

The Kampala Property Market Performance Review

H1 2025

Knight Frank Uganda's performance review of Kampala's property market over the first half of 2025

knightfrank.com/research



EXECUTIVE SUMMARY

Uganda's economy expanded by 6.3% in FY 2024/25, supported by strong performance in the services sector and improved trade dynamics. Inflationary pressures persisted but remained contained, with headline inflation rising moderately to 3.9% by June 2025. The Uganda Shilling appreciated by 3.8% year-on-year, aided by steady foreign exchange inflows, while the Central Bank Rate remained unchanged at 9.75%.

In the prime residential sector, the market softened further as new supply met shifting demand. Occupancy levels dipped by 1% to 80%, and average rents for two-bedroom units declined by 7%. The tenant base shifted, with a decline in Western expatriate demand partially offset by growing interest from Asian professionals. Secondary suburbs experienced growth in both occupancy and short-stay listings, underlining changing lifestyle preferences and affordability dynamics.

The commercial office sector saw a continued drop in occupancy rates—falling by 5% and 2% for Grade A and AB spaces, respectively—as new completions outpaced absorption. Leasing remained active, driven by smaller space requirements and demand from consulting, ICT, and professional services firms. A noticeable shift from traditional CBD offices to suburban offices was observed, with growing interest in condominium-style offices for ownership flexibility.

Retail rebounded in H1 2025, with shopper footfall rising 13%, grocery turnover up 8% year-on-year, and retail occupancy across Knight Frank-managed malls improving by 2%. New international brands, mall activations, and improved infrastructure supported consumer traffic, while rental rates remained stable.

The industrial sector remained one of the most resilient segments, with occupancy levels above 80% and warehouse rents holding steady at \$3–\$7 per square meter per month. Demand was fuelled by the agro-processing, FMCG, and manufacturing sectors, while new warehouse developments emerged in Nalukolongo and Namanve. The Uganda Tax Amendment Act 2025, offering tax incentives to local SMEs, and continued infrastructure upgrades, including progress on the Standard Gauge Railway, further strengthened sector fundamentals.

As Uganda heads toward the 2026 general elections, cautious optimism prevails across the real estate market. Sector performance in H2 2025 will depend on market adaptability, infrastructure delivery, and alignment with evolving tenant expectations.



6.3%

Economic growth rate



3.9%

Moderate rise in headline inflation



80%

Prime residential occupancy rates



13%

Rise in shopper footfall



5% & 2%

Drop in occupancy rates for Grade A and AB rentals respectively



The industrial sector remained one of the most resilient segments, with occupancy levels above 80% and warehouse rents holding steady at \$3–\$7 per square meter per month.

ECONOMIC UPDATE

HIGHLIGHTS

ECONOMIC FACTOR	STATISTICS (%)
Economic Growth Rate FY 2024/25	6.3
Central Bank Rate (CBR) June 2025	9.75
Annual Uganda Shilling Appreciation, June 2025	3.8
Headline Inflation June 2025	3.9
Core Inflation 2025	4.2

Source: Uganda Bureau of Statistics (UBOS) and Bank of Uganda (BoU)

Economic Activity

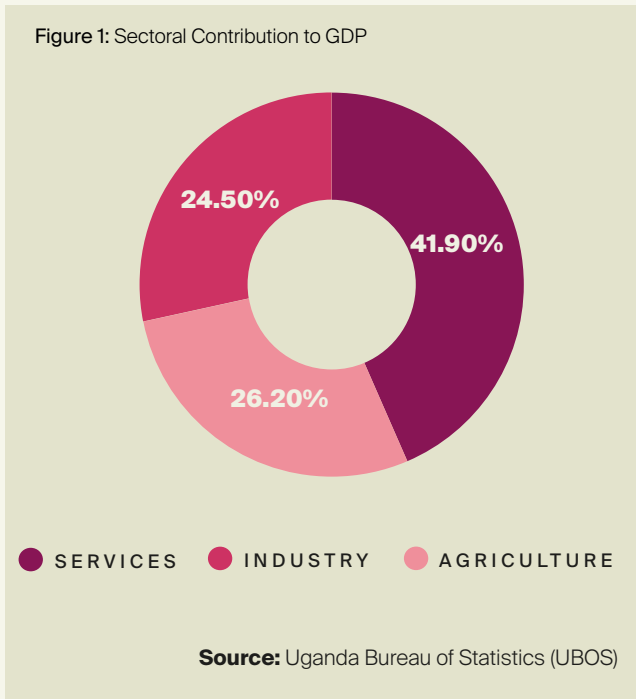
Preliminary estimates from the Uganda Bureau of Statistics indicate the economy grew by 6.3% in FY2024/25, up from 6.1% in the previous fiscal year. The services sector remained the largest contributor to GDP at 41.9%, followed by agriculture (26.2%) and industry (24.5%). Looking ahead, the economy is projected to grow by 7% in FY2025/26, driven by oil production, rising industrial output, and increased digital innovation.

Inflation

Inflationary pressures persisted through the first half of 2025, albeit at a moderate pace, underpinned by stable exchange rate conditions. However, ongoing geopolitical tensions—particularly in the Middle East—and evolving trade policies continued to influence global commodity markets, resulting in price fluctuations for oil, food, and other key goods.

Headline inflation edged up from 3.6% in January to 3.9% in June, the highest level recorded during the period, driven mainly by rising transport, food, and energy costs. Core inflation remained relatively elevated, starting at 4.2% in January, easing to 3.6% in March, before climbing back to 4.2% in May and holding stable in June. These movements reflect persistent structural price pressures, especially in housing and service-related sectors. While overall inflation remained contained, food and energy categories experienced notable volatility, most prominently, a rise in fuel prices toward the end of the period contributed to the upward trend.

Figure 1: Sectoral Contribution to GDP



7%
Economic growth rate projection FY2025/26

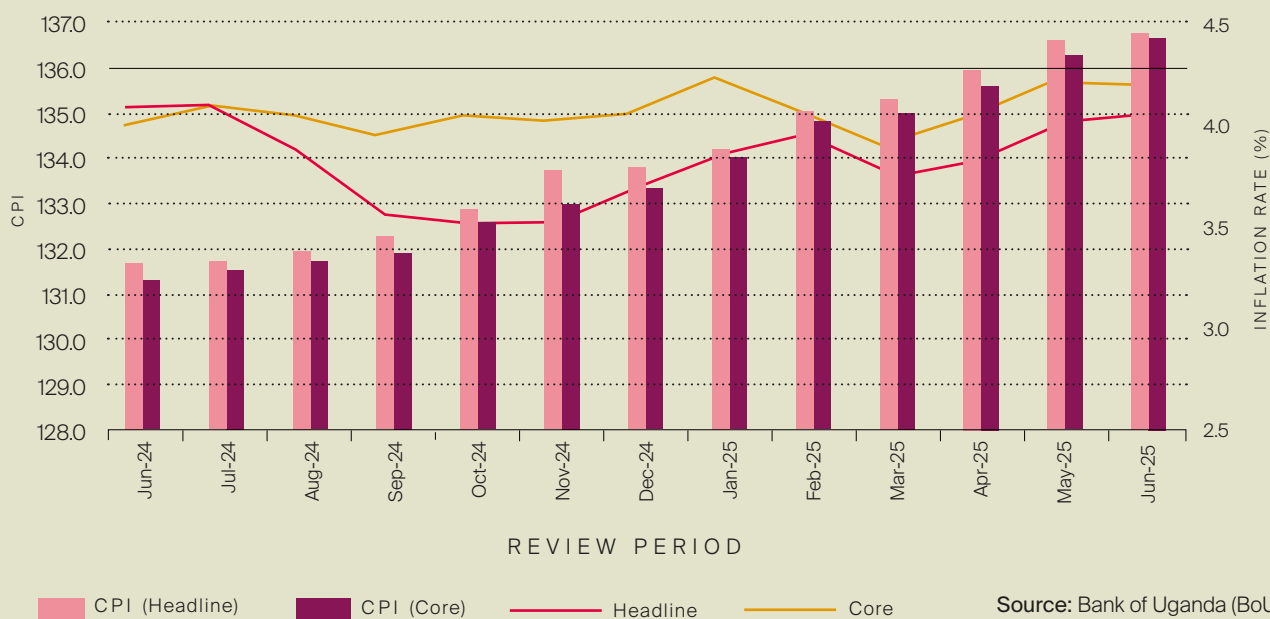


4.3%
Core inflation

Source: Uganda Bureau of Statistics (UBOS)

“Most prominently, a rise in fuel prices toward the end of the period contributed to the upward trend.”

Figure 2: Annual Inflation Trend



Monetary policy

The Bank of Uganda adjusted its monetary policy calendar in early 2025, shifting the announcement of its benchmark policy rate from a bi-monthly to a quarterly basis. Moving forward, Monetary Policy Committee (MPC) decisions will be made in February, May, August, and November. The change is intended to provide the MPC with more time for comprehensive economic analysis and improve the accuracy of macroeconomic forecasting. As of June 2025, the Central Bank Rate (CBR) remained unchanged at 9.75%, a level maintained since October 2024—reflecting a continued tight monetary stance aimed at containing inflation and supporting economic stability.

Exchange rates

The Uganda shilling maintained a relatively stable bias towards appreciation in the first half of the year underpinned by sustained inflows from coffee export earnings, remittances, portfolio and FDI inflows, alongside prudent monetary policy interventions.

The shilling maintained its resilience against the United States dollar, with the average exchange rates for the period strengthening from UGX 3,689.0 in January to 3,605.84 in June. Annually, the shilling experienced a 3.8% appreciation in June 2025, following stronger gains earlier this year of 3.1%, 5.1%, and 5.9% in January, February, and March, respectively, before moderating slightly.

Business activity

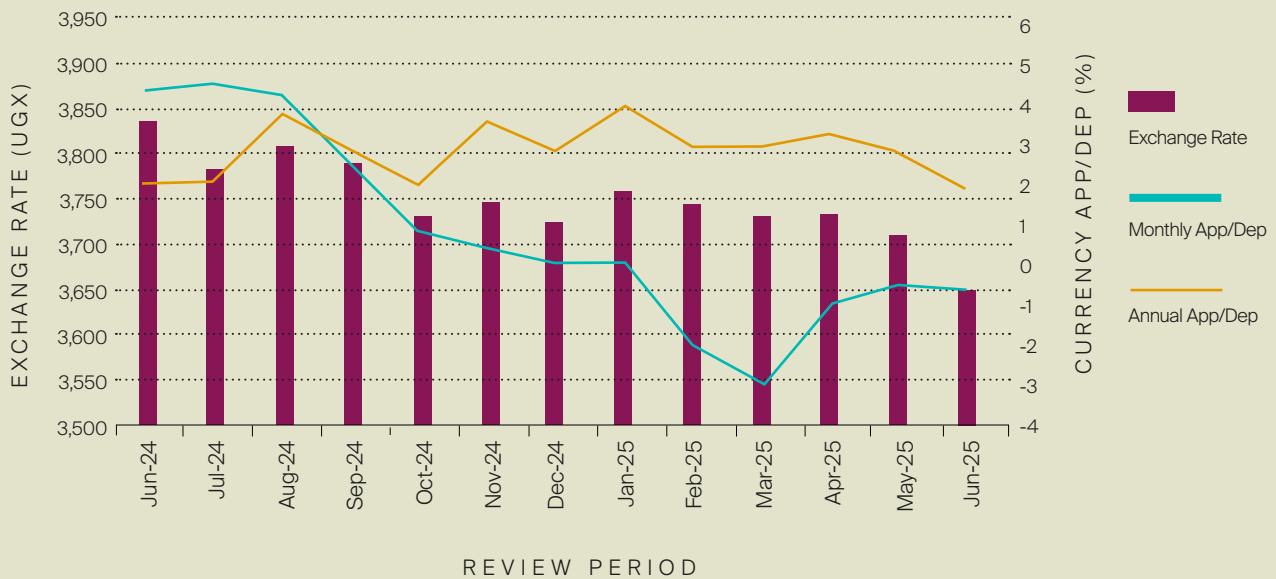
Business sentiment remained positive in H1 2025. The Business Tendency Index (BTI) averaged 58.7 in Q1, peaking at 59.4 in February before declining gradually to 59.2 in June 2025. The Stanbic Bank Headline Purchasing Managers’ Index (PMI) dropped to 49.5 in January—its lowest level since March 2024—due to reduced output, subdued consumer demand, and a slowdown in new business inflows. However, the PMI rebounded to 52.9 in March, signaling renewed expansion in private sector activity. This positive momentum continued, with the index rising to 55.3 in April and reaching 56.4 in May, reflecting firm-level confidence supported by rising production and sustained growth in new orders across most industries.

Other economic highlights

The Rationalization of Government Agencies and Public Expenditure (RAPEX) program

In the first half of 2025, the Ugandan economy began to experience the ripple effects of the government’s earlier decision to rationalize public institutions—a policy initiated in the previous period. The restructuring, which targets 33 government agencies, is expected to generate annual savings of UGX 1 trillion by streamlining operations, reducing duplication, and enhancing public sector efficiency through mergers or dissolutions.

Figure 3: Currency Appreciation/ Depreciation.



Source: Bank of Uganda (BoU)

Although full implementation had not commenced by mid-2025, its effects became increasingly evident. Key impacts included service delivery disruptions, delays in project execution, and heightened uncertainty among affected personnel. Institutional decision-making also faced short-term interruptions as new governance structures and reporting lines were established.

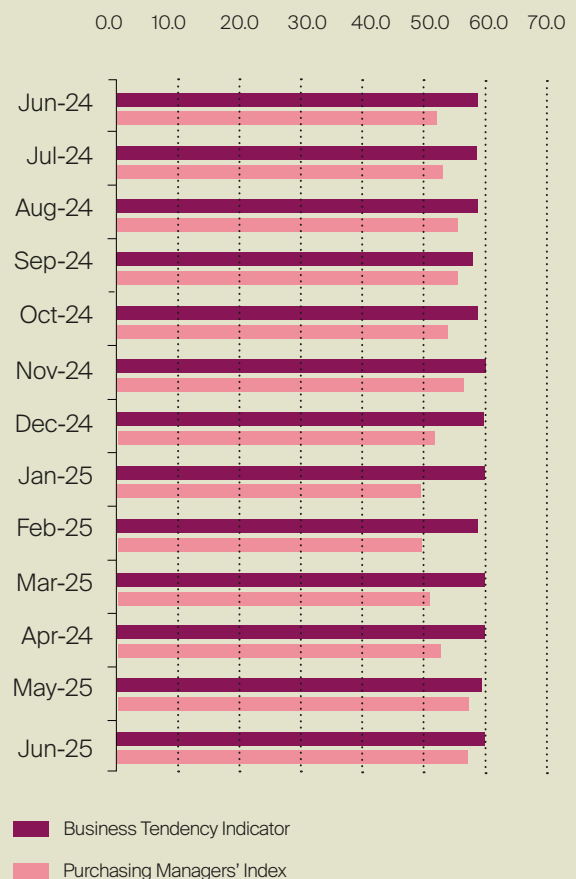
USAID Funding Withdrawal

In January 2025, the U.S. government issued an executive order pausing nearly all foreign aid—including USAID funding—for a 90-day review to realign programs with U.S. foreign policy interests. The decision, effective January 24, significantly impacted Uganda, one of the largest recipients of USAID support.

Throughout the first half of 2025, the funding suspension continued to disrupt Uganda’s development landscape. Several NGOs and civil society organizations reported scaled-down operations, particularly in health, education, and governance sectors. Layoffs and reduced outreaches, especially in rural areas, were widespread, placing pressure on the government and alternative donors to bridge critical service gaps.

The pause affected multiple USAID implementing partners, including Medical Access Uganda Limited, the Joint Clinical Research Centre, and Makerere University, which laid off approximately 200 employees. In response, the government raised the FY2025/26 health budget from UGX 2.946 trillion to UGX 5.87 trillion to address the resulting funding shortfall.

Figure 4: Real sector indicators



Source: Bank of Uganda (BoU)



LEGAL ALERT - OFFICE CONDOMINIUM

Smart, secure, and strategic alternative to traditional leasing

Introduction

For decades, leasing has been the preferred choice for companies seeking office space, largely due to its perceived flexibility and cost-effectiveness. While leasing or renting office space may seem convenient initially, it often becomes significantly more expensive over time. Cumulative monthly rental payments can amount to hundreds of millions without yielding ownership or long-term financial returns. In contrast, office condominiums present a strategic alternative, allowing businesses to transform recurring operational expenses into tangible, appreciating assets.

An office condominium is a commercial real estate model in which individual office units within a larger complex are sold to separate owners. Similar to residential condominiums, owners have exclusive rights to their individual units while sharing access to common areas such as parking, elevators, and hallways.

Legal framework

Condominium property ownership is governed by the **Constitution of the Republic of Uganda** (as amended), **CONDOMINIUM PROPERTY ACT CAP 234, LAND ACT CAP 236, AND THE REGISTRATION OF TITLES ACT CAP 240**, among others.

A key feature of the condominium property regime in Uganda is that it provides ownership of individual land titles. The developer obtains a certificate of title for each unit by registering the condominium plan with the relevant local authorities, and upon approval, the registrar opens a separate folio for each unit and issues a certificate of title in respect of each unit conferring full legal ownership to the buyer.

What makes commercial condominium ownership a smart choice

Cost predictability

Unlike traditional leasing arrangements, where rent escalation clauses and fluctuating operation costs can create budgetary headaches, purchasing a condominium unit locks in predictable expenses, allowing a business to have greater control over its expenses, enabling more robust financial planning.

Customisation

Office condominiums allow businesses the autonomy to tailor their spaces to meet their specific needs without needing landlord approval. In the world of commercial real estate, it's never a one-size-fits-all. Whether it's a law firm looking to design a sophisticated lobby or a medical practice seeking to create specialised treatment rooms, the power to tailor your environment enhances operational efficiency and the whole customer experience, providing a competitive edge.

Long-term investment

Condominium ownership converts monthly rental costs into a capital asset. Your office is not just an office space; it's an investment. A business that purchases a commercial unit may, a decade later, benefit from property appreciation, and the asset may be converted into liquidity should the business expand and require larger premises. Additionally, the asset can be leveraged as collateral to secure financing for business growth.

The flip side

While office condominium ownership offers substantial benefits, it is not without limitations.

Limited Flexibility

Owning a unit commits the business to a fixed location over the long term. This can be majorly challenging to companies that may experience rapid growth or strategic shifts. To overcome this, it is advisable to acquire a unit with additional space to accommodate growth.

Higher initial investment

Buying a condominium requires a significant upfront capital investment as compared to leasing. While there are available financing options, these may not be easily available to small businesses or start-ups with limited cash flows. Additionally, it entails payment of monthly facility management fees for the maintenance of the common areas and amenities.

Conclusion

In conclusion, the office condominium model offers businesses security of tenure, proprietary rights, and potential for long-term financial growth. Offering strategically located commercial spaces with flexible payment arrangements, they are a compelling choice for entrepreneurs seeking to build long-term value.

RESIDENTIAL SECTOR

Key Highlights

- Minimal decrease in Prime Occupancy Levels
- 7% decrease in 2-bedroom average rental prices
- Shifting Expatriate Demographics
- Increased demand and rental growth in secondary suburbs

General overview

The H1 2025 Kampala residential sector was characterized by a slowdown in performance, as the softening demand met increased supply across both prime and secondary. Compared to H1 2024, the market experienced a slowdown in sales and lettings, driven by a widening gap between asking prices and buyer/tenant expectations. Premium apartments in prime locations such as Kololo, Naguru, and Nakasero continue to attract strong interest from expatriates, particularly professionals from Asia, yet older units and less-serviced properties faced prolonged vacancy periods. The secondary suburbs witnessed a rise in short-stay listings and a surge in mid-market apartment developments, exerting additional downward pressure on rents and occupancy levels.

Rental rates and occupancy levels

In the first half of 2025, prime apartment rental rates remained stable or experienced slight declines, primarily

due to mounting supply-side pressures. Average rents for two-bedroom (2BHK) units saw a moderate 7% decrease, driven by increased inventory and heightened tenant price sensitivity. Conversely, rents for three-bedroom units remained unchanged for the third consecutive reporting period, reflecting steady demand from expatriate families and high-income earners.

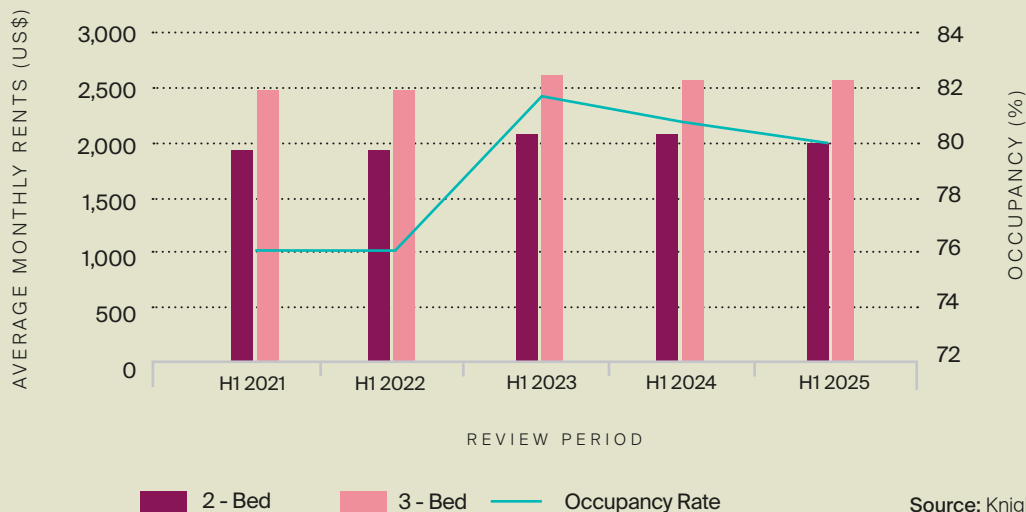
Prime residential occupancy declined to 80% in H1 2025, continuing a gradual downward trend from the 82% peak recorded in H1 2023. This year-on-year drop of approximately 1% is largely attributed to oversupply and shifting tenant preferences. While demand in traditionally prime areas softened, select secondary locations experienced rental growth and improved occupancy, supported by a growing preference for more affordable, well-situated alternatives.

This marginal decline underscores a cautiously tenant-driven market, where supply continues to outpace demand. Nevertheless, the prime segment remains relatively resilient, buoyed by consistent demand for high-quality, professionally managed residences within secure, gated communities offering proximity to essential amenities and infrastructure

Shifting expatriate demographics

Expatriate demand remained a key driver of residential market activity in H1 2025, though a shift in tenant demographics is gradually reshaping market dynamics.

Figure 5: H1 2025 Rental and Occupancy Rates Trend



Source: Knight Frank Uganda

Demand from Western expatriates—particularly those affiliated with NGOs and diplomatic missions—declined notably, influenced by global redeployments and funding reductions from major donors such as US-AID. This contraction has impacted traditional prime residential enclaves like Kololo, Nakasero, and Naguru, which have historically catered to this segment with spacious standalone homes and upscale apartments.

In contrast, demand from Asian expatriates—especially professionals from China and South Korea—has risen. Many are associated with infrastructure, industrial, and corporate investment projects, and tend to favor modern, functional apartments that are competitively priced and strategically located. These tenants often gravitate toward well-serviced secondary neighborhoods near business parks and industrial zones, subtly shifting the demand landscape.

In response, some landlords have adapted their offerings by introducing contemporary, amenity-rich units at more accessible rental rates to align with evolving tenant profiles. The growing presence of non-traditional expatriates and regional tenants has played a stabilizing role, helping to sustain occupancy levels across many developments, albeit at slightly reduced rental yields.

Airbnb short-stay boom

Kampala's secondary suburbs experienced a surge in short-term rental activity in H1 2025, particularly in areas like Ntinda, Kigo, Kyanja, and Muyenga. As landlords increasingly shifted from long-term to short-term leasing models to maximize returns, platforms such as Airbnb and Booking.com recorded a sharp rise in furnished apartment listings. This trend has been fueled by growing demand from both tourists and business travelers. According to AirDNA, Airbnb listings in Kampala have increased by 37% over the past three years.

However, this rapid expansion has also led to oversupply in several micro-markets. Daily rates for one-bedroom units have fallen to \$40–\$50, while average occupancy rates have dipped below 50%—well below the 80%+ levels typical in conventional long-term rental markets.

The trend reflects both the volatility and saturation risks of short-stay investments in emerging urban zones.

Demand for organized neighbourhoods

Local housing preferences continued to influence development trends, with a growing number of Ugandan homeowners and renters favoring organized neighborhoods that offer enhanced infrastructure, safety, and convenience. Once a niche option, gated community living is becoming increasingly mainstream, driven by demand for 24/7 security, paved roads, and reliable utilities. Suburbs offering these features within a reasonable commute time to the CBD, such as Lubowa, Ntinda, Naalya, Kira, Najjera, Muyenga, remain in high preference and demand. The appeal of these areas is being reinforced by suburban infrastructure improvements, such as road network upgrades under the Greater Kampala Metropolitan Area Urban Development Project and the continued rollout of fiber-optic internet to outlying estates.

Sales and lettings

Two-bedroom and three-bedroom apartments remain the most preferred unit types, although there has been a growing supply of one-bedroom listings targeted at single professionals. Demand for standalone houses in prime neighborhoods remains strong, but supply remains constrained.

Sales activity in prime areas remains subdued, marked by extended transaction timelines, rising inventories, and heightened buyer price sensitivity. These dynamics have led to more frequent price negotiations and discounts. In contrast, secondary markets such as Kira and Najjera are gaining traction, with developers successfully pre-selling units by leveraging affordability, high occupancy rates, and modern construction finishes.

Increase in high-density developments in prime Residential areas

Building on a trend observed in H2 2024, high-density residential projects are becoming more prevalent in Kampala's prime neighborhoods, driven by escalating land values and the need to maximize limited urban space. Developers are increasingly replacing older standalone homes with multi-unit apartment blocks—especially in Kololo, Nakasero, and Naguru—to meet growing demand for modern living options with shared amenities. These developments cater to middle- and high-income residents seeking security, convenience, and proximity to the CBD. While they contribute to much-needed urban densification and housing supply, they also raise valid concerns about infrastructure strain, traffic congestion, and the changing character of traditionally low-density zones.

Most of these projects are still under construction, with completions expected within 12 to 36 months. Market absorption upon delivery will be a key test of viability. Uptake will depend heavily on the quality of finishes, price competitiveness, and how well these projects differentiate themselves from both prime legacy stock and well-serviced suburban alternatives. Developers and investors are closely monitoring performance trends, as the success or stagnation of these units will influence future strategies in Kampala's high-density residential segment.



Forest Green Estate Condominiums – Minister’s Village, Ntinda. These turn-key 3-bedroom apartments, each with an additional room for staff, are set in a lush, serene environment and offer the convenience of onsite shopping, recreational facilities, and 24-hour professional management. Starting from \$ 145,000. **Contact:** +256 700 755 753 / +256 414 341391

Sluggish completions despite a growing development pipeline.

While the development pipeline in Kampala’s prime residential market continues to grow, with over 1,200 new apartment units, the pace of actual completions remains slow.

In H1 2025, only about 120 units were delivered onto the market, underscoring persistent delays linked to financing constraints, regulatory bottlenecks, and prolonged construction timelines. This disconnect between announced supply and actual delivery is creating a mismatch in market expectations. It remains uncertain whether the market will be able to absorb the projected volume once these units come online.

H2 2025 Outlook

The remainder of 2025 is expected to maintain tenant-favorable conditions. With several hundred new units projected to reach completion in H2 2025—amid broader economic caution ahead of the 2026 elections, prime residential landlords are likely to moderate rents further or offer incentives to attract tenants. Occupancy may soften slightly before stabilizing, particularly in older properties competing with new, high-spec stock.

A continued shift toward the city outskirts is anticipated, reinforcing the trend toward well-planned suburbs and commuter towns. However, properties that align with modern lifestyle expectations—such as newer builds offering strong amenities, security, and connectivity—are expected to maintain stable occupancy and hold their value, especially when located in strategic neighborhoods.

OFFICE SECTOR

KEY HIGHLIGHTS

- 5% drop in occupancy for Grade A office Buildings
- 2% drop in occupancy for Grade AB Buildings
- Occupier Market
- Increased growth in the sectional office space market.
- Increased demand from firms within the consulting and services sector

	Average Net Monthly Rent per Square Meter (US\$)	Average Occupancy (%)
Grade A	\$16.5	85%
Grade AB	\$14.5	82.3%

Overall Sectoral Performance

Kampala’s Office sector faced headwinds in H1 2025, marked by rising vacancies and cautious demand, amid an impending wave of new supply (completion of major developments), impending general elections, and macro-economic uncertainties following substantial USAID funding cuts.

The market recorded subdued transactional volumes in H1 2025, marking a noticeable decline from H1 2024. Prime, centrally located Grade A offices continued to achieve quicker leasing times, whereas secondary locations faced prolonged vacancy periods, often exceeding six months.

Rental Levels

Average prime rents remained relatively stable at USD 16.5 per square meter per /month for Grade A space and \$15 sqm per month for Grade AB. As witnessed in H2 2024, Landlords of newly constructed Grade A buildings continue to achieve rental rates between \$18 and \$22 per square meter per month, capitalizing on the scarcity of premium Grade A office space built with modern designs and finishes and providing ample parking facilities (Maximum Parking Ratio 1:30).

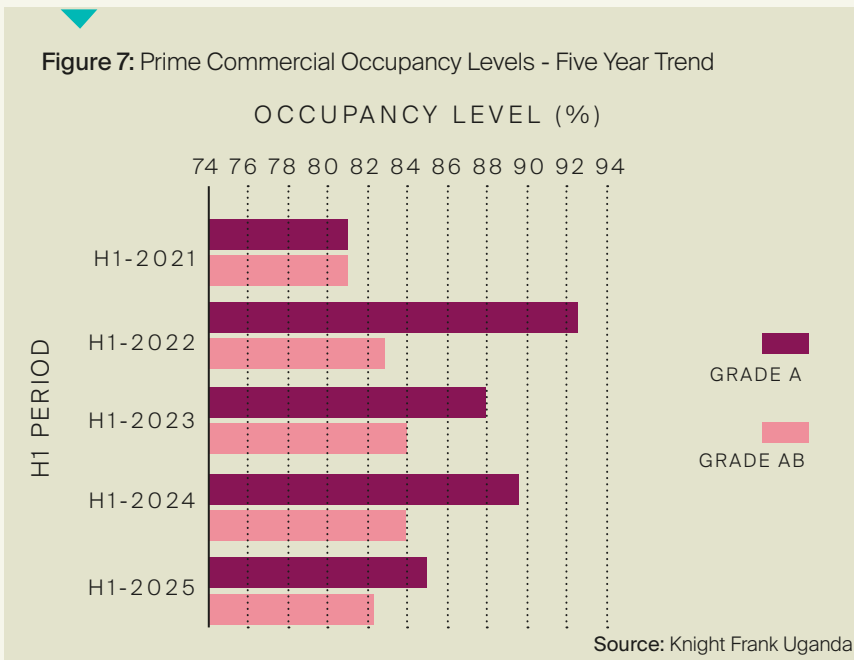
Kampala is on the cusp of an office oversupply: over 100,000 m2 of new Grade A office space is expected to hit the market by the end of 2025, outpacing demand. This surge in supply, coupled with space vacated by downsizing government agencies and NGOs, has exerted down-

ward pressure on rentals, especially in older and lower-grade buildings. High-grade, well-located assets have proven to be more resilient, but landlords across the board continue to respond with tenant-centric strategies: fit-out incentives and flexible lease structures.Occupancy and vacancy Levels

Occupancy levels for Grade A and AB office properties in Kampala continued to slip, albeit at a slow pace, with vacancy rates rising by approximately 5% and 2% for Grade A and Grade AB office respectively, as compared to the first half of 2024. The decrease in occupancy levels for Grade A offices is attributed to increased office stock on the market amidst low absorption rates while the increase in Vacancy levels for Grade AB office spaces is attributed to Tenant movements from Grade AB buildings into newer completed grade A office space, a trend we anticipate continuing into the near future.



Figure 7: Prime Commercial Occupancy Levels - Five Year Trend



Overall, the downturn in office occupancy levels is largely driven by businesses downsizing, the completion of NGO and government-funded projects, tenant relocations to lower/upper-grade offices, shifts from the CBD to suburban locations, completion of own offices/purchase of sectional office space, mainstreaming of ministerial departments and agencies back to their mother ministries and saturation within certain Grade A market segments.

The majority of the tenants moving from Grade AB to newly completed Grade A offices are large tenants occupying box spaces usually above 1,000 sqm, thus greatly impacting the occupancy levels of the individual properties. In a bid to attract new tenants and maintain existing ones, landlords of Grade AB properties continue to carry out renovations and improve the services provided.

Leasing Activity, Tenant Preferences and Priorities

Leasing activity in H1 2025 was characterized by a preference for smaller office spaces and shorter, more flexible lease terms, reflecting tenants' heightened focus on cost efficiency and operational agility. Demand was

primarily driven by specific sectors, including consulting—which accounted for approximately 30% of new inquiries—financial services, ICT, legal, and NGOs. Many firms increasingly favored suburban locations over the traditional Central Business District (CBD), seeking more affordable and accessible alternatives.

Macroeconomic headwinds, such as uncertainty surrounding the upcoming 2026 general elections and a sudden suspension of U.S. aid—resulting in a UGX 604 billion shortfall in the national health budget—further dampened expansion plans and prompted some occupiers to downsize.

Tenants continued to prioritize productivity-enhancing work environments, with a clear shift toward cost-effective and flexible office solutions, including shared and co-working spaces. Key requirements included high-speed internet connectivity, efficient spatial layouts, adaptable lease structures, and smaller, scalable units. Additionally, modern architectural design and ample parking remained critical factors influencing leasing decisions.

Emerging market segments

H1 2025 was marked by growing interest in condominium-style office space, signaling the emergence of this niche segment within Kampala's real estate landscape.

Demand trends indicated greater tenant awareness around efficiency, scalability, and lower overhead costs.

Developers have increasingly embraced the condominium-style office model, responding to a niche yet growing demand segment within Kampala's office market. This niche segment offers flexibility and ownership opportunities that appeal particularly to SMEs, startups, and professional service firms seeking cost predictability and investment potential. Developers have set asking prices for these units within a range of \$1,800 to \$2,000 per square meter, providing attractive entry points for occupiers who prefer to own rather than lease. Some developers have been able to achieve off-plan sales.

H2 2025 Outlook

While Kampala's office market fundamentals remain underpinned by a growing economy, the H2 2025 outlook is one of cautious adaptation to a tenant-favourable market cycle. We anticipate further oversupply challenges in H2 2025, expected to exceed 100,000 square meters of new office space. Landlords should focus on flexibility, quality, and tenant-centric solutions to sustain occupancy. Diversification beyond NGOs and expatriates toward sectors like SMEs and professional services is recommended, alongside leveraging suburban locations as strategic growth areas.

Overall, the Kampala commercial office market in H2 2025 remains characterized by agility, strategic flexibility, and a pronounced shift towards value-driven office solutions.



The 5,261 SQM Business Bay is a Grade A, eleven-storey, double-wing office landmark on Plot 50 Lumumba Avenue, thoughtfully designed and built to meet the dynamic demands of today's modern workforce. Contact: +256 785 296 472 / +256 414 341391

RETAIL SECTOR

KEY HIGHLIGHTS

- 8% growth in annual turnover
- 2% growth in occupancy
- 13% growth in annual footfall figures
- Over 1,700 square meters of retail space leased in KFU Malls in H1 2025
- Entrance of new retailers
- Expansion of existing retailers.

Market Overview

The Kampala retail sector demonstrated strong resilience and notable growth during the first half of 2025, highlighted by significant improvements across key performance indicators. Driven by robust consumer confidence, strategic mall activations, and the introduction of new international brands, the retail environment witnessed substantial increases in footfall, occupancy rates, and sales.

Footfall

Mall traffic experienced a strong rebound in the first half of 2025, marking a clear return to physical retail spaces. Average footfall across malls managed by Knight Frank Uganda (KFU) rose by 13% year-on-year, representing a sharp recovery from the 17% decline experienced in H1 2024.

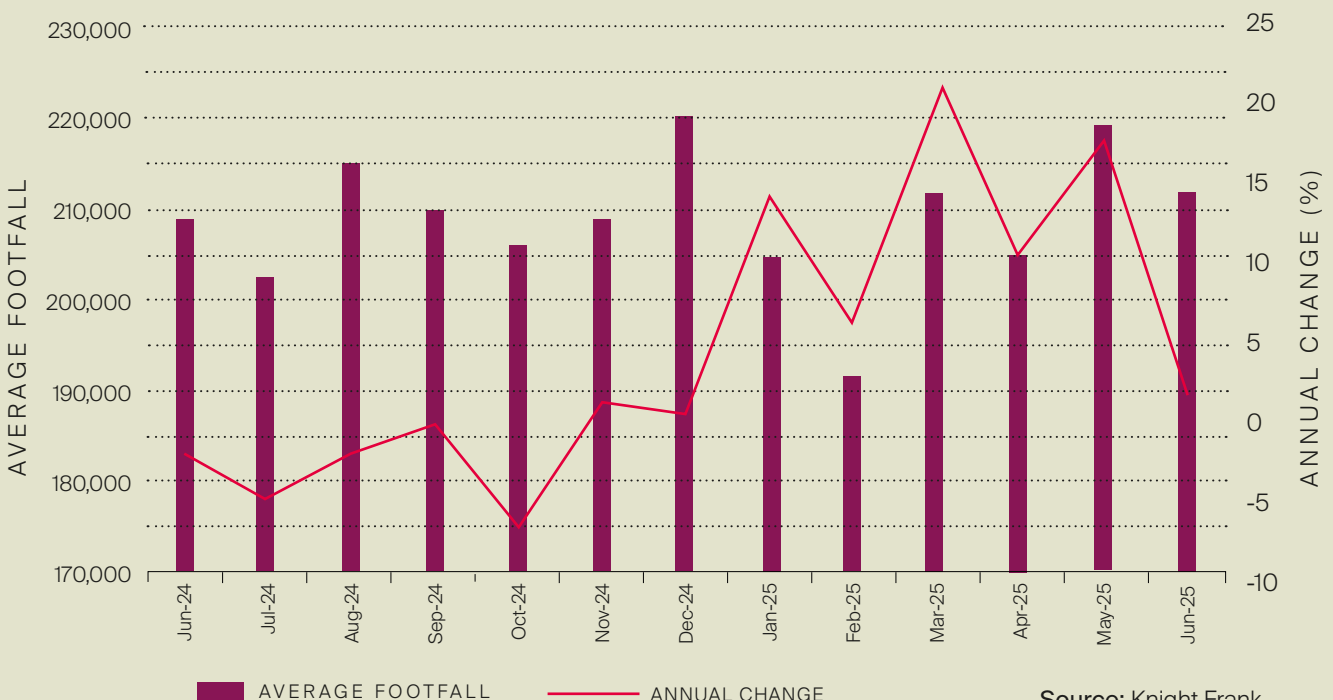
The rebound was particularly evident in March and May, where footfall surged by 21% and 17% respectively, driven largely by new tenancies in the market, higher mall occupancies, and strategic marketing and activations such as Acacia Mall’s inaugural Health and Wellness Week in May.

The entry of new international stores significantly contributed to this growth. The opening of the US Polo Assn. outlet at Acacia Mall in March led to a notable spike in visitors, attracted by the world-class brand and product. Additionally, infrastructure enhancements, such as the completion of access roads around Arena Mall (Nsambya), eliminated significant bottlenecks. As a result, Arena Mall recorded an exceptional increase in footfall, exceeding 200% year-on-year in March 2025—a dramatic uplift directly attributable to improved accessibility and the arrival of new tenants. Overall, consumer traffic in H1 2025 substantially outperformed the previous year, underscoring renewed shopper confidence and reaffirming Kampala’s malls as vibrant lifestyle and retail destinations.

Occupancy

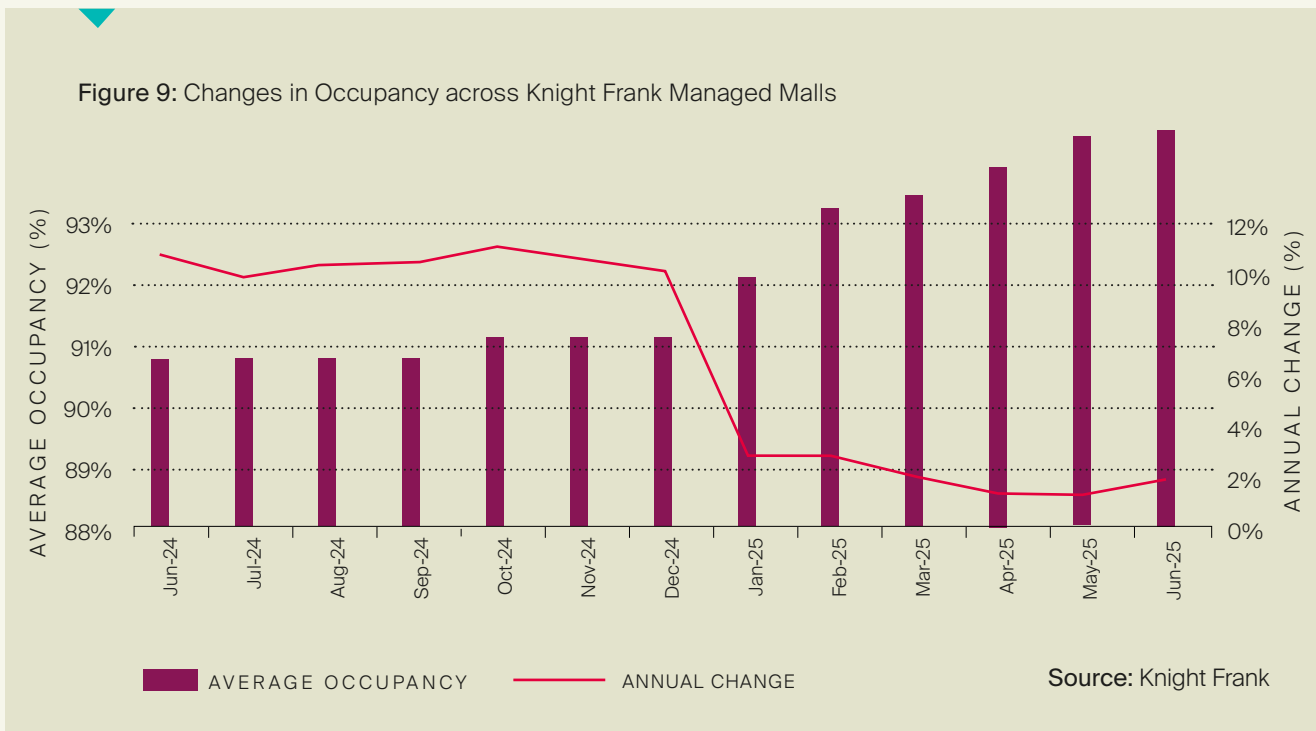
Occupancy levels in Kampala’s prime malls remained robust throughout the first half of 2025, consistently staying above 85% and peaking at 92% in May. On average, occupancy increased modestly by about 2% year-on-year, a slower pace compared to the 11% rise recorded in H1 2024. This indicates a near-saturation of prime retail space, with malls increasingly focusing on tenant upliftment so as not to suffer from consumer fatigue.

Figure 8: Footfall Figures



Source: Knight Frank

Figure 9: Changes in Occupancy across Knight Frank Managed Malls



Source: Knight Frank

Leasing activity remained vibrant, with approximately 1,700 m² of retail space leased in H1 2025. New international brands continued to demonstrate strong interest, highlighting sustained market demand. Notable upcoming entrants include the highly anticipated launch of Skechers, the internationally acclaimed footwear brand.

Recent tenant additions such as US Polo Assn. (fashion apparel) and Black Lifestyle (electronics), both at Acacia Mall, as well as experiential offerings like Baoli, a high-end dining restaurant at Arena Mall, have significantly enhanced the appeal and diversity of retail experiences. These strategic brand introductions have solidified Knight Frank-managed malls as premier lifestyle and shopping destinations, effectively curating their tenant mixes to align with evolving consumer preferences.

Turnover

Across KFU-managed malls, average sales turnover in the general grocery retail category increased by 8% compared to the same period in 2024. This reflects an acceleration from approximately 6% year-on-year growth recorded in H1 2024, signaling an uptick in consumer spending at physical stores.

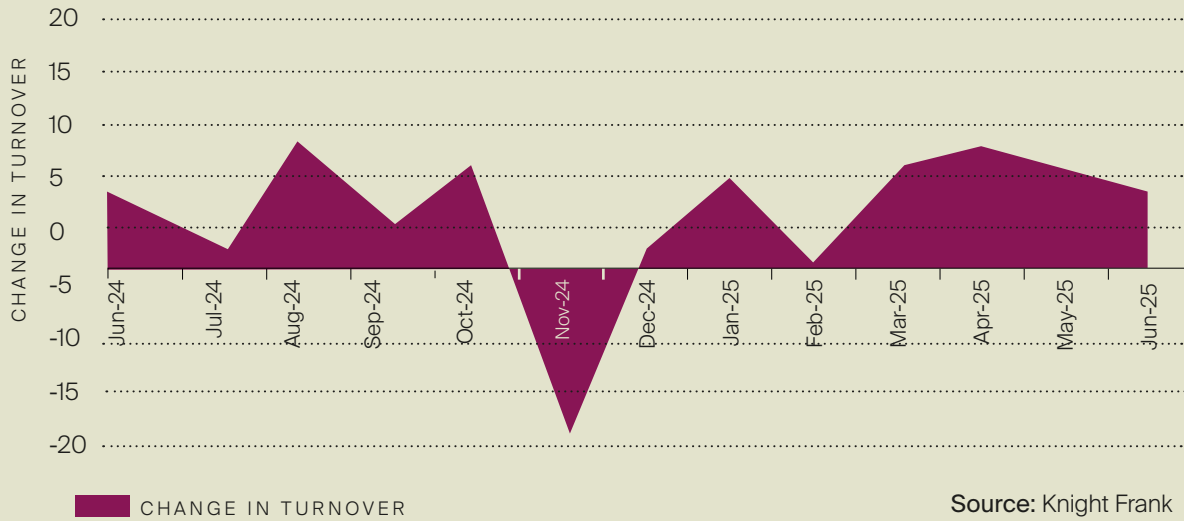
Targeted promotions and seasonal shopping cycles were key contributors to this sales boost.

However, turnover growth varied monthly, highlighting lingering consumer caution and shifting spending patterns. To note, although footfall increased notably by 5% year-on-year in February 2025, turnover growth was minimal at only 0.6%. This divergence indicates that while more shoppers visited malls, they were relatively restrained in their spending during that particular month.

Overall, retail turnover in H1 2025 remained positive, demonstrating resilient consumer demand. Retailers in essential categories such as groceries, pharmaceuticals, and apparel performed strongly, whereas discretionary segments relied more heavily on promotional activities to stimulate sales. The modest difference between turnover growth and footfall underscores that, despite returning to malls in higher numbers, Ugandan shoppers continued to spend less per visit.

Retail rental rates across Knight Frank-managed malls remained stable in the first half of 2025 compared to the second half of 2024. The table below outlines average retail rental rates per square meter.

Figure 10: Changes in Turnover across Knight Frank Managed Malls



Source: Knight Frank

Table 1: Retail rental Rates H1 2025

SIZE OF SPACE (M ²)	RENT PER SQUARE METRE (US\$)
< 10m ²	\$225
< 50m ²	\$52
<100m ²	\$40
<500m ²	\$34
>500m ²	\$22
>1000m ²	\$12

Source: Knight Frank Uganda

These figures are average rentals for ground floor space in Prime Kampala shopping malls, but do not take the shopfront-to-depth ratio into account and exclude service charges.

Pipeline Developments on the Horizon

Beyond current activity, Uganda’s retail development pipeline remains active, with several significant

projects underway. Notable among these are Lugogo Galleria (Kampala) and Savanna Mall (Mbarara City), both poised to make a meaningful contribution to the future supply of organized retail space. These upcoming additions are expected to meet rising tenant demand and broaden the diversity of retail offerings available to consumers.

Outlook

The outlook for the second half of 2025 remains positive, underscoring continued confidence in Uganda’s upscale retail market, particularly across Kampala’s premier shopping destinations. Numero Uno, an international fashion franchise that opened its first outlet at Acacia Mall in 2024, plans to expand its presence with a second location at Arena Mall, reflecting strong consumer appetite for global fashion brands. Additionally, Skechers, the U.S.-based multinational known for footwear and apparel, is set to debut at Acacia Mall. These developments highlight a strengthening of Kampala’s mid-to-high-end retail segment, driven by shifting consumer preferences and rising investor interest.

INDUSTRIAL SECTOR

KEY HIGHLIGHTS

- Stable Occupancy Levels
- Average Warehouse Rental Levels \$3 - \$7 per sqm
- Demand Drivers – Agro-processing, Exporters, fast fast-moving consumer Goods
- Three-year corporate tax exemption for qualifying local SMEs.

Table 2: Warehouse rent across the different industrial locations

S/N	LOCATION	RENT PER SQM
01	Traditional Industrial Area	US\$5.0 –US\$ 7.0
02	Kampala Industrial Business Park (Namanve)	US\$3.0–US\$4.50
03	Ntinda-Nakawa	US \$4.5 - US \$ 6.5

Source: Knight Frank Uganda

Market Overview

Kampala’s industrial real estate sector remained stable in H1 2025, characterized by high occupancy and consistent rental rates. Average warehouse rents held steady between \$3 and \$7 per square meter per month, unchanged from H1 2024. Occupancy levels consistently exceeded 80%, reflecting strong tenant uptake and limited availability in quality facilities.

Strong demand for mid-sized industrial spaces amid favorable trade conditions

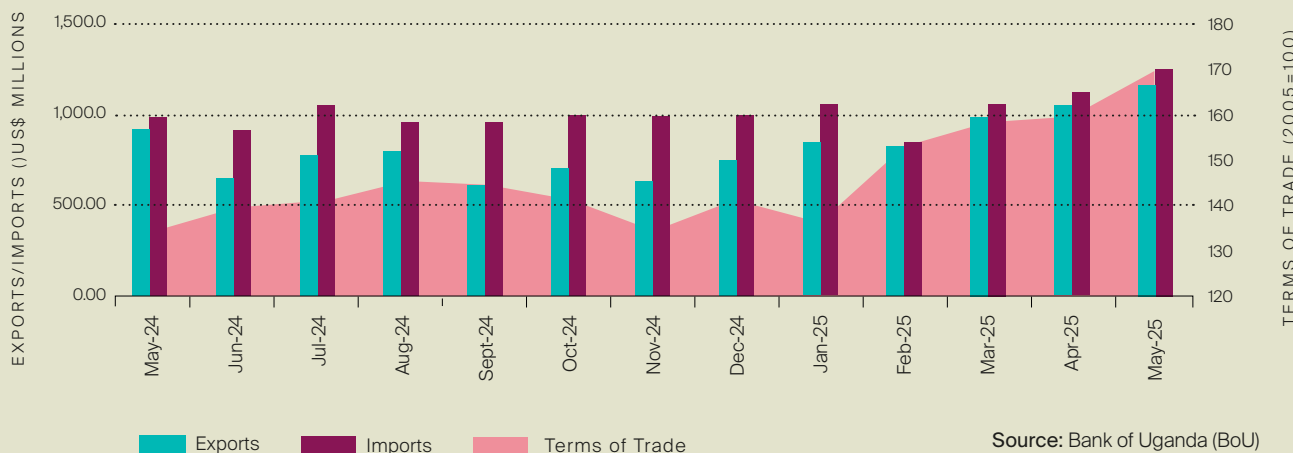
Demand in the industrial real estate sector during H1 2025 was primarily driven by small to mid-sized space requirements, with units ranging from 300 to 1,000 sqm recording the highest absorption rates. In contrast, interest in larger spaces exceeding 1,000 sqm remained relatively subdued. Key sectors fueling this demand included agro-processing, coffee export, and fast-moving consumer goods (FMCG) manufacturing—industries actively expanding their production and distribution networks in response to

robust domestic consumption and improving macroeconomic fundamentals.

Uganda’s trade performance in H1 2025 provided a supportive backdrop for industrial real estate growth. Export activity showed steady improvement, particularly between January and April, while the terms of trade reached their highest level during the same period. This trend reflects enhanced export competitiveness and reduced import costs, which have bolstered activity in core industrial sectors. The strengthening trade balance has reinforced demand for modern warehousing and logistics infrastructure, as businesses scale up operations to meet both domestic and international market needs.

Overall, the industrial sector continued to be one of the most resilient segments of Kampala’s property market in H1 2025, supported by solid demand fundamentals and a stable economic environment marked by steady GDP growth, low inflation, and ongoing infrastructure investment.

Figure 11: Uganda’s Trade Performance



Occupier Demand and Leasing Trends

Tenant preferences in H1 2025 remained aligned with historical trends, favoring modern industrial facilities featuring 7 to 10-meter-high eaves, reinforced concrete floors suitable for racking systems, multiple loading bays, and sufficient truck maneuvering space. These specifications are particularly critical for manufacturing, logistics, and agro-processing firms that rely heavily on vertical storage and bulk handling capabilities.

Most lease agreements fell within the 3–5-year range, offering a balance between long-term security and operational flexibility. Location and property features continued to rank highly in occupiers’ decision-making processes, with many companies targeting sites near suppliers, customer bases, and major transport hubs, such as arterial roads to and from the Central Business District, to optimize distribution and last-mile logistics.

Demand remained concentrated in key sectors, including agro-processing, coffee export, fast-moving consumer goods (especially beverage producers), manufacturing, and local distribution.

Sales activity and investment trends

Sales activity remained subdued in H1 2025, as most developers continued to prioritize lease-only models in pursuit of stable, recurring rental income over one-time capital gains. However, land acquisition for industrial development gained traction, particularly among owner-occupiers focused on self-build strategies and long-term operational planning.

In contrast, older warehouse units experienced weak sales performance. A growing number of aging properties entered the market, many of which featured outdated specifications—such as low eave heights (below 5 meters) and limited loading capacity—that no longer meet modern operational standards. These deficiencies often require significant capital upgrades, resulting in extended marketing periods and buyer hesitation.

The widening gap between obsolete stock and evolving tenant expectations has effectively created a buyer’s market for older industrial assets. Consequently, landlords are increasingly under pressure to refurbish or repurpose aging facilities to remain competitive in a market that now favors modern, well-specified industrial spaces.

Table 3: Key Drivers of Industrial Demand by Sector

INDUSTRY SECTOR	KEY DRIVERS OF DEMAND	FACILITY REQUIREMENTS
Agro-Processing	Growth in food processing, value addition, and export-oriented production	Cold storage facilities, large processing areas
Coffee Exporters	Rising global demand, integration across the value chain, and quality assurance	Bulk storage warehouses, proximity to transport hubs
Manufacturing Firms	Increase in local production, import substitution policies, and regional trade flows	High-clearance warehouses, reinforced flooring, and reliable utility access
FMCGs (Beverage Focused)	Urban consumption growth, distribution expansion, and supply chain consolidation	Showroom-warehouse hybrids, truck bays, and modern shelving systems
SMEs (Various Sectors)	Tax incentives, budget-conscious operations, and start-up ecosystem support	Flexible lease terms, smaller units (300–1,000 sqm), cost-effective locations

Source: Bank Of Uganda

Infrastructure Development and Connectivity Improvements

The industrial sector continued to benefit from ongoing infrastructure upgrades that are enhancing accessibility and increasing the appeal of key industrial zones. Notable developments include:

Notable projects include:

Road upgrades in the traditional industrial area, particularly along 7th and 8th Streets and Old Port Bell Road.

The Standard Gauge Railway (SGR) project, expected to transform regional trade logistics by improving freight connectivity.

Road Infrastructure improvements at Namanve Industrial Park, where 60% of contracted works had been completed as of April 2025, according to Lagan Dott Namanve Ltd—the joint venture overseeing infrastructure delivery at the Kampala Industrial and Business Park.

These enhancements are expected to reduce transport costs, improve supply chain efficiency, and broaden the market reach for businesses operating within these zones.

Tax Policy and Investment Incentives

A key policy development impacting industrial real estate is the Uganda Tax Amendment Act 2025, set to take effect on July 1, 2025.

The Act introduces a three-year corporate tax exemption for qualifying local SMEs. This incentive is anticipated to spur business formation and accelerate the formalization of small enterprises, thereby increasing demand for affordable and scalable warehouses and light industrial space. Capital savings from tax relief are also likely to be reinvested into equipment purchases and facility upgrades, further supporting long-term growth and modernization within the sector.

Nalukolongo industrial area

Located approximately 5.5 km west of Kampala's CBD along Masaka Road, Nalukolongo Industrial Area is gaining momentum as a strategic hub for manufacturing, warehousing, and logistics. New developments are underway, including modern facilities and multi-unit parks such as Yogi Business Park, which is set to deliver over 60,000 m² of industrial space.

Supported by improving road infrastructure, the area is increasingly viewed as a key node in Kampala's evolving industrial landscape.

Outlook for H2 2025

The industrial sector is expected to continue its expansion in the second half of 2025, particularly along major logistics corridors such as Namanve. With ongoing infrastructure upgrades, including the Northern Bypass and SGR, the market is projected to gradually shift from CBD-based industrial activity toward more suburban hubs.

While the introduction of high-spec warehousing may temporarily increase vacancy levels, demand fundamentals remain strong. Developers are encouraged to align their pipeline with evolving occupier needs, particularly by offering facilities that cater to the growing cold storage and last-mile distribution segments.



The 65,000 SQM (155 Units) Yogi Business Park in Nalukolongo is now letting. This business logistics complex is purpose-built for storage, business administration, and retail, with tailored amenities that deliver a complete and convenient experience for both traders and consumers.
Contact: +256 785 296 472 / +256 414 341391

VALUATIONS & ADVISORY

Economic Indicators

Uganda’s headline inflation averaged 3.4% over the past year, while core inflation stood at 3.9%—both remaining below the Bank of Uganda’s medium-term target of 5%. This subdued inflation was underpinned by prudent monetary policy, a stable exchange rate, global disinflation, and favorable food and energy prices. In May 2025, the Monetary Policy Committee maintained the Central Bank Rate (CBR) at 9.75%, reflecting a cautious stance amid ongoing global risks. Throughout H1 2025, inflation trended gradually upward, driven by rising prices for goods and services. Nevertheless, inflation forecasts remain broadly in line with expectations, with core inflation projected to average between 4.5% and 5.0% in FY2025/26 before stabilizing at the 5% target over the medium term.

Credit Analysis

The weighted average lending rate for Shilling-denominated loans increased slightly to 17.74% in March 2025, compared to 17.34% a year earlier. This was driven by increased lender risk aversion amid global and domestic uncertainties. Conversely, rates on foreign currency-denominated loans dropped to 8.51% from 9.20%, influenced by easing global interest rates, exchange rate stability, and growing competition among lenders.

Private sector credit (PSC) expanded by 7.2% year-on-year, reaching UGX 23.3 trillion by March 2025. Growth was driven by both Shilling-denominated credit, which increased by 8.7%, and foreign currency loans, which rose by 3.8%. The total value of credit approved for disbursement rose sharply by 16.9% to UGX 1.56 trillion. As in previous years,

personal and household loans made up the largest share at 34.8% (UGX 544.95 billion), followed by building, mortgage, construction, and real estate (19.7%), trade (15.1%), and manufacturing (9.2%). The growth of digital lending platforms also contributed to the expansion in household credit, as lenders increasingly use transactional data for risk assessment.

Despite this growth, Uganda’s domestic credit environment remains under pressure. The government plans to increase domestic borrowing by 33% from UGX 8.9 trillion in FY2024/25 to UGX 11.8 trillion in FY2025/26, raising concerns about potential crowding out of private sector borrowers. The Bank of Uganda has warned that excessive reliance on domestic financing may undermine economic momentum. As of March 2025, PSC growth had slowed slightly to 7.9% from 8.0% in the prior quarter and continues to lag behind the regional average of 23.25%, making Uganda’s PSC growth the slowest in East Africa.

Political Uncertainty and Its Market Implications

As Uganda approaches the 2025/26 general elections, heightened political uncertainty is expected to influence market sentiment. While pre-election spending may temporarily stimulate consumer demand, it also poses a risk of post-election inflationary pressures. The tourism sector is projected to experience a downturn due to increased political risk, with potential adverse effects on the hospitality industry.

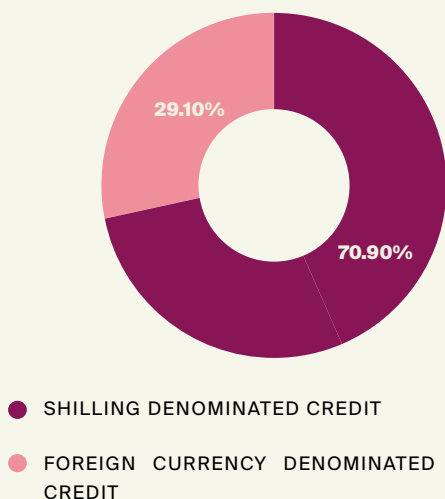
Valuation activity is anticipated to slow, as both investors and financiers adopt a cautious, wait-and-see approach. This hesitancy is likely to delay transactions and suppress demand for valuation services until greater political and economic stability is restored following the elections.

Technology in valuations: AI’s promise and ESG pitfalls

The adoption of Artificial Intelligence (AI) in Uganda’s real estate sector, particularly in valuation, continues to gather pace. AI is streamlining report generation, enhancing data accuracy, and automating market analysis. Valuers increasingly use AI tools to identify and analyze comparable properties, improving speed and objectivity in assessments.

However, AI’s rapid growth presents ESG (Environmental, Social, and Governance) challenges, particularly around energy and water consumption. Globally, the number of data centers has surpassed 8 million, and in Uganda, facilities like the Tier III-certified Raxio Data Centre reflect this infrastructure boom.

Figure 12: Stock of Outstanding Private Sector Credit by Currency

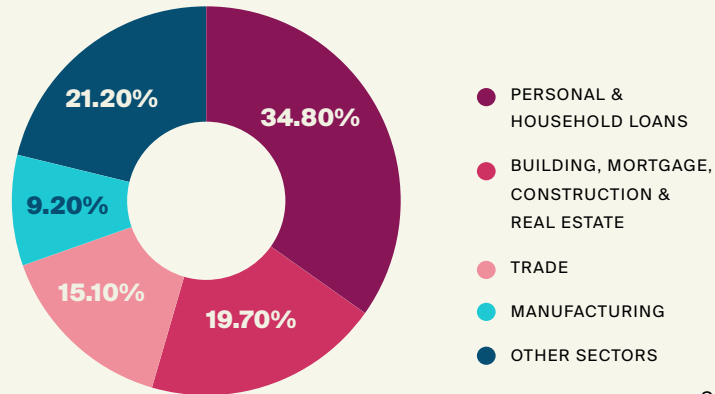


Source: Bank Of Uganda

According to the International Energy Agency, data centers are projected to consume over 1,000 terawatt-hours of electricity by 2026, double their usage of 2022. Water use has also surged, with companies like Microsoft and Google reporting over 20% increases in cooling water consumption since launching AI services.

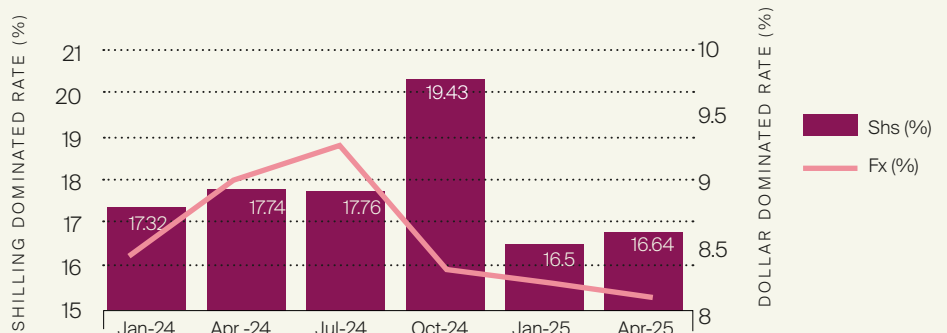
To align with global valuation standards and ESG goals, Uganda will need a comprehensive national AI strategy. This should include mandatory sustainability assessments for data infrastructure, renewable energy adoption, advanced cooling systems, and environmental impact disclosures in valuation reports. Independent audits and ESG compliance mechanisms will also be key to ensuring responsible AI integration in the property sector.

Figure 13: Credit approved for disbursement by sector



Source: Bank Of Uganda

Figure 14: Shilling and Foreign Currency Weighted Lending Rates



Source: Bank Of Uganda

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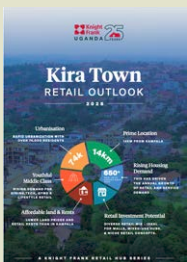
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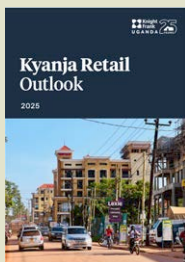
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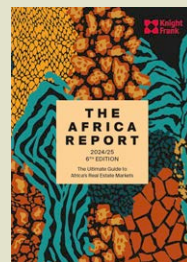
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