the joint head office of Uganda Road Fund and PPDA building. Most of the upcoming developments are for owner occupation or investment purposes. There is also a lot of speculative office deveopment in the pipeline. Most of the new developments are in Nakasero, Kololo and Bugolobi, an area gaining attention as an attractive new suburban office location. This is in tandem with increasing growth of office development further away from the core Central Business District (CBD), and even beyond the prime secondary office locations of Lugogo Bypass, Kololo, Nakawa, Naguru and Ntinda.

Not only does this show the pace at which the CBD is growing, but also an indication that occupiers are now more flexible with regards to location, but increasingly particular about carefully choosing their workplace with reference to quality of office space, facilities and amenities on offer, quality of property management, and health and safety protocols. There has also been a noticeable increase in demand for space in the suburbs by NGO's and other funded organizations.

The general outlook for the office market is positive albeit hinged on increased activity in the oil and gas sector, whose actual requirement for space and timing of take up remains speculative, and most likely not matching up to the supply of office space in the pipeline. Tenant covenant strength, lease terms and duration, asking rents, and occupancy levels have become focus areas for the astute investor, and these factors will continue to impact investment decisions and response to tenant retention among landlords moving forward.

Figure 6: Prime Office Rent and Occupancy



Source: Knight Frank Research

Table 1: Office projects in the construction pipeline

S/N	Property	Location	Approximate Built-up Area
01	Pearl Business Park	Plot 1 Yusuf Lule Road	27000
02	IGG Offices	Yusuf Lule Road	19000
03	NDA Laboratory Tower	Buganda Road	8000
04	IRA Offices	Lumumba Avenue	16500
05	Pension Tower	Lumumba Avenue	70000
06	Twed Heights	Kyadondo	12000
07	Plot 5 Luthuli Avenue	Bugolobi	4500

Source: Knight Frank Research

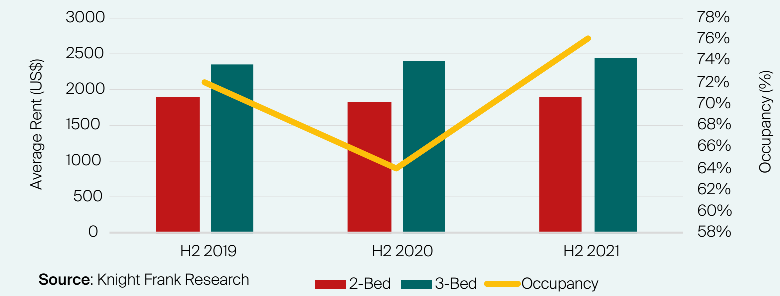
Residential Sector

Knight Frank Uganda registered a 12% year-on-year increase in occupancy of prime residential accommodation in H2 2021 as compared to H2 2020 for the suburbs of Kololo, Nakasero, Bukoto, Bugolobi and Naguru. Key among the drivers for this increase, is the return of expatriates to the country after travel restrictions due to COVID-19 were lifted, and increased demand from individuals in the oil and gas affiliated fields after the signing of key oil agreements in April 2021. This resulted in a gradual increase in the rent for 2- and 3-bedroom apartments within the prime locations in Kampala and a general improvement in occupancies. Average rents for 2- and 3-bedroom apartments increased by 3% and 4% respectively in H2 2021 as compared to H2 2020.

A noticeable increase in demand for 1- and 2-bedroom units was observed in H2 2021, indicating that fewer expatriate families of 3 – 5 members were coming into the country than was the case previously. H2 2021 also registered an increase in inquiries from Ugandans in the diaspora looking to buy property.
Knight Frank research registered a 9% increase in stock of prime residential accommodation recorded in H2 2021 as compared to H2 2020. That is approximately 400 apartment units in the pipeline, with 150 units expected in Kampala's prime residential suburbs in the next 12 months. Over 75% of this stock are 3-bed apartment units. Developers continue to show interest in joint venture options (whereby the landowner cedes the land as their equity contribution to the project, in return for an equivalent number of apartments correlated to the value of the land) as a way of entering the development and investment market and mitigating risk from no debt.

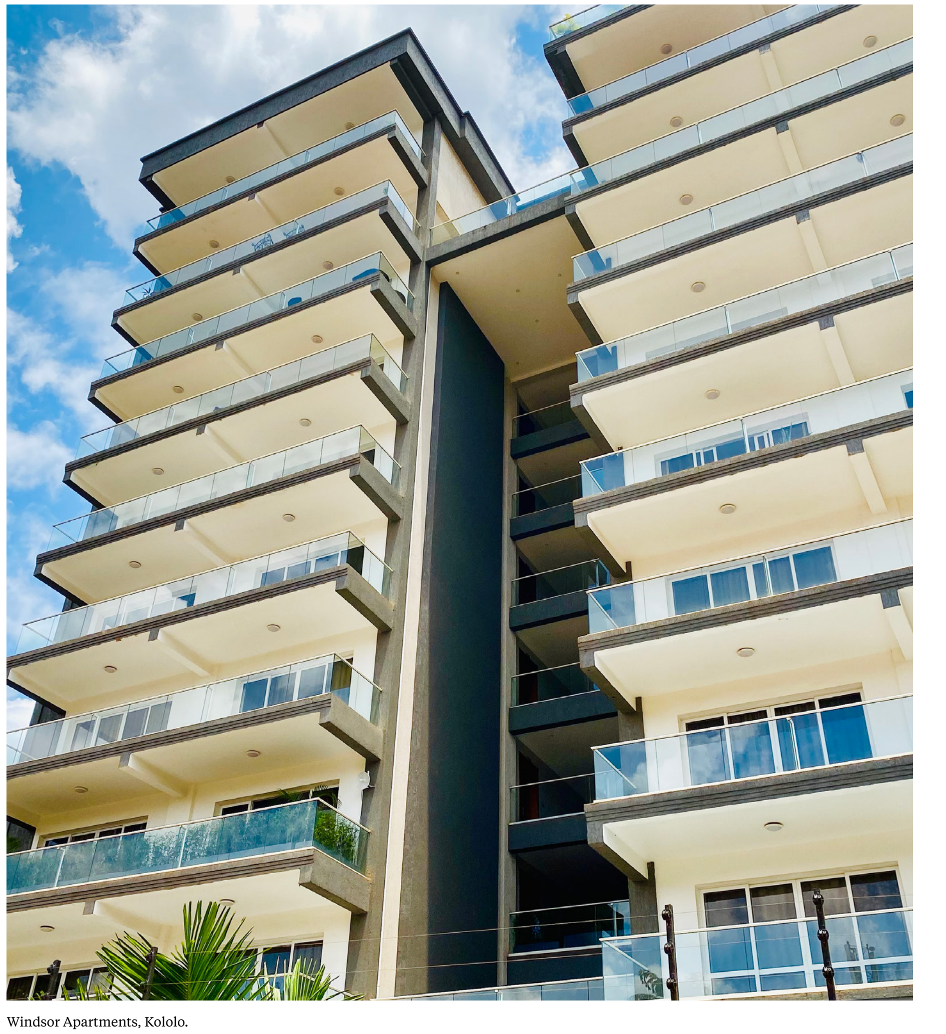
Increased leasing and sales activity was observed in the secondary neighbourhoods and Greater Kampala suburbs of Ntinda, Naalya, Kulambiro, Kisaasi, Makindye, Lweza and Kigo (Entebbe Road) because of improved road infrastructure and increased access to services and utilities. Tenants are opting for accommodation in these suburbs because of the slightly lower rents, coupled with the quality of available stock which is newer and similar to that provided in the prime residential suburbs.

Figure 7: Average Rents ($) and Occupancies (%) in Kampala's Prime residential surburbs.



Source: Knight Frank Research

On a positive note, there is a real effort by numerous developers to deliver houses / apartments at more affordable prices than was the case as recently as a year ago. Residential housing developers are now more aware and appreciative of the fact that; 1.The effective demand for housing is greatest within the $30,000 - $100,000 price range. 2. Just because the market can not afford more expensive houses / apartments, does not mean that they will pay for whatever is built because it is "affordable". There is now more than before, a need for developers in the affordable housing market to give value for money, by paying attention to the product they are offering. This has greatly raised the bar amongst these developers and can only bode well for the market in general and the sector specifically.



Windsor Apartments, Kololo.

Retail Sector

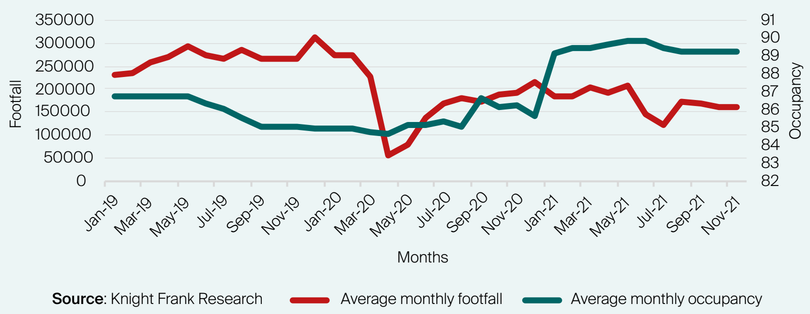
The retail property market continued to show subdued trade due to the second wave and the nationwide lockdown. A general improvement in activity is expected, albeit slowly, hinged on, most of the population getting vaccinated, and all existing Covid-19 restrictions lifted as proposed. H2 2021 saw telecommunications Company, Africell wind up their operations in Uganda, and Shoprite, the leading food retailer in Kampala, exit the Ugandan market on the back of a sale to Majid al Futtaim trading as Carrefour. By year end, all stores had been taken over and trading by the new brand, save for the store at Clock Tower on Ben Kiwanuka Road which is due to undergo major refurbishment. The closure of Shoprite for a period of up to 6 weeks, further negatively impacted any incremental recovery in turnover and foot traffic growth which had slowly picked up after the 2020 disruptions.

Turnovers within the retail and leisure sector continued to record varied results, with the service and fashion retailers continuing to show single digit growth in 2021 compared to 2019 numbers. General food and grocery traders were negatively hampered by the exit of Shoprite as well as the subsequent 6-week closure for the rebranding exercise. General retail performed approximately 12% below pre-Covid 19 numbers due to depressed spending by consumers and restricted trading hours.

The restaurant sector was the worst affected with negative growth of approximately 38%, impacted by the loss of dinner trade and the continued closure of entertainment facilities such as kids playrooms and cinemas. Supermarkets recorded a 3% Y-O-Y decline during the period, and a further 20% decline compared to the same period in 2019. Occupancy levels fortunately remained relatively stable due to further stimulus packages offered by landlords to ensure sustainability of trade in the long term.
Average footfall figures across Knight Frank managed malls contracted by 13% in 2021 as compared to a similar period in 2020, attributed to the second national lockdown and the exit of Shoprite from the Ugandan market.

The highlight of H2 2021 was the expansion of food retailer Carrefour, with the successful opening of four additional stores, and the anticipated opening of their 7th store in the Arena Mall in early January 2022. This bodes well for international investor confidence and will most likely lead to new international entrants into the retail market. A further highlight was the opening of the Arena Mall in the Makindye division with Turkish based retailer LC Waikiki opening their second mega store and local favorite restaurant Cafesserie opening their third store in Kampala. Arena Mall will positively change the shopping pattern of the South of Kampala and will also contribute to the opening of new businesses and employment growth in the area.

Figure 8: Average Monthly Footfall and Occupancy in KF Managed Malls



Source: Knight Frank Research

The economy is anticipated to fully open in January 2022, and all restrictions put in place to curb the spread of the COVID- 19 pandemic to be lifted. This will see schools, universities, bars, lounges, cinemas, and clubs open after being closed for almost two years. This important announcement bodes well for the recovery of the Ugandan economy because Kampala has a very active nightlife and trade in both the formal and informal economy. This will see industries affected by curfew able to operate, which will in turn increase feet and spend for retailers and landlords alike.

Retail rental rates have remained unchanged in the past half year due to the COVID-19 pandemic. The concern over the future which is unpredictable, hinges on most of the population being vaccinated which as of now, might only be achievable in late 2022. The retail rental rates reflected are short term rates, and inclusive of landlords' intervention to assure sustainability in the sector. They are being revised monthly based on trading patterns and lifting of remaining lockdown measures.

Table 2: Prime Retail Rental Rates in Kampala (Covid-19 Impacted)

Size	Rates
<10m²	$200
<50m²	$36
<100m²	$22
<500m²	$17
>500m²	$15
>1000m²	$11

Source: Knight Frank Research

These figures are average rentals for ground floor space in Kampala shopping malls but do not take Shop front to depth ratio into account and exclude service charge.

Arena Mall Nsambya.

Industrial Market

With the growth of industrial parks in different parts of the country, increased activity in industrial areas, including Namanve, has been linked to incentive schemes put in place to encourage industrialisation. These include among others, tax exemptions, deductible allowances, ease of access to land, duty free raw materials, etc. In Namanve, increased activity over the years has resulted in appreciation of land values for private owned land by approximately 25% over the past 5 years. The area's affordability, ease of access to land and economies of scale have been added advantages in boosting demand.

Expansion plans are underway for the Kampala Industrial and Business Park by the Uganda Investment Authority. With an additional 400 hectares, the park will become Uganda's largest industrial hub, capable of accommodating 500 enterprises and generating $540 million in taxes. Rental rates in the prime industrial areas within Kampala were recorded between US$5.00 and US$8.00 for warehouse/storage space.

The biggest determinants of demand were accessibility/proximity, size, eaves heights, ample parking (large yards), location, additional office space on the warehousing facility as well as high quality specifications in form of floor loading requirements.

The need to meet large-scale supply, especially in the agriculture sector for export purposes has continued to be one of the key drivers in the take up of industrial space. Other key sectors driving demand, include among others; Fast Moving Consumer Goods (FMCG), logistical companies, agri-businesses, furniture stores, e-commerce, and medical institutions.

As a result of the pandemic, there was an increase in online sales and purchases, resulting in increased ecommerce activity. With the rising usage of mobile money as the primary mode of payment for online transactions, the synergy between banks and mobile money systems, and the focus on e-commerce and ICT in national development plans, the sector is primed for growth.

Table 3: Warehouse Rents per sqm per Month and sale prices for land per acre in different industrial suburbs.

Location	Rents (USD) Per m²	Sales (USD) Per acre (Vacant Land)
Namanve	4.00-5.50	$80,000-$250,000
Bweyogerere	4.00	
Luzira	4.50	$250,000-$400,000
Ntinda-Nakawa	5.00 - 7.00	$700,000 - $900,000
Traditional Industrial Area (1st-8th) streets	5.00 - 8.00	$1,000,000 - 1,500,000

Source: Knight Frank Research

Namanve Industrial Park.

Valuations & Advisory

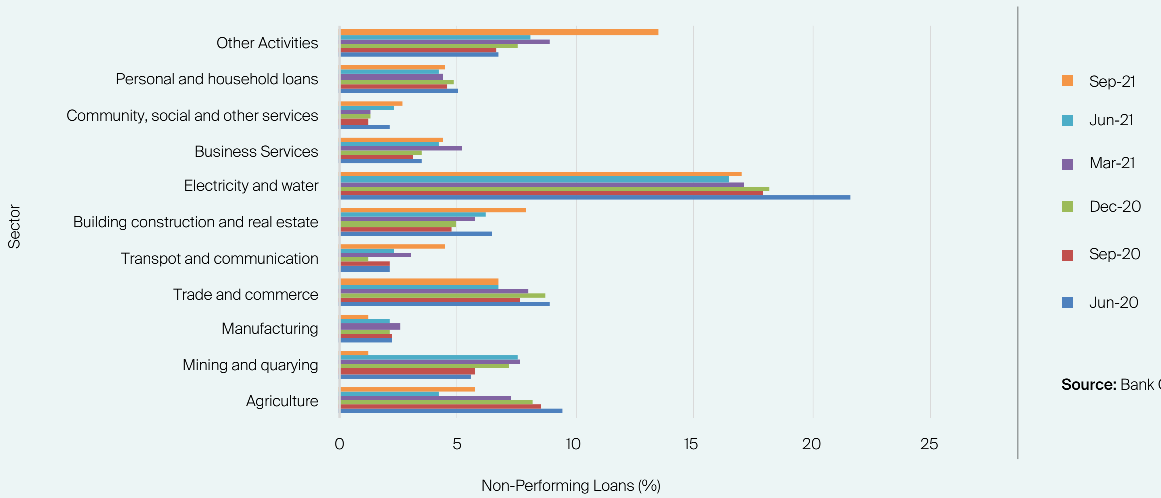
The Surveyors' Registration Board (SRB), a statutory body with the mandate to regulate the surveying profession in Uganda issued a public notice in October 2021. The board brought to the attention of registered members and the public that some registered surveyors were practicing the profession in contravention of parts of the Surveyors Registration Act Cap 275. The Act restricts the practice of surveying to registered surveyors practicing either as sole proprietors or partnerships with other registered surveyors. This announcement will drive registered surveyors to register new partnerships in line with the statute whilst reserving the brands by which they have been widely known.

Globally, in recognition of the fact that COVID-19 has been an issue for a while now, the Royal Institution of Chartered Surveyors (RICS) in July 2021 alerted its regulated members to use an explanatory note to consider market conditions where COVID-19 is still a relevant issue but with a properly functioning property market. This is different from the material valuation uncertainty clause, which was recommended at the onset of the pandemic and may be used in addition to the explanatory note where material valuation uncertainty remains.

According to the BOU State of the Economy Report for December 2021, Private Sector Credit grew by an average of 9.5% in the quarter to October 2021 as compared to 7.9% recorded in the quarter to July 2021. This reflects BOU's supportive monetary policies as well as increased activity because of the relaxing of the lockdown measures. Foreign currency denominated loans increased by 4.1 % in the quarter to October as compared to -0.1% recorded in the quarter to July 2021, while shilling denominated loans grew by 12% as compared to 11.6% over the same period.

Overall, the share of Non-Performing Loans (NPLs) to total loans increased to 5.4% in September from 4.8% in June due to the negative impact of the pandemic-related restrictions put in place to curb the spread of the virus. In the Building, Construction and Real estate sector, NPLs increased to 7.9% from 6.2% in the same period, reflecting reduced cash flows as a result of subdued demand because of the pandemic.

Figure 9: Non-Performing Loans to Total Loans by Sector



Source: Bank Of Uganda

OUTLOOK AND FORECAST FOR H1 2022

According to the December 2021 State of the Economy Report released by Bank of Uganda, the economy is projected to grow at a rate between 3.5-3.8 % in the FY 2021/22 and 5.5-6.0% in FY 2022/23, before increasing to 6.5-7.5 % in the medium-term (2 to 3-years ahead). The growth will be hinged on an increase in private consumption, robust growth in external demand, a gradual return of activity in the tourism sector, and international and domestic private investment in the oil sector.

There is a growing recognition that coronavirus is something we will live with over the long term and businesses need to get to actualize their long-term plans. The future is less predictable than it was pre-covid, but we are also learning to read the times and trends better than we could 12 months ago. For example, we know what to expect during a lockdown, or if curfew is reinstated, sheltering and masking, or sanitizing and washing hands frequently is not alien to us anymore, etc. As these acts become more frequent, we reduce the levels of uncertainty and build resilience, however small it may be. With increased vaccine availability, the continued weakening of virus strains, response to vaccine immunity and lifting of containment measures, increased economic activity will be recorded, resulting in positive growth in the economy and the property market.

Our overall outlook for the property market in 2022 remains positive, and we forecast as follows:

01

There will be increased activity in various sub-markets, especially now that the economy is to fully open. Occupiers and investors alike are keen to make up for lost time and money, and we are seeing this in the increased activity across property sectors in general.

02

We envisage prime office occupancies and rents remaining relatively stable in 2022, on the back of increased leasing activity from the oil and gas sector, in the short to mid-term.

03

We also envisage an increase in demand for Co-working space from solopreneurs (a person who sets up and runs a business on their own) and consultants who vacated their offices during the pandemic to avoid paying rent as their businesses closed.

04

Upward pressure on vacancies will likely grow in areas like Nakasero, Kololo and Bugolobi in the mid to long term where most of the speculative pipeline supply is concentrated.

05

Prime residential rents have seen a downward correction as compared to pre-covid rates, to a level where they will remain relatively stable for the short to mid-term as supply continues to outstrip demand.

06

Despite speculation on residential property prices, there has been no noticeable downward pressure on middle income house prices throughout the pandemic, even with increased foreclosures in this sector. This is testimony to the resilience of this sub-sector of the housing market on the back of solid effective demand.

07

We envisage hybrid work styles particularly for senior managers and C-suite executives defining the how and where of work. There is likely to be more flexibility in working from formal workplace settings in the office, or less formal ones like home or public spaces close to home. We don't envisage this having as big an impact for the quantum and quality of formal space occupiers require.

08

Similarly, employee health and wellness will continue to be key areas of focus which will move from being a surface to air battle, as occupiers increase their understanding of virus transmission. The same applies to the effectiveness of their efforts to make office space safe through higher spec air conditioning and ventilation, more so in the new developments.

09

We envisage a gradual shift back to the office on a full-time basis for most office occupiers especially now that schools have opened, as school runs culminate into commutes to the office and school pick-ups at the end of the day.

10

With regards to retail, we are forecasting increased activity in the food and entertainment industry, with increased spend in this sub-sector of retail as people celebrate and maximise the freedom from curfew. However, this may not be enough to make up for lost time and earnings. We may see continued strain on retailers come to a head because of lifting of the rent rebates offered throughout most of 2021.

11

Similarly, we forecast that supply chain challenges will persist with increasing costs of importing goods and merchandise per container, stock shortages vis a vis the need for retailers to re-stock in time, trade and pay rent.

12

The logistics and Industrial Sector will continue performing steadily albeit not as vibrant as was the case at the start of the pandemic. Increased activity from the oil and gas sector, coupled with the opening of the economy should bode well for demand for warehousing space.

13

With the signing of key oil agreements in 2021, we anticipate that the number of expatriates coming into the country will increase, hence resulting in an increase in leasing activity in different prime suburbs.

14

Sustainability is increasingly becoming a buzz word in many corporate office corridors and social media pages. We expect to see a serious attempt at closing the gap between ambition and action on this narrative, especially from the real estate sector which contributes 40% of global carbon emissions.

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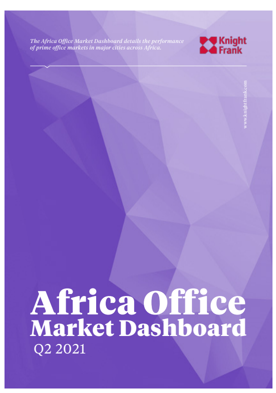

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