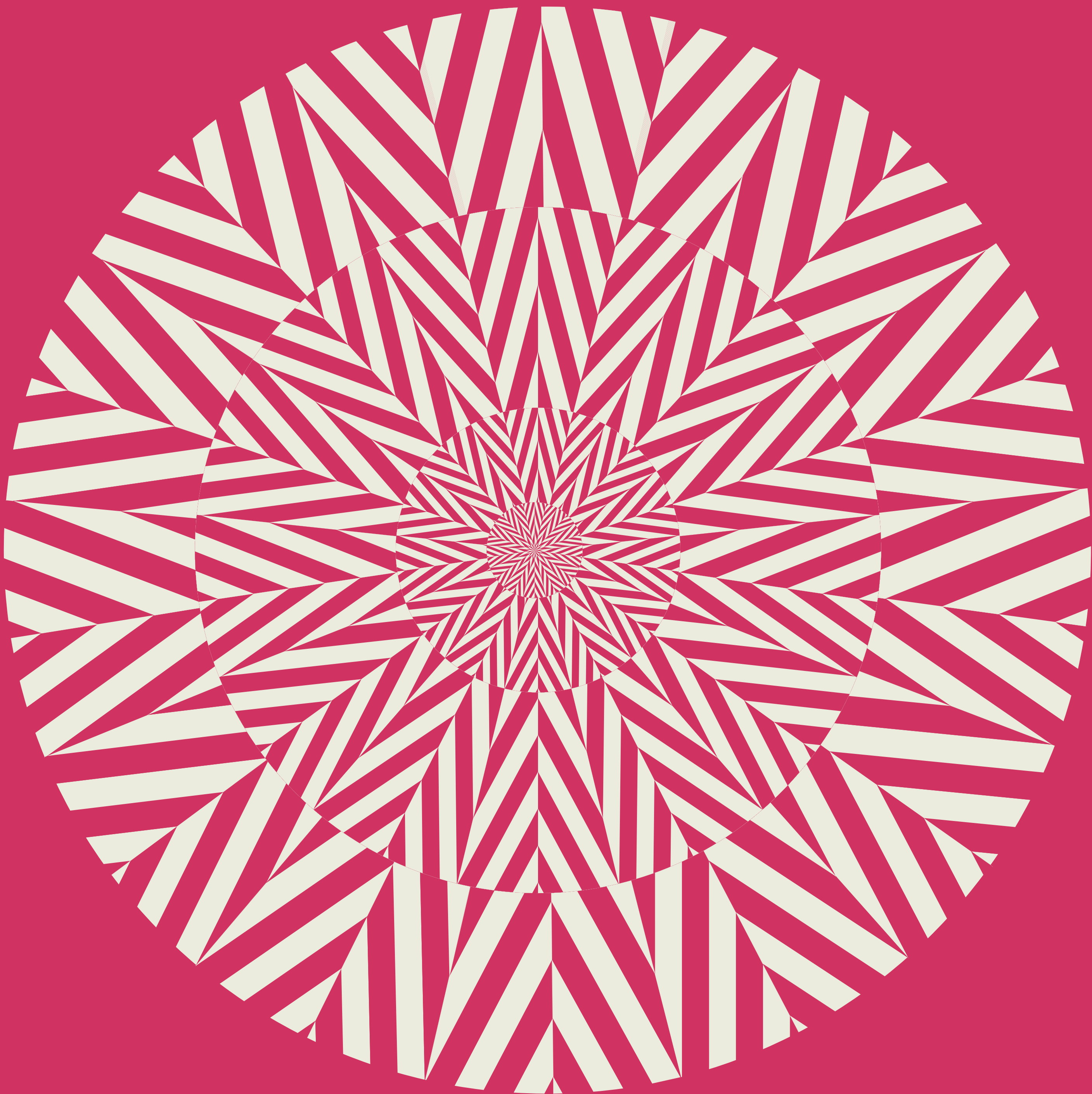
The Kampala Property Market Performance Review

Knight Frank

H2 2023

Knight Frank Uganda's bi-annual research publication on the performance of Kampala's property market over the past six months.

knightfrank.com/research



KEY TAKEAWAYS

A general increase in uptake of retail, residential and industrial space.

The Ugandan economy maintained stability in the review period, achieving sustained GDP growth of 5.2% in the financial year 2022/23. The Inflation rate remained within the 5% target level with headline inflation recorded at 2.6% as of December 2023. Exchange rates demonstrated a moderate average appreciation of 0.8% in Q3, but experienced depreciation pressures in Q4, recording an average depreciation of 2.1%. The economic stability translated to stable and improved performances across different sectors within the Kampala property market.

Prime residential and commercial office sectors registered annual rental and occupancy growth. The retail sector echoed this trend, recording growth in turnovers and occupancies despite the marginal decline in footfall figures on an annual basis.

Demand for Prime Residential units from the oil and gas sector fell short of the initial projections forcing landlords to look elsewhere for tenants to optimise occupancy rates.

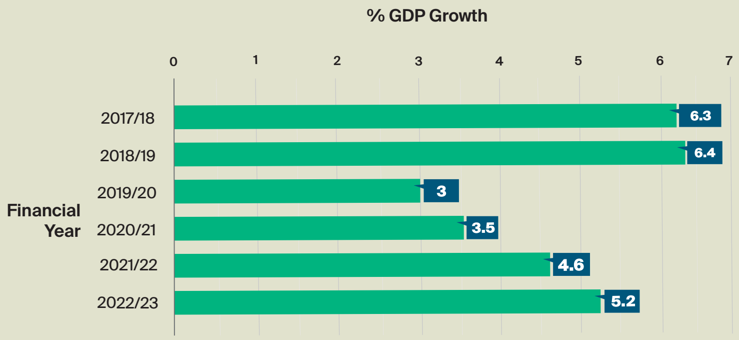
Demand for small office spaces (< 200 sqm) has persisted while sustainability and energy efficiency continue to influence the office sector.

New retailers set shop at the different malls enhancing the shoppers' experience while Fashion and Food and beverage categories remain the key drivers of retail demand.

The H2 2023 report documents the current state of Kampala's real estate market, and the opportunities therein and provides a short-term outlook within the sector.

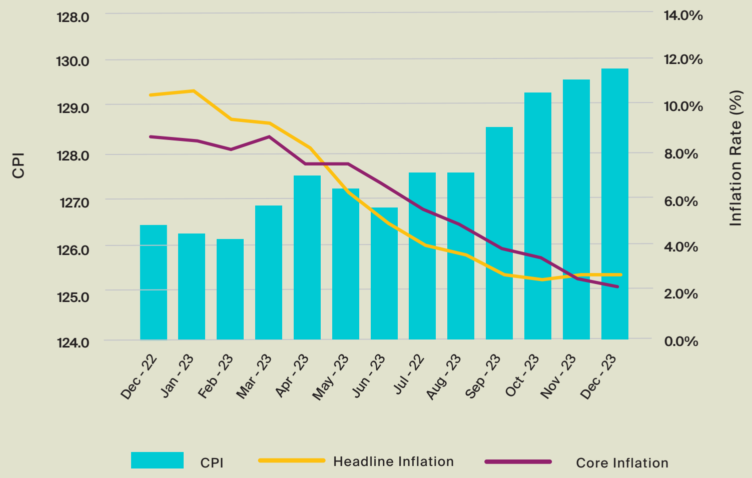
H2 refers to the period of data colection and study between 1st June and 31st December

Figure 1: GDP Growth Rate



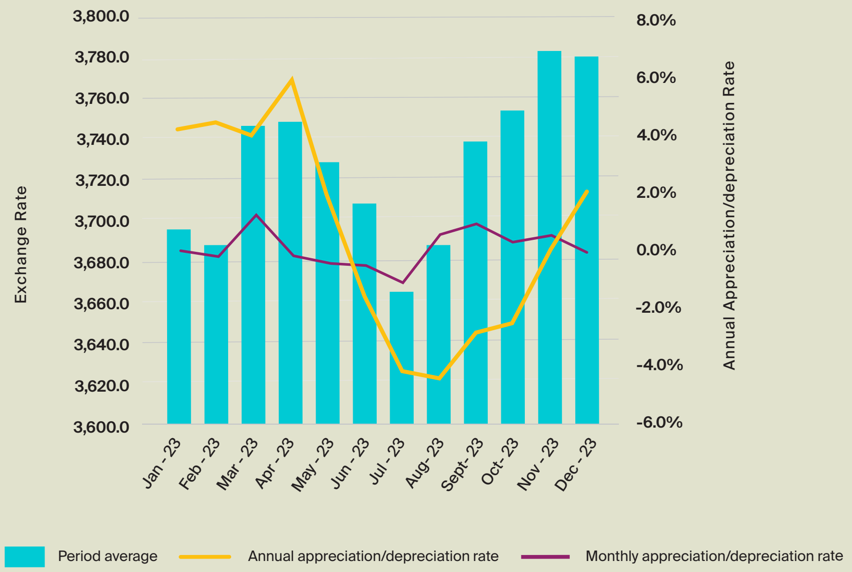
Source: Uganda Bureau Of Standards

Figure 2: Annual Inflation Trend



Source: Bank Of Uganda

Figure 3: Monthly Currency Appreciation/Depreciation



Source: Bank Of Uganda

The Economy

Economic activity strengthened in H2 2023, as reflected in the performance of the Composite Index of Economic Activity.

Economic Activity

Revised annual GDP estimates from the Uganda Bureau of Statistics indicate that the economy grew by 5.2% in 2022/23 as compared to 4.6% in 2021/22 with the services sector as the biggest GDP contributor at 42.4%, followed by the industrial sector at 26% and the agricultural sector at 23%.

The Uganda Economy maintained its upward trajectory building on the momentum set in H1 2023 with the low inflationary pressures supporting growth in household real incomes thus increasing consumer spending. The economy is projected to grow by 6% in the FY 2023/24 and increase to between 6% and 7% in the medium term. The economic growth is hinged on continued recovery in the tourism sector, the government's export diversification, and Agro industrialization as well as investments in the oil and gas sector. The high frequency indicators signal continued strong economic expansion with robust growth expected in the private sector inform of increased output.

Inflation

Inflation pressures exhibited a sustained decline, underpinned by a confluence of favourable factors, key of which were lower international commodity prices, bumper crop harvest due to improved weather conditions, relative exchange rate stability, and tight fiscal and monetary policies. Headline inflation waned throughout H2 2023, from 3.9% in July 2023, to 2.4% in October 2023 (the lowest level since November 2021) before slightly increasing to 2.6% in November 2023 and remaining unchanged for December 2023. As a result, the Monetary Policy Committee reduced the Central Bank Rate from 10% to 9.5% in August 2023 and has maintained the stance to date.

Exchange Rates

The shilling maintained relative stability in the period under review, despite concerns about economic fallout from the World Bank's suspension of new loans to Uganda in August 2023 following the enactment of the Anti-Homosexuality Act citing fundamental contradictions with its values of inclusion and equality. The Ugandan shilling appreciated by 3.4%, 3.7%,2.3% and 1.7% for the year ended July, August, September, and October 2023 respectively while depreciating by 0.6% and 2.4% for the year ended November and December 2023 respectively. On a quarterly basis, the Ugandan shilling appreciated by 0.8% in Q3- 2023 and depreciated by 2.1% in Q4-2023. The currency depreciation in the last quarter was driven by sentiments around the World Bank announcement on the suspension of new financing, Airtel Initial Public Offering, and a strong demand for foreign exchange for imports as per the December 2023 state of the economy report.

Business Activity

Business sentiment as well as economic activity improved in H2 2023, recorded by positive trends in real sector indicators such as the Business Tendency Index (BTI) and the Composite Index of Economic Activity (CIEA). The CIEA increased by 2.6 to 162.6 in November 2023 from 160.2 in July 2023, signalling improvement in economic activity.

The Stanbic Bank Headline Purchasing Manager's Index (PMI) posted 54.8 in December 2023 up from 53.8 in November 2023, above the 50.0 threshold for the thirteenth consecutive month. Both output and new orders surged for the seventeenth consecutive month on account of customer demand which has in turn ensured growth in employment levels for the eighth consecutive month. In a similar trend, the Business Tendency Index was recorded at 59.4 in December 2023, a slight increase from the 58.7 recorded in November 2023.

In a bid to reduce the high fuel prices, the parliament of Uganda passed the Petroleum Supply (Amendment) Act in November 2023, granting Uganda National Oil Company (UNOC), a monopoly over supply of petroleum products. The act, approved by the president was set to take effect in January 2024 however implementation hit a snag after Kenya's Energy and Petroleum Regulatory Authority denied UNOC a petroleum import licence on grounds that it failed to provide evidence of operating five licensed retail stations or operating a licensed depot in Kenya as well as not achieving a minimum annual turnover of US$10 million for the last three years.
While pursuing legal action against Kenya at the East African court of justice, the Ugandan government has allowed private companies to continue importing petroleum products into the nation to avert a fuel crisis.

5.2% GDP Growth

2.6% Headline Inflation as of December 2023

2.4% Depreciation as of December 2023

9.5% CBR Rate as at December 2023

Source: Bank Of Uganda

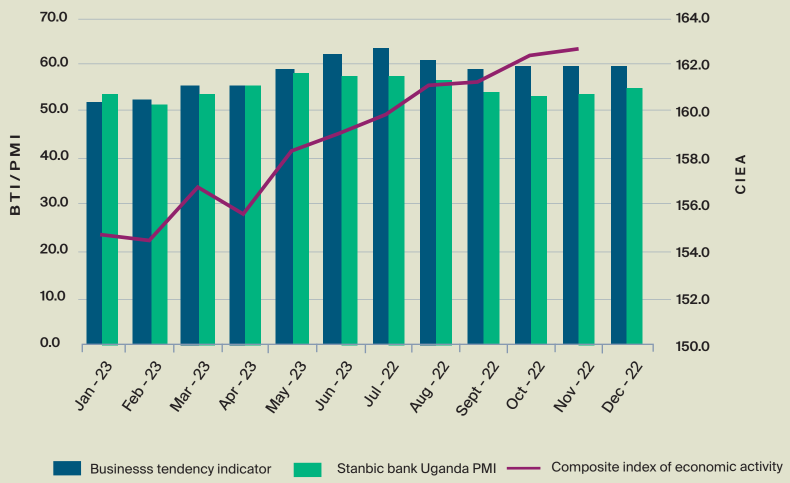
Other Economic Highlights

The Bank of Uganda in September 2023 issued the first Islamic Banking License to Salaam Bank Limited following the president's assent of the Financial Institutions (Amendment)Act 2023, that paved way for the introduction of Islamic Banking in Uganda.

On November 6, 2023, Airtel Uganda debuted as a public company with an initial public offering (IPO) priced at Shs100 per share. The initial public offering (IPO) was undersubscribed at 54.45% (4.36 billion shares) despite the business offering up to 20% ownership (8 billion shares). Airtel Uganda becomes the second listed telecom company on Uganda's stock exchange after MTN Uganda (MTN UG), which listed in December 2021.

Uganda recorded the highest Foreign Direct Investment (FDI) in 2022 at US$2.9 billion (Bank of Uganda). The growth in the FDI was linked to oil related developments after the Final Investment Decision (FID) was Concluded in February 2022. The signing of the FID marked the start of oil project construction works for Tilenga, Kingfisher and East African Crude Oil Pipeline (EACOP) Projects, a key step towards commercial oil production in Uganda which is projected to kick off in 2025. The oil and gas sector accounted for 75% of the FDI received while other recipient sectors included Information Communication and Technology (ICT), mining and finance.
More FDI is expected in the oil and gas sector as Uganda transitions to an oil producer while the mining and financial sector are expected to continue attracting foreign investment into the country.

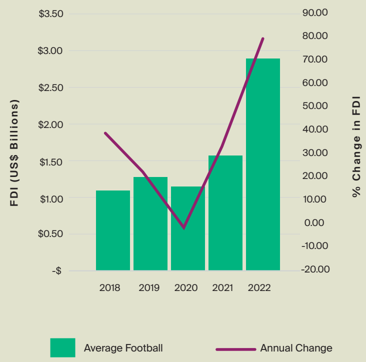
Figure 4: Real Sector Indicators



Source: Uganda Bureau Of Standards

The United States of America advised that Uganda was to be excluded from the African Growth and Opportunity Act (AGOA), a noteworthy trade preference for African nations effective January 2024 due to the Government of Uganda's passing of the Anti-homosexuality Act (AHA). Nevertheless, the economic ramifications for Uganda might be relatively minor, given that, as of 2022, its total exports amounted to 45.47 billion dollars, with only goods worth $10.6 million being exported under AGOA.

Figure 5: Annual Trends in FDI Inflows



Source: Bank Of Uganda

Legal Alert

Remedy of Re-entry Under s.29(2) of the Landlord and Tenant Act, 2022.

Section 29(2) of the Landlord and Tenant Act of 2022 introduced the right of re-entry which refers to a landlords right to reposses the premises from a delinquent tenant upon default on payment of rent with arrears outstanding for over for 30 days. Before the enactment of the Act, the landlord's only recourse against a tenant for non-payment of rent lay in instituting court proceedings to recover the outstanding rental arrears and evicting the tenant from the premises.

The slow pace of Uganda's court process during litigation, was a big frustration for most landlords as cases would often drag on for years with the delinquent tenant still in occupation of the premises and enjoying all the rights of the tenancy without the responsibilities. Section 29(2) was therefore intended to cure that injustice. As a result, landlords are now able to timeously re-enter and re-let the premises to a new tenant without having to wait for the conclusion of a long and tedious court process.

This is a positive development for landlords and property managers, which will hopefully be adopted and recognised by key stakeholders in the eviction process sooner rather than later. The Police and area LC1 Chairpersons have a key role to play in witnessing the eviction process and yet unlike the LC1 Chairpersons, are unwilling to adhere to s.29 (2) of the Landlord & Tenant Act 2022, but insist on Landlords producing Court Orders before the Police can witness an eviction, which defeats the purpose of the said clause. Under section 29(2) the presence of the area LC1 Chairperson and a Police officer is a mandatory requirement during re-entry. One would be breaking the law if they were to proceed in the absence of either of the two officials, implying that if either the Police or the area LC1 Chairperson refused to cooperate when called upon, the process of re-entry would be frustrated. It should be noted that the Police's stance on the matter is not the position of the law and is wrong. Landlords are not in any way required to obtain court orders for purposes of re-entry.

The Real Estate Sector

The prime residential market maintained relative stability registering a 4% increase in the average monthly rents for 2-bedroom apartment units, while rent for 3-bedroom apartment units increased by 1% on a year-on-year comparison with prime occupancy rates surging by 6%.

RESIDENTIAL SECTOR

In the period under review, the prime residential market maintained relative stability achieving a 4% rise in the average monthly rents for 2-bedroom apartment units, while rent for 3-bedroom apartment units increased by 1% on a year-on-year comparison. Prime occupancy rates increasing by 6%. The growth in average rentals is attributed to prime apartment units that have recently been completed and come onto the market offering larger living spaces and better amenities thus commanding higher rates. Expatriate staff unable to find stand-alone houses for occupation within their rental budget or alternatively those who prefer community living are opting for apartments thus contributing to the rise in occupancy levels.

Initial optimism surrounding the prime residential market demand driven by the oil and gas sector has moderated as actual demand falls short of projected levels. Recognizing this shift, landlords are now adopting a more diversified approach, exploring alternative tenant segments such as those affiliated with UN agencies, financial institutions, High Net Worth Individuals, and development organizations, to optimize occupancy rates.

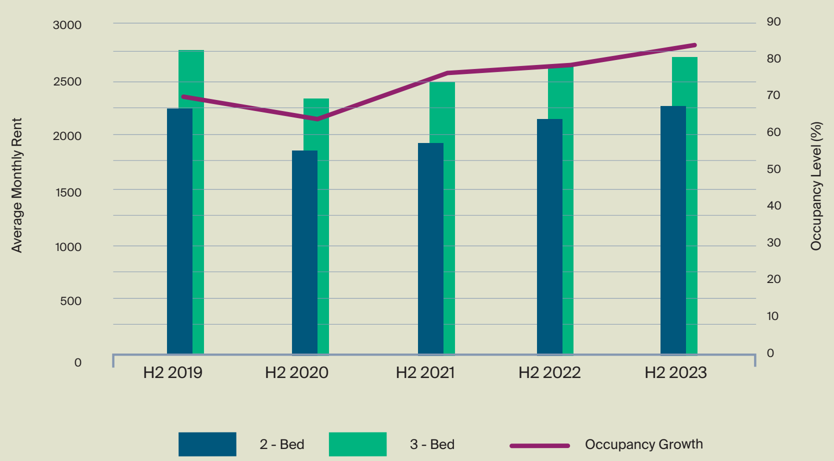
The preferred prime residential accommodation type, especially among the senior expatriate staff remains standalone houses or houses in a gated community. However, there is limited choice in this segment, given the short supply of detached houses in prime suburbs. Most of the prime residential suburbs housing standalone houses have been gazetted as commercial areas and redeveloped with modern apartment blocks to take advantage of densification and economies of scale from increased rental incomes and reduced operational costs from multi-let units. In turn the secondary residential areas of Mbuya, Munyonyo, Muyenga, and Bugolobi, are gaining popularity as an alternative. The prime residential pipeline activity remains relatively high with approximately 600 new units expected on the market in the areas of Nakasero, Kololo, and Naguru in the next 12-24 months representing a 14% increase in pipeline activity as compared to H2 2022.

Prime suburbs such as Muyenga, Buziga and Munyonyo registered increased construction activity driven by developers who are expanding the catchment area for prime residential accommodation outside of the traditional areas in and around the CBD. Land in these areas is be relatively more affordable and developers are able to maximise creativity and innovation in their offerings with regards to design, unit sizes, layout configurations and functionality. This is a welcome trend which is raising the bar and standards of residential stock for sale and rent.

Greater Kampala and other secondary suburbs like Kulambiro, Kikaya, Mulago, and Ntinda exhibited sustained demand for homes in the middle-income price ranges, with most buyers drawn to properties priced below UGX 350,000,000.

In a quest to optimize returns, property developers are maximising the development of their plots through densification, while others are innovating mixed-use configurations, integrating residential and commercial elements within prime residential areas. However, achieving success hinges on striking a delicate balance. High density developments risk alienating potential occupiers who prioritize privacy as a desirable quality of life.

Figure 6: Rental and Occupancy Growth Trend



Source: Knight Frank Research

Therefore, developers must adhere to recommended guidelines and zoning regulations, ensuring their product aligns with the needs and preferences of their target demographic.

Demand persists for apartment units for sale within a price range of $150,000 to $200,000 in the prime and semi-prime areas (a radius of 10-12 km from the city centre) with a good quality of workmanship and finishes. These locations include Mbuya, Kyambogo, Makindye, Mutungo, Muyenga, Ntinda, and Luzira, among others.

Commuter towns on the outskirts of Kampala city are gaining traction, as more people opt for a quieter, calmer, and more suburban living. Lured by more affordable land, the potential for capital appreciation, improved access to amenities and services, and improved road infrastructure, residents are willing to endure longer commute times to their places of work in the CBD.

These towns have emerged on the city fringes, in the Greater Kampala Areas of Wakiso, Mukono and Mpigi, within a radius of 30 kilometres of the Kampala CBD. Key commuter towns include Gayaza, Bulenga, Seeta, Kiwenda, Kiti, Nabbingo, Nabweru, Matugga and Buwambo, among others.

Look out for our commuter towns report soon to be published.

US$ 150,000-200,000

Rise in demand for apartment units within this range

14%

Increase in pipeline activity in prime apartment units

Commuter towns on the outskirts of town are gaining traction.

Visual Impression of the Concord Apartments currently under construction in Nakasero

OFFICE SECTOR

Prime office space demand persisted with prime rents recorded at $16.5 and $ 15.0 per square metre per month for Grade A and Grade AB, respectively.

Demand for prime office space persisted with prime rents recorded at $16.5 and $ 15.0 per square metre per month for Grade A and Grade AB, respectively. This represents, a 10% rental increase for Grade A and 12% surge for Grade AB as compared to H2 2022 rental levels. There has been a general improvement in occupancy for Grade A and AB properties across board with vacancy rates reducing by 1% as compared to H2 2022.

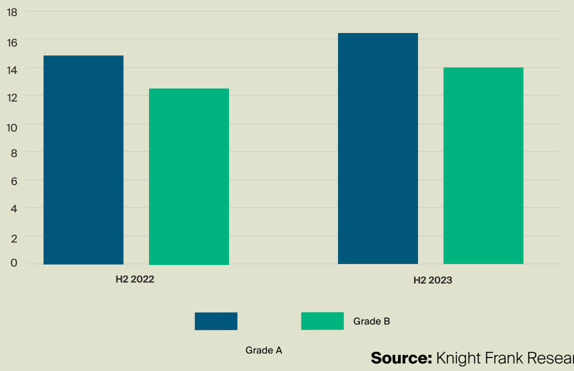
The Investment (rental) office sector exhibited a distinct segmentation in terms of size preferences. The dominant segment comprised tenants seeking units under 200sqm, accounting for 47% of inquiries. While demand for larger spaces diminished significantly, with only 29% and 24% seeking spaces in the 200-1,000sqm and above 1,000sqm segments, respectively. This disparity is partly due to reduced demand from FDI's and Oil and the Gas sector who have driven demand for large office spaces over the past few years.

Office space demand is growing into other sectors. While core sectors like Consultancy Services, NGOs, Finance, Health Sciences, and IT, remain strong, newer entrants in the renewable energy sector, and lottery companies are emerging. Similarly, client portfolio adjustments are driving increased property sales, be it for portfolio optimisation, sector diversification, or capitalizing on property value appreciation.

Interestingly, 75% of inquiries prioritize renting over buying, suggesting a preference for flexibility in this dynamic market.

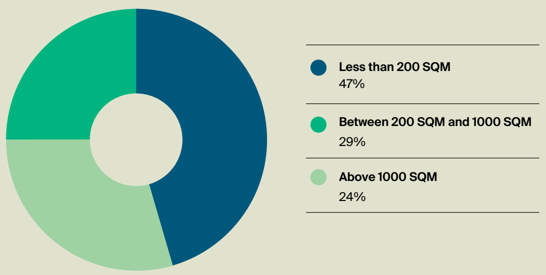
The average selling and letting period continues to vary depending on factors such as market demand, location, property type, and economic conditions. Grade A offices in prime locations like Nakasero, Kololo and Bugolobi have experienced high demand resulting in a short letting period of 3-6 months while those in less prime areas have recorded long letting periods of over 6 months.

Figure 7: Prime Office Rentals



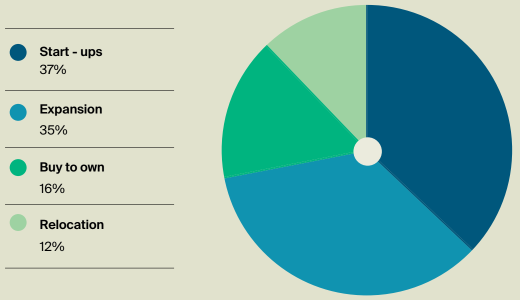
Source: Knight Frank Research

Figure 8: Office space Inquires Grouped by Required Size



Source: Knight Frank Research

Figure 9: Office Space demand by nature of clients



Source: Knight Frank Research

Rental levels, quality of property management and amenities on offer at a property continue to be the key factors considered by tenants in selecting office premises. Whilst there is an oversupply of Grade A space in the pipeline, the quality and functionality of much of this space remains relatively low . Tenants of lower-grade offices have persisted in driving hard bargains, creating a tenant market in this segment.

Key occupier requirements such as location, accessibility for Persons with Disbalities, safety and security, sustainability, and energy efficiency are key considerations for office space occupiers reflecting the prevailing and evolving trends and requirements in the prime occupier market.

The increasing interest in sectional title office space has led to a surge in inquiries regarding its viability as an investment. Investors are particularly interested in its potential returns compared to traditional investment in office development.

Pipeline office developments which were due to come onto the market in 2023 have been delayed with completion dates for most of them pushed to 2024/2025. These delays were attributed to development finance constraints, unexpected/delayed regulatory hurdles, and unusually prolonged and torrential rains over the last 6 months among others. The changing trend towards sustainability, availability of green financing, increased commitment from the corporate sector towards decarbonising the environment and flight to quality is forcing developers to incorporate green building techniques in new and upcoming developments.

The government is finalizing plans for the construction of a government campus in Bwebajja as outlined in the Ministry of Finance's budget guidelines for 2024/2025. Consequently, they will not entertain any new proposals for constructing government office buildings. This, if implemented, will restrict the current trend where different government ministries and MDAs have been coming together to set up office premises for owner occupation.

Mirembe Business Center along Lugogo Bypass

RETAIL SECTOR

The retail sector registered a 14% turnover increase with average occupancies increasing by 3.79% across Knight Frank-managed malls.

The retail sector registered growth in H2 2023 as measured by turnover, occupancy, and footfall performance. On an annual basis, footfall figures decreased by 5% while turnovers from general retail recorded a 14% increase with average occupancies increasing by 3.79% across Knight Frank-managed malls. The healthy performance was on account of promotions during the period under review which included Black Friday promotions and the Festive Season sales in select stores.

The cinema offering continued to strengthen, despite the 2023 SAG-AFTRA Strike, with the monthly introduction of Blockbuster movies.

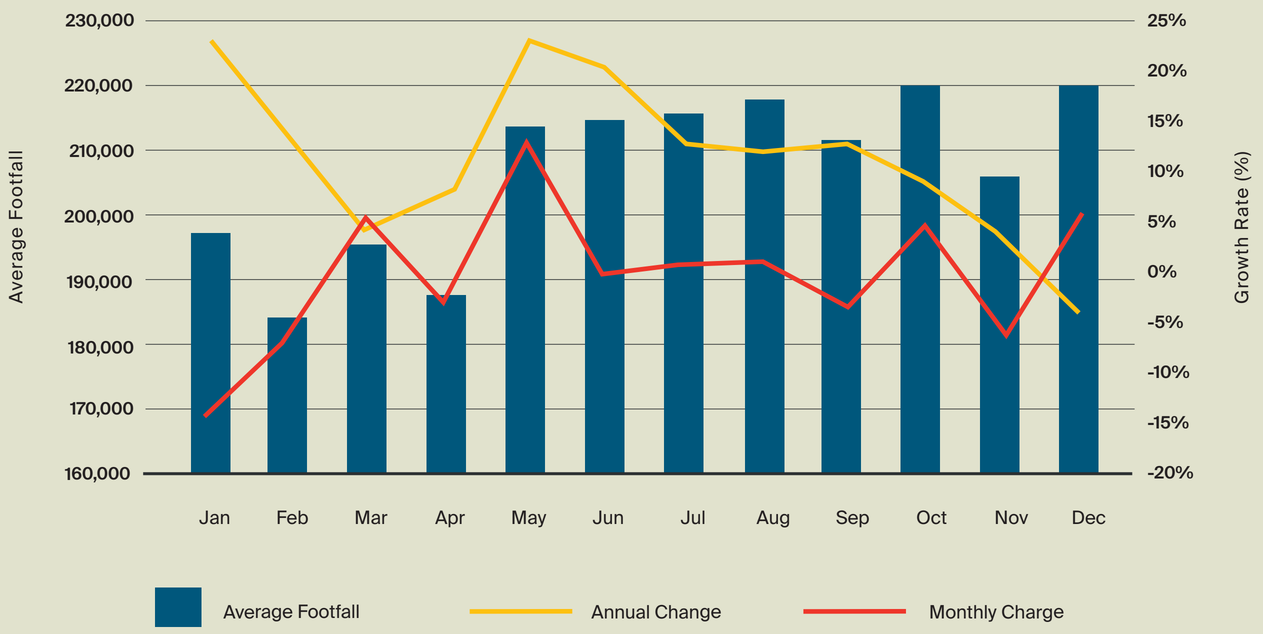
The positive trajectory in H2 2023 built on the momentum set in H1 2023 with 5,054m² of space leased out by Knight Frank during 2023 and a total of just over 2,000m² of retail businesses retained across Knight Frank-managed Malls.

14%
Growth in annual turnover

3.79%
Growth on occupancy

5,054sqm
Retail space leased out across Knight Frank-managed malls

Figure 10: Footfall Growth across Knight Frank Managed Malls



Source: Knight Frank Research

H2 2023 saw the introduction of the following new retailers into the Portfolio. Strat Bridal and Oak Café opened at TMT Atrium, Krunchix opened at Metroplex Shopping Centre, Eden Gym unveiled at Village Mall, and The Patio, Myavanna, and Black Drip opened at Arena Mall. Uhome, a white and brown goods retailer, introduced their first 1,000m ² store at the Arena Mall. Uhome is set to fill and take over the gap that was left by Game when it exited the market in H1 2023.

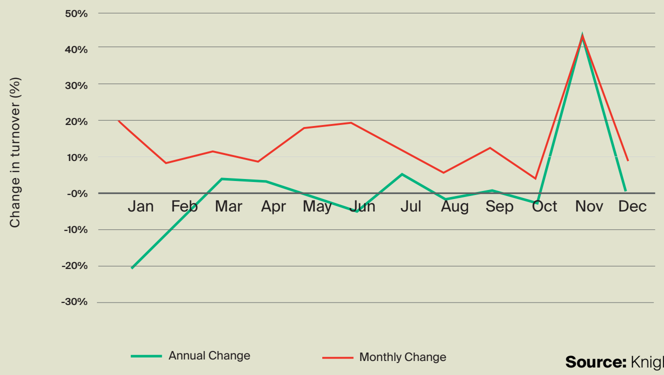
The introduction of new retailers enhances the shoppers' experience by expanding the basket of commodities from which they can choose as well as serving as an indication of the continued improvement in the retail sector. Fashion and Food and beverage categories remain the key drivers of retail demand.

On a Macro Level, energy and Utility Inflation tightened consumer purse strings with consumers being intentional concerning their usage. The introduction of new International and Regional retailers slowed down due to Uganda National Bureau of Standards (UNBS) stringent testing requirements for the certification of products entering Uganda. UNBS no longer accepts international accreditation of products by other bodies such as the International Organization Standardization (ISO) which comprises standards of bodies from 160 countries.

The new testing model requires that each product imported into the country be assessed again, requiring a product from each container to be sent to labs (some of which are international) for testing, with the importer incurring the testing costs since UNBS does not have the facilities to assess every product.

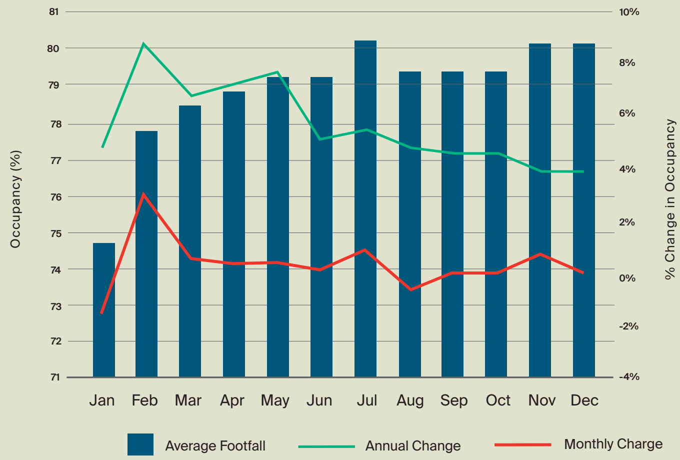
Not only are these measures unnecessarily stringent and time consuming, but they also delay the approval process for goods entering the country thus extending the lead time for getting products into Uganda, frustrating trade, and the retailers.

Figure 11: H1 2023 Retail Occupancy Performance across Knight Frank Managed Malls



Source: Knight Frank Research

Figure 12: Changes in Occupancy across Knight Frank Managed Malls



Source: Knight Frank Research

Figure 13: Average Retail Rents for H2 2023

SIZE	RATES
<10m²	$250
<50m²	$48
<100m²	$40
<500m²	$32
>500m²	$20
>1000m²	$13

Source: Knight Frank Research

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

The H1 2024 retail outlook remains positive supported by the ongoing economic recovery and stable inflationary pressures. However, a lag in new entrants into the market is anticipated on account of UNBS requirements that complicate and delay the issuance of the certification of stock, thus negatively affecting investment and trade. Furthermore, uncertainties in the form of slower-than-expected global and regional growth, and a resurgence of supply chain distortions because of geopolitical tensions could affect the retail outlook negatively.

INDUSTRIAL SECTOR

Rental rates remained stable in H2 2023, ranging between $3 to $ 7 dollars per square metres for warehouse space.

Demand for industrial space was hinged on business growth and improved economic environment with the highest demand recorded for space sizes ranging from 300-1000 sqm and a decline in demand for spaces ranging over 1000sqm. Companies in the automotive, manufacturing, interior design, pest control, pharmaceutical, and beverage industries, to name a few, are driving up this demand with businesses looking to expand, relocate or startup. More industrial players are preferring to buy their own premises as compared to renting on account of need for operational control, long term growth plans and availability of capital.

However, companies are being careful before they buy industrial land/ warehouse space as they evaluate the economic conditions, growth plans and their financial capabilities.

There has been a marked preference for areas of Bweyogerere, Namanve and Kawempe where land prices are more affordable as compared to the traditional industrial areas of 1st to 8th Street and Nakawa/Ntinda. The increased interest in these areas is attributed to the continued infrastructure improvements within these areas easing access to major trade routes connecting them to the rest of the country and the export/import market especially to the East African Community. These improvements also improve accessibility to Kampala's Central Business district for goods bound for the city.

Rental rates remained stable in H2 2023 as compared to H2 2022 with rates ranging between $3 to $ 7 dollars per square metres for warehouse space depending on size, location, and other factors. Industrial letting periods varied from 3 to 9 months depending on various factors. Long marketing and sale periods of over 6 months were registered for large industrial properties.

Table 1: Warehouse Space Rental Charges

S/N	LOCATION	RENT (US$ per sqm)
01	Traditional Industrial Area (1st to 8th Street)	$5.0 - $7.0
02	Kampala Industrial Business Park (Namanve)	$3.0 - $5.0
03	Ntinda-Nakawa	$4.5 - $6.5

Source: Knight Frank Research

40,000 sqm
Size of industrial space expected in 2024

US$ 3 - 7
Warehouse Rental Rates

300-1000sqm
Continued demand for industrial space within this range

3-9 Months
Letting period range

Source: Knight Frank Research

Growing demand for industrial space has led some landlords to increase their asking rental rates especially within the Traditional Industrial area. This has not been favourable for most tenants as they continue to drive harder bargains for the same.

Landlords are increasingly seeking longer lease commitments from tenants, to maintain stable and predictable cashflows. However, Tenants continue to have cost concerns with most preferring favourable lease terms and competitive rental rates. This has created both a landlord and tenant market. Most tenants prioritize proximity to suppliers, customers, and transportation hubs in bid to improve operational efficiency.

Construction activity was observed in various industrial areas. Along Mulwana road, a mixed-use industrial property is under construction with approximately 16,340sqm, Enterprise Park in Nakawa-Mbuya that has over 2000sqm coming onto the market in 2024 as well as multiple units coming up in Namanve, Nalukolongo and Luzira industrial areas. In total, over 40,000sqm of warehouse space is expected on the market in 2024 for both rent and sale.

Uganda continues to make efforts to attract foreign investment by creating a conducive environment for foreign investors. One such aspect is the creation of Special Economic zones in various Districts. These zones include infrastructure development which is aimed at improving transportation, energy and utility infrastructure thus enhancing accessibility and operation efficiency for investors.

Demand for industrial space is mainly derived from Agro-processing, renewable energy, construction, cold storage, and technology sectors. Industrial players are incorporating elements of sustainability, green technology and environmentally friendly designs in industrial projects aimed at ensuring sustainability, responsible growth, and long-term value.

The evolving trends in technology advancements are likely to have an impact on the design and functionality of warehouses. Specialised services/ sectors such as pharmaceuticals, data centres and cold storage require automated temperature-controlled systems and Warehouse Management Systems (WMS) among others.

With continued government investment in the development of industrial parks as well as focusing on infrastructure projects such as road construction in the Kampala Industrial Business Park, the traditional areas, and the construction of the standard gauge railway, we believe that this is likely to boost and enhance the attractiveness of the industrial real estate market. The government initiatives are likely to lead to increased supply of industrial properties for both rent and sale in the newer industrial parks.

Henley Business Park Showrooms, Offices and Warehouses Mulwana Road Kampala

The upcoming Henley business park along Mulwana Road will offer a mixture of office, Showroom and warehouse space well connected with Ramps & Elevators for Goods & Persons for various business needs.

Valuation and Advisory

Historically, commercial banks have advanced more to the residential sector compared to commercial, but the heightened credit risk environment may be contributing to a shift in strategy.

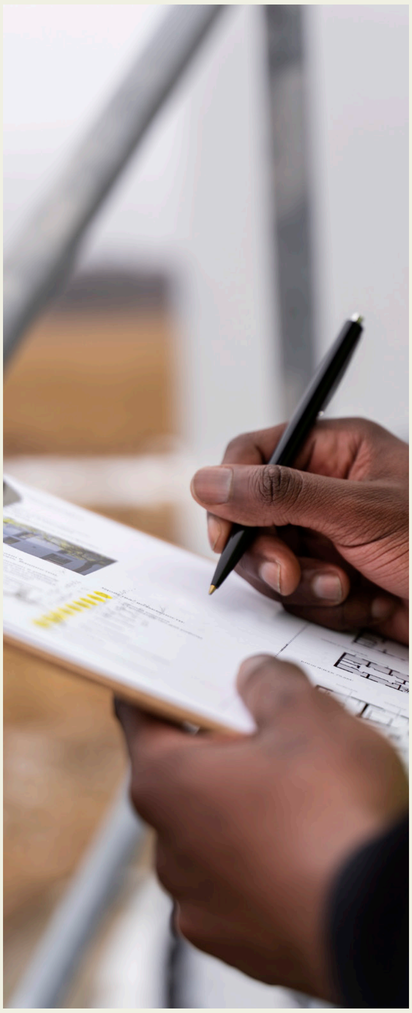
Consumers in general have been plagued by rising energy prices, which has also been reflected in the pump prices in and around Kampala. Commercial lending rates on shilling-denominated loans registered a 0.49% year-on-year increment to 18.90% in October 2023.

The ripple effects of inflation, which occasioned tightening of monetary policy by the central bank may partly have contributed to the rise in the percentage of NPLs to 5.73% in June 2023 from 5.32% in the same period the previous year. This is culminating in a heightened credit risk environment and an increase in the supply of property on the market for restricted sale. That said, according to data from the Bank of Uganda, mortgages advanced by commercial banks increased year on year by 11.21% as of September 2023. Interestingly, residential mortgages advanced, accounted for the lions share at 54.3% in the same period for the preceding year compared to commercial mortgages.

This changed in 2023 with commercial mortgages accounting for 51.7% of mortgages advanced by commercial banks. Historically, commercial banks have advanced more to the residential sector compared to commercial, but the heightened credit risk environment may be contributing to a shift in strategy.

Artificial intelligence (AI) continues to reshape many industries. The benefits of AI within the built environment are becoming well known from enabling architects to create detailed 3D models of buildings to enhancing accuracy, improving efficiency and cost-effectiveness to optimizing energy efficiency within buildings through data analysis from various systems and sensors. This poses many challenges to the job market as many fear potential replacement of certain jobs as AI facilitates job transformation requiring acquisition of new skills by the labour force and automation of certain tasks. The risk to the labour market is higher for roles that require repetitive tasks, data analysis and problem identification, which can be done more efficiently and faster by AI. In valuations, technology is being harnessed to complete basic tasks such as gathering data and formatting it. However, the field will still retain the human element of making judgment.

Valuer on site for property inspection



11.21% Increase in Mortgages advanced by commercial banks in Q3 2023

0.49% Year-on-year commercial lending rate increment to 18.90% in October 2023.

Artificial Intelligence

Continues to reshape many industries

2024 Outlook Highlights

The Economy is anticipated to remain resilient with economic growth projected to grow at 6% in FY 2023/24 according to the state of Economy Report, December 2023.

The growth is hinged on investments in the oil and gas sector, higher regional demand for exports and inflows from the tourism sector.

The Inflation level is expected to remain within the 5% target rate however the current geopolitical conflicts could escalate and lead to higher international oil prices and supply chain disruptions thus affecting the outlook negatively.

The global economy is expected to slow down further in 2024 before recovering slightly in 2025 as global inflation declines.

Demand for apartment units for sale within a price range of $150,000 to $200,000 in the prime and semi-prime areas (a radius of 10-12 km from the city centre) with good finishes is to persist.

In the retail sector, a lag in new entrants into the market is anticipated on account of UNBS requirements that complicate and delay the issuance of the certification of stock thus negatively affecting investment and trade.

The changing future towards sustainability and efficiency will continue to influence the office sector as landlord retrofit older buildings to meet required tenant specifications and stay competitive.

Agro-processing, renewable energy, construction, cold storage, and technology sectors are anticipated to continue driving industrial demand.

A section of the completed Kampala Flyover adjucent to the Arena Mall Nsambya

Source: Knight Frank Research

TMT Atrium, Naguru

Photo: TMT Atrium Naguru.

A mixed-use development of retail and commercial spaces located in upscale Naguru halfway between Bukoto and Ntinda.

Available Office Space
1,071 SQM

From CBD
5.8 KM

Retail Space
3,106.86 SQM

Gross Lettable Area
6,399.87 SQM

Location

Tenants

- TMT SUPERMARKET
- OAK CAFE
- STRAT BRIDAL
- LUUKS SALON
- ERI FLORINA
- SPOT CLEAN DRYCLEANERS
- WAYA COLLECTIONS
- LAVENDER SALON
- LA CRISPA BEAUTY STORE
- MEDICINA PHARMACY

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