Knight Frank

The Kampala Property Market Performance Review

H1 2026

Knight Frank Uganda's performance review of Kampala's property market over the first half of 2026

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Executive Summary

Uganda's economy carried solid momentum into 2026, with GDP growth projected at 6.4% for FY2025/26 and seventeen consecutive months of private-sector expansion recorded by June. The half's defining shock was external, the escalation of the Middle East conflict from late February disrupted the Strait of Hormuz, lifted Brent crude above US$100 per barrel, and fed through to domestic pump prices, a weaker shilling (down 2.8% year-on-year), and rising fuel-driven inflation, which climbed to 3.7% by June though still the lowest in the region. The Bank of Uganda held the Central Bank Rate at 9.75%, tightening instead through a Cash Reserve Requirement increase to 11.0%, keeping borrowing conditions broadly supportive of property demand. The January general elections paused activity across every property sector in the first quarter; the release of deferred decisions thereafter shaped much of the half's performance.

Residential

The market remained subdued and firmly in buyers' and tenants' favour, with low enquiry levels, extended transaction times, and abundant stock for sale. Prime rents edged up (2-bed +1.7%, 3-bed +0.6%) and occupancy improved to 84%, gains driven by absorption and realistic pricing rather than stronger demand. The tenant base continued to rebalance, expatriate enquiries declined while demand from Ugandan nationals rose, international consultants arrived in greater numbers but on leaner monthly budgets, and 3–6 month furnished lets proliferated. Developers are responding to a widening affordability gap with flexible payment structures, including rent-to-own products under consideration in both prime and secondary markets.

Office

Performance was defined by recovering confidence and new supply. Grade A rents strengthened to US$17.0 per sqm with occupancy at 87%, driven by flight-to-quality relocations, most visibly the JLOS institutions' move to JLOS Towers while the Grade AB segment softened to US$14.0 per sqm as vacated secondary stock returned to a saturated market. Parking hardened from a preference into a prerequisite. The market remains tenant-driven, with well-managed modern assets outperforming ageing stock.

Retail

Formal retail traded unevenly: footfall softened as fuel costs, tighter household budgets and the Ebola outbreak cut discretionary trips, yet occupancy across Knight Frank-managed malls rose year-on-year and prime rents held firm on tight supply. Shoppers consolidated essential purchases into fewer, larger baskets. Neighbourhood centres led leasing activity, and the shift toward digital payments and mixed-use formats gathered pace.

Industrial

Occupancy held above 80% across key zones, with warehouse rents of US$3.00–$7.00 per sqm and a widening premium for modern facilities. Namanve was the clearest gainer as its €215 million infrastructure programme passed 80% completion. EACOP reached 82% completion with first oil targeted for H2 2026, and UNOC confirmed the US$390 million Kabalega Industrial Park, anchoring the Albertine region's industrial pipeline.

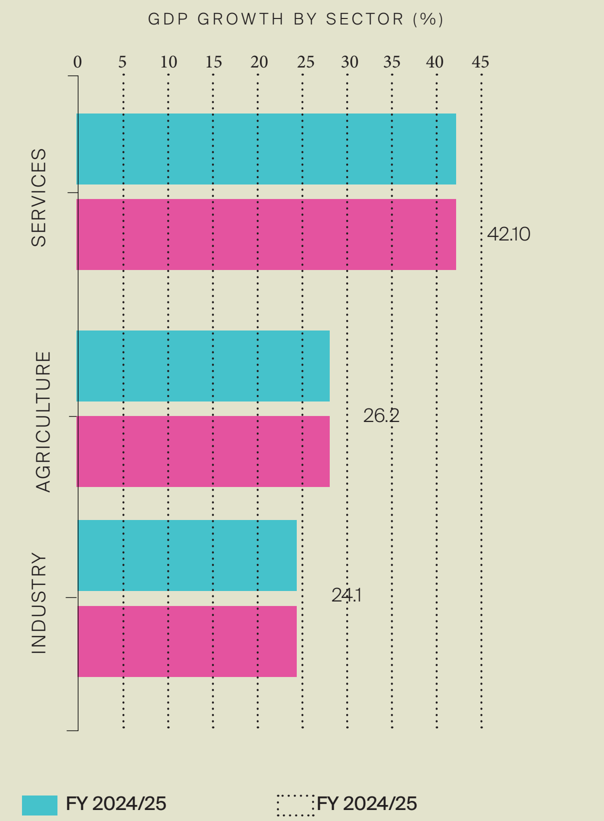
Valuations & Advisory

The Valuation Act, 2026 came into force in March, establishing the Institute of Certified Valuers of Uganda, mandatory licensing, and national valuation standards, the profession's most significant institutional reform in years, with implementation now the key variable.

Outlook

H2 2026 hinges on first oil, infrastructure delivery, and the persistence of fuel-driven cost pressures. Conditions will continue to favour occupiers and buyers across most sectors, rewarding realistic pricing, modern specifications, and products aligned to the rising Ugandan occupier and buyer.

Figure 1: Sectoral Contribution to GDP



Source: Bank of Uganda (BoU)

Economic update

KEY HIGHLIGHTS

- Inflation ↑ but lowest in the region.
- CRR ↑ to 11.0% in March 2026, first hike since August 2023.
- CBR held at 9.75%.
- Shilling ↓ 2.8% y/y pressured by the Strait of Hormuz disruption but remains among Africa's most resilient currencies through the turbulence.
- PMI at 56.5 in June 2026 - 17 straight months of private-sector expansion.

Economic Activity

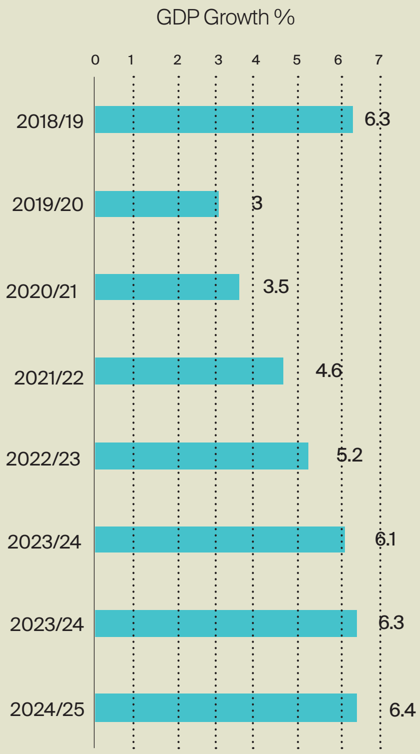
Uganda's economy is projected to grow by 6.4% in FY2025/26, up from 6.3% in FY2024/25 as per the Preliminary Gross Domestic Product (GDP) estimates from the Uganda Bureau of Statistics (UBOS). The services sector remains the largest contributor to GDP, accounting for 42.1% of total output, unchanged from the previous financial year. The agriculture sector's contribution increased slightly to 26.2%, from 26.1% in FY2024/25, while the industry sector's share declined marginally to 24.1%, compared to 24.3% in the preceding year. Overall, the sectoral composition of the economy has remained largely stable, with the services sector continuing to underpin economic activity.

Uganda's robust economic performance in the first half of 2026 was supported by expanding investment, export growth, agricultural productivity and oil-related activity ahead of first commercial production.

Inflation:

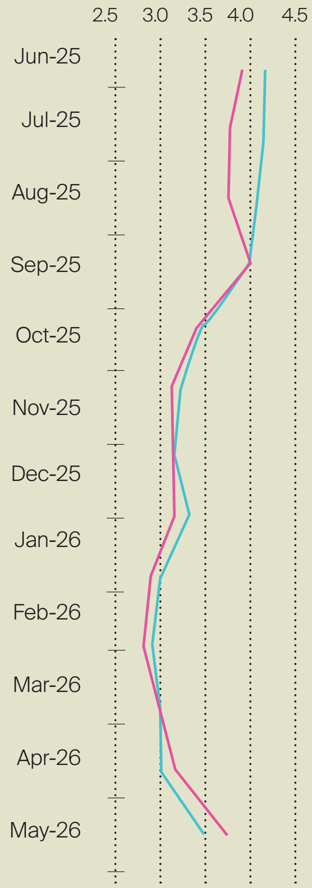
Inflation remained contained through H1 2026, consistently below the Bank of Uganda's 5.0% medium-term target, albeit with a clear upward tilt emerging as the half drew to a close. Annual headline inflation eased from 3.2% in January to a low of 2.8% in March before climbing to 3.7% in June, it's highest since September 2025 driven mainly by higher fuel costs. Core inflation followed a similar trend, declining from 3.3% in January to 2.9% in March, stabilizing at 3.0% through April and May, before climbing to 3.4% in June, its highest level in eight months. Both measures nonetheless remained below their year-earlier levels (headline 3.9%, core 4.2% in June 2025), leaving price pressures moderate and borrowing conditions broadly supportive of property demand.

Figure 2: GDP growth by fiscal year



Source: Bank of Uganda (BoU)

Figure 3: Annual Inflation



Source: Bank of Uganda (BoU)

The uptick from April onward was largely driven by higher fuel costs, as escalating Middle East tensions from late February 2026 pushed global oil prices sharply higher and the pass-through intensified through June as petrol and diesel prices climbed, lifting annual Energy, Fuel and Utilities inflation to 11.9% from 9.1% in May.

Notably, across the period, Uganda maintained one of the lowest inflation readings among its regional peers, anchoring the bottom of the African inflation distribution even as energy price pressures materialized more broadly across the continent.

Monetary Policy

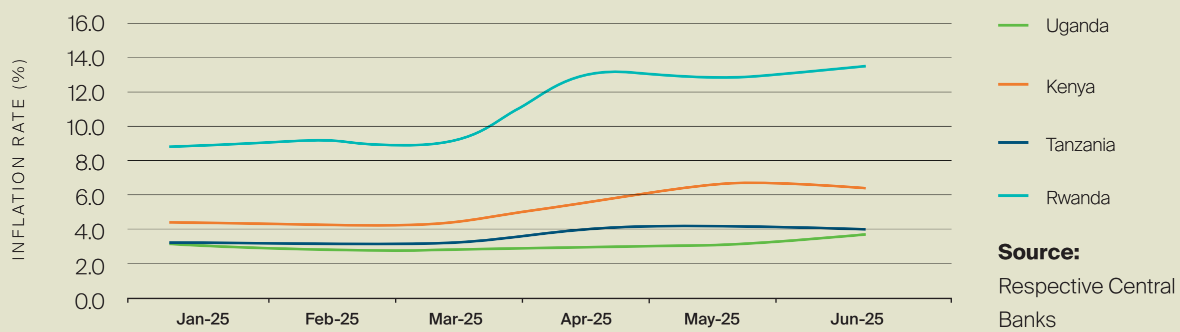
The Bank of Uganda's Monetary Policy Committee held the Central Bank Rate at 9.75% throughout H1 2026, judging the stance adequate to anchor inflation expectations without checking the economy's growth momentum. It did, however, raise the Cash Reserve Requirement (CRR) from 9.5% to 11.0% effective 12 March 2026, the first change since August 2023 in order to absorb excess liquidity in the banking system and reinforce exchange rate stability. By tightening through the CRR rather than the rate, the Bank managed emerging price pressures while keeping borrowing conditions supportive of private sector activity and, with it, property demand.

Exchange Rates

The Ugandan shilling opened the year firm, averaging UGX 3,562.1 to the US dollar in January, marginally stronger than December and a 3.4% annual appreciation and held steady through February. The picture shifted at the end of February, when US–Israel strikes on Iran and the disruption to the Strait of Hormuz drove up global dollar demand. The shilling fell 4.6% month-on-month into March, its first annual depreciation since August 2024.

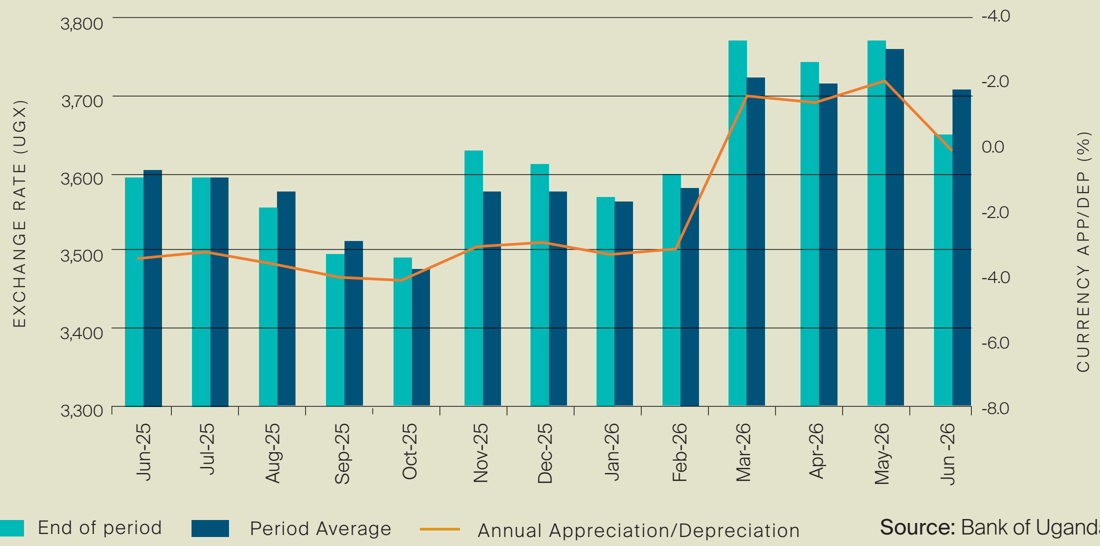
The weaker trend held for the rest of the half year with the shilling averaging UGX 3,749.5 in April, UGX 3,763.1 in May and UGX 3,710.64 in June, leaving it 2.8% down year-on-year. Despite the depreciation, the shilling proved comparatively resilient, recording one of the smallest depreciations among

Figure 4: Regional Inflation Rate



Source: Respective Central Banks

Figure 5: Currency Appreciation/ Depreciation



Source: Bank of Uganda (BoU)

African currencies through the conflict-driven turbulence, which helped contain imported cost pressures on construction materials and property inputs.

Business Activity

Private sector activity stayed firmly expansionary through H1 2026, extending a run that began in early 2025. The Stanbic Bank Headline PMI held above the 50-point growth threshold in every month, rising from 52.6 in January to 56.5 in June, seventeen consecutive months of expansion.

Growth was underpinned by rising output, new orders and employment, though fuel and transport costs were a persistent source of input-price pressure from April, which firms increasingly passed on to customers rather than absorbed.

Forward-looking sentiment stayed positive. The Business Tendency Indicator held in optimistic territory throughout, easing from a February high of 58.7 to 54.4 in June, while the Consumer Confidence Index registered 57.0 in April, supported by improving expectations around financial conditions. Together, the indicators point to sustained business and household confidence, a supportive backdrop for occupier demand across commercial and residential property.

Other Economic Highlights

Middle East Conflict and Global Spillovers

The defining external shock of H1 2026 was the escalation in the Middle East, following US–Israel strikes on Iran at the end of February 2026. The subsequent disruption to the Strait of Hormuz sent Brent crude from USD 71 per barrel in February to USD 104 in March and USD 120 in April, while urea fertiliser prices spiked 54% month-on-month in March and a further 18% in April. For Uganda, this fed through to domestic pump prices, up nearly 20% since the conflict began, alongside reduced diaspora remittances from the Middle East and weaker global demand. The IMF cut its 2026 global growth forecast to 3.1% from 3.4%, with Sub-Saharan Africa projected at 4.3%.

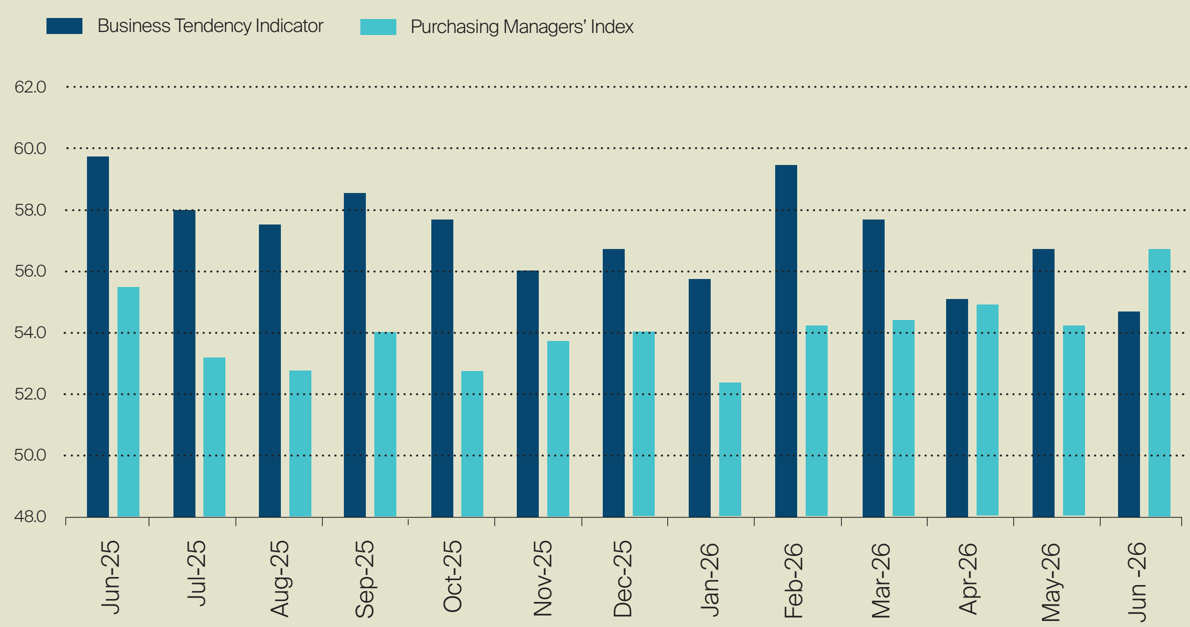
Fiscal Sector Pressures

Fiscal operations ran more expansionary than planned, with the deficit widening to UGX 10,775.6 billion against a programmed UGX 8,560.3 billion. Continued government borrowing has sustained competition for domestic credit and kept pressure on yields, a factor in the cost and availability of development finance, though public debt remains assessed at moderate risk of distress.

Private Sector Credit and Lending Conditions

Private sector credit growth strengthened modestly, with the annualised average growth rate rising to 11.54% in the three months to April 2026 from 11.34%, a quarter earlier, supported by better asset quality (NPLs down to 3.04% from 3.24%). Shilling lending rates edged up to 18.63%, reflecting tighter liquidity and the higher reserve requirement, while foreign-currency rates eased to 7.02%.

Figure 6: Real sector indicators



Source: Bank of Uganda (BoU)

Legal Alert

The Impact of Emerging Technologies on Uganda's Real Estate Sector: Opportunities, Risks, and Implications.

Real estate tech (AI, blockchain, GIS) is advancing faster than the law governing it.

The future of real estate extends beyond physical structures; it will be defined by intelligence, innovation, and data. As technology transforms how properties are identified, developed, marketed, financed, and managed, it is also reshaping the legal framework that governs property rights, transactions and liability.

Historically, real estate evolved around tangible assets; land, buildings, location, and infrastructure. Today, emerging technologies such as Artificial Intelligence (AI), blockchain, drone-based mapping, Geographic Information Systems (GIS), digital platforms, 5G connectivity, and smart building systems are transforming the sector.

In Uganda, this transformation offers remarkable opportunities but also presents challenges that require careful navigation. Success depends not merely on adoption of new tools but on fostering innovation within a robust legal framework that safeguards property rights and provides certainty for investors, developers, and owners.

Opportunities for Uganda's Real Estate Sector

Modern technologies are unravelling new possibilities by enhancing access to information, increasing operational efficiency, and enabling data driven decision-making. Digital platforms and property marketplaces are connecting buyers, tenants, investors, and developers more effectively through virtual tours, listings, and transaction services making the property market more accessible.

Artificial Intelligence, Geographic Information Systems, and drone-based mapping are improving land assessments, urban planning, and infrastructure development. Blockchain technology offers the potential to create secure, transparent, and immutable property records, reducing fraud, ownership disputes, and inaccuracies in land administration.

Emerging risks and professional liability

While modern technologies create significant opportunities, they also introduce new risks that the real estate sector must carefully navigate. As the sector embraces reliance on digital platforms, artificial intelligence, automated systems, and data-driven tools, questions of accountability and risk allocation become more pertinent. For instance, who bears responsibility if an AI-assisted property valuation or due diligence assessment provides inaccurate information? Likewise, where a smart contract executes incorrectly due to flawed data, determining legal responsibility may become significantly more complex.

Human experts play a vital role in navigating these challenges by auditing data sources, implementing robust compliance frameworks, and establishing clear ethical standards to protect stakeholders from unforeseen risks and build trust.

Is Uganda's legal system prepared for this transformation?

As technology becomes increasingly embedded in the real estate sector, the law must evolve alongside innovation. Modern technologies such as artificial intelligence, blockchain, and digital platforms are challenging traditional approaches to property transactions, raising questions around regulation, accountability, data protection, and the legal recognition of digital processes.

Uganda's existing legal framework, including the Electronic Transactions Act and the Data Protection and Privacy Act, provides a foundation for the transition towards digital transactions. However, these laws were not specifically developed to address the unique regulatory challenges posed by artificial intelligence, blockchain-enabled property transactions, or automated decision-making systems. As these technologies become more prevalent, legislators and regulators will need to address emerging questions relating to liability, cybersecurity, algorithmic accountability, and the legal status of technology-enabled transactions.

The future of Uganda's real estate sector will depend on a legal environment that embraces innovation while preserving certainty, protecting property rights, and maintaining investor confidence. A forward-looking regulatory approach will be essential in ensuring that technology becomes a tool for greater transparency, efficiency, and trust within the property market.

Conclusion

The integration of artificial intelligence, blockchain, digital platforms, GIS, drone technology, and other emerging innovations is fundamentally reshaping Uganda's real estate sector. These technologies have the potential to improve operational efficiency and accuracy across the entire property lifecycle from land identification and valuation to marketing, financing, conveyancing, and property management. At the same time, their growing adoption presents complex legal questions relating to liability, data protection, cybersecurity, professional responsibility, and the integrity of property transactions.

While Uganda's existing laws provide an important foundation for digital transformation, they will inevitably require continuous review to address the legal realities created by increasingly automated and data-driven transactions. Regulators, professional bodies, and industry stakeholders should work collaboratively to develop clear standards governing the responsible use of artificial intelligence and other digital technologies within the real estate sector.

Ultimately, the long-term success of Uganda's digital real estate transformation will depend not only on embracing innovation but also on ensuring that the law evolves alongside it.

Residential Sector

KEY HIGHLIGHTS

- Minimal increase in 2-bed and 3-bed rental rents on account of new stock on the market
- Expatriate enquiries: Ugandan national enquiries
- International consultants increased but on leaner budgets of US$800–$1,200/month.
- Short-term lets (3–6 months) flooded the prime market.
- Supply pipeline increased to 1,800 units from 1,200 in H1 2025
- Buyer's market - abundant stock hands purchaser's leverage.
- Rent-to-own products under consideration by developers.

General Overview

In the first half of 2026, Kampala's prime residential market remained subdued, with conditions firmly favouring buyers and tenants. Enquiry levels were low across both the leasing and sales markets, transaction times lengthened considerably, and the abundance of units, houses, and land offered for sale handed purchasers significant choice and negotiating leverage.

Activity was further dampened during the first quarter, as Uganda's January general elections led to a pause in leasing and sales decisions, and although some deferred transactions converted after the polls, overall momentum remained slow, with deals taking longer to negotiate and close at every stage. The composition of demand as well continued to shift; expatriate enquiries declined while enquiries from Ugandan nationals rose, and the leasing market absorbed a wave of short-stay demand that behaved very differently from the traditional long-lease tenant base.

Rental and Occupancy Levels

Kampala's prime residential H1 2026 prime rental levels remained stable, registering a slight gain. The gains were technical rather than demand driven. Average headline two-bedroom and three-bedroom apartment rents rose by approximately 1.7% and 0.6% year-on-year respectively, largely reflecting the gradual absorption of stock delivered over the previous two years and the withdrawal of the steep discounting seen in late 2025, rather than any material strengthening of tenant demand.

The uplift was most evident in the two-bedroom segment, which had experienced the sharpest correction; even so, tenants retained the upper hand in negotiations, and landlords holding out for headline asking rents faced extended voids in a market of low enquiry levels and abundant alternatives.

Prime residential occupancy improved to approximately 84%, up from 80% in H1 2025 and above the previous peak of 82% recorded in H1 2023 achieved principally by landlords who repriced realistically during 2025 and benefited from faster lease-up as a result. Letting periods nonetheless remained protracted, and stock priced ambitiously or lacking modern amenities continued to sit on the market for extended periods, underscoring that absorption remains selective and conditional on price.

Tenant Profile and Demand Drivers

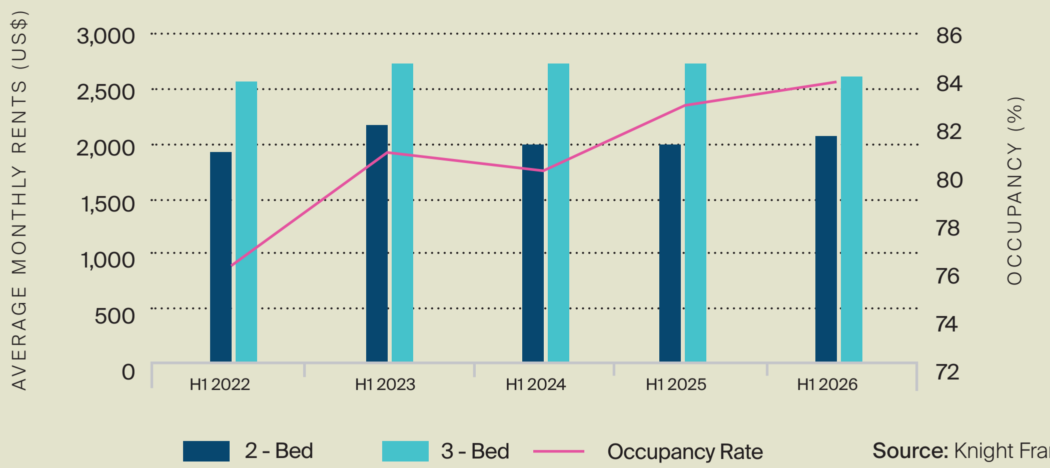
The prime residential tenant base continued to rebalance in H1 2026. Enquiries from the traditional Western expatriate segment declined, extending the trend of recent years, while enquiries from Ugandan nationals; senior professionals, executives, and returning diaspora seeking to live in the prime neighbourhoods increased markedly. This domestic demand is typically unfurnished, longer-tenured, and more price-disciplined than the expatriate demand it is replacing, and it is gradually anchoring the prime leasing market to local purchasing power.

International demand did not disappear but changed shape. The number of international consultants entering the market increased, largely tied to project and development-partner assignments; however, their housing budgets contracted to the region of US$800–$1,200 per month, well below historical expatriate allowances, and their requirements shifted toward furnished accommodation on short stays. This fed a pronounced influx of short-term rental activity, with 3–6 month furnished lets proliferating across the prime areas. While this segment supported occupancy and, on a furnished short-stay basis, commanded higher headline rates it fragmented demand, increased churn, and drew tenants away from conventional 12-month leases, leaving unfurnished, conventionally let stock competing for a thinner pool of long-stay occupiers.

Sales Market

The sales market moved decisively in favour of buyers. The volume of apartment units, standalone houses, and land parcels offered for sale expanded across both prime and secondary locations, giving purchasers genuine choice and considerable negotiating leverage. Asking prices in the prime segment continued to sit above eventual clearing levels, marketing periods lengthened, and negotiability widened, particularly in apartment pockets where multiple schemes are selling concurrently. Well-priced stock in established locations nonetheless transacted steadily, confirming that pricing rather than appetite remains the constraint.

Figure 7: Prime Residential Rental Rates and Occupancy Trends



Source: Knight Frank Uganda

Ugandan nationals accounted for a growing share of purchaser demand for apartment units in the prime areas, concentrated in one-, two- and three-bedroom condominium product in locations such as Nakasero, Kololo, Naguru, Bukoto and Muyenga, and motivated by owner-occupation and long-term capital preservation as much as rental income. With shilling mortgage rates still high and mortgage penetration low, developers responded to the affordability gap with increasingly flexible routes to purchase such as staged payment plans, off-plan pricing, and bank financing partnerships. Notably, several developers are now considering rent-to-own products in both prime and secondary markets, a structure that converts Kampala's deep rental demand into eventual ownership and could materially widen the effective buyer pool if executed at scale.

Supply Dynamics

The apartment development pipeline across Kampala's prime residential areas (Nakasero, Kololo and Naguru) expanded to approximately 1,800 expected units in H1 2026, compared to 1,200 units over the same period in 2025. While a proportion of the pipeline comprises projects carried forward owing to extended construction timelines, the increase also reflects new developments coming onto the market, including from an influx of new developers entering the country, drawn by Uganda's growth prospects and the visibility of the oil-economy dividend. Their arrival points to sustained developer confidence amidst longer delivery cycles, but it also deepens the forward supply risk in a market where effective demand is broadening rather than deepening.

The composition of the pipeline continued to skew toward high-density schemes. Standalone houses on large plots in the prime hills continued to give way to multi-storey apartment blocks, as land scarcity and elevated plot values push developers vertically to make schemes viable.

Development Activity and Product Preferences

New launches converged on smaller, efficient typologies, with one- and two-bedroom units dominating, a response to both developer economics and the profile of incoming demand. The furnished, amenity-rich product suited to short-stay consultants emerged as a distinct development play, while schemes targeting the domestic occupier placed growing emphasis on family-oriented layouts, quality finishes, and adequate parking, which has followed the office sector in hardening from a preference into a prerequisite. Across both tiers, reliable backup power, water, connectivity, and security remained the baseline below which stock struggles to compete regardless of location.

H2 2026 Outlook

The second half is expected to remain subdued, with conditions continuing to favour buyers and tenants. Enquiry levels are unlikely to recover meaningfully in the near term, transaction times will stay extended, and pricing power will remain with occupiers across both the leasing and sales markets. Occupancy should hold at current levels, but rental growth where it occurs will be selective, confined to realistically priced, well-located and well-amenitised stock.

Supply remains the principal risk. An expanded pipeline – swollen by newly arrived developers – will begin delivering into a buyer's market already carrying substantial unsold stock, keeping pricing power with purchasers and tenants into 2027. The market's most important structural support is the rise of the Ugandan occupier and buyer, which diversifies demand away from the shrinking expatriate cycle; developments priced and specified for that domestic demand, and financing innovations such as rent-to-own, are best placed for the period ahead.

Office Sector

KEY HIGHLIGHTS

Office Grade	Average Net Monthly Rate (US$/sqm)	Average Occupancy
Grade A	$17	87%
Grade AB	$14	83%

- New supply: Over 65,000 sqm delivered, though much was owner-occupied, limiting leasable stock.
- Over 130,000 sqm of office space in pipeline
- Confidence: post-election certainty released leasing decisions deferred through late 2025.
- Flight to quality: relocations into new Grade A stock pushed government-vacated space back onto a saturated Grade AB market.
- Parking: hardened from a preference into a prerequisite in occupier decision-making.

Performance Overview

The H1 2026 commercial office sector performance was defined by two major forces: recovering confidence and new supply. The conclusion of the general elections in January ended a prolonged period of uncertainty, and occupiers resumed leasing decisions deferred through late 2025. At the same time, the completion of JLOS Towers and other blocks introduced a substantial volume of new Grade A space, triggering a chain of relocations that released older stock back onto the market.

Thirteen Justice, Law and Order Sector institutions moved into JLOS Towers in March, releasing buildings such as Bauman House and Georgian House into a Grade AB segment already carrying elevated vacancy. The anticipated completion of the IGG Building in H2 2026 will repeat the pattern, adding modern inventory while vacating space at Jubilee Insurance Centre. Similar to H2 2025, Grade A demand was driven by relocation rather than new net occupier demand, and the gap between modern, well-managed buildings and older stock continued to widen.

Rental Levels

Prime Grade A+ office average headline rents remained unchanged at US$18 per sqm per month during H1 2026, reflecting the continued scarcity of premium office accommodation and sustained occupier preference for modern, high-specification buildings. Grade A rents strengthened to US$17.00 per sqm per month, up from US$ 16.5 per sqm per month in H1 2025 as business confidence improved following the elections and occupiers resumed previously deferred leasing decisions.

In contrast, the Grade AB segment remained under pressure, with average headline rents easing to US$14.00 per sqm per month, down from US$ 14.50 per sqm per month in H1 2025. Pricing continued to be influenced by the availability of secondary office space released over recent periods, much of which originated from earlier public-sector relocations. As landlords competed for a relatively limited tenant pool, greater pricing flexibility and leasing incentives became increasingly common. Many of these buildings, originally occupied by government agencies and requiring significant refurbishment, continued to struggle to attract private-sector occupiers, reinforcing the widening performance gap between modern Grade A buildings and ageing Grade AB office stock.

Occupancy Levels

Average occupancy was estimated at 87% across Grade A+/A buildings and 83% in the Grade AB segment. Grade A gains came primarily from tenant migration as businesses prioritised building quality, operational efficiency and employee experience. Grade AB occupancy remained constrained by slow absorption of government-vacated space, with landlords supporting occupancy through incentives and flexible terms rather than underlying demand growth.

Parking has sharpened from a preference into a prerequisite. In H1 2026 this dynamic intensified, partly because worsening traffic congestion and elevated fuel costs made accessible, on-site parking a material cost and time consideration for occupiers. Parking in Kampala has historically been a negotiation rather than an amenity, but the market is increasingly penalising buildings that cannot guarantee adequate ratios.

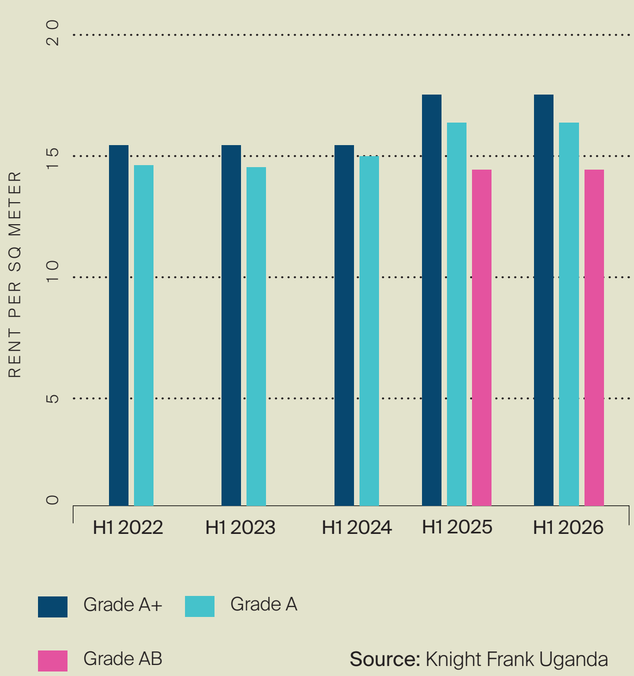
Market Sentiments and Leasing Trends

- Post-election normalisation: professional services and financial sector firms concluded relocations and measured expansions that had been pending for months, lifting Grade A absorption.
- Condominium offices: several sectional-ownership developments launched, with demand strongest among SMEs and professional firms seeking tenure security and long-term capital value.
- Residential conversions: inquiries rose for standalone houses suitable for office use across Naguru, Bukoto and Ntinda, offering lower costs, better access and more generous parking than the CBD.

Supply

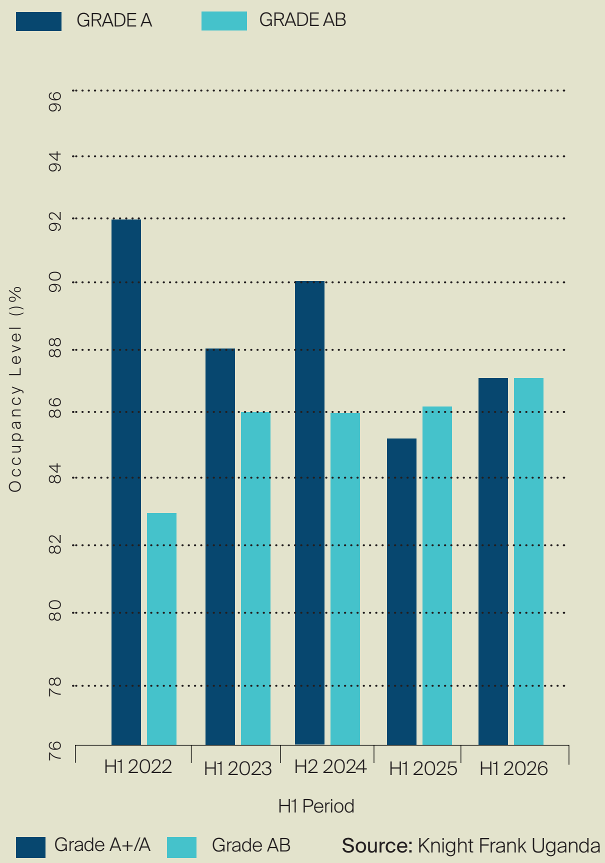
Approximately 65,000 sqm of office space was delivered during H1 2026, up from roughly 50,000 sqm across the whole of 2025. The Grade A/A+ leasing-market impact was minimal since a significant share was built for owner occupation/government use.

Figure 8: Prime Commercial Office Rental Trends



Source: Knight Frank Uganda

Figure 9: Prime Commercial Office Rental Trend



Source: Knight Frank Uganda

However, the completion of these buildings has continued to reshape occupier dynamics in the Grade AB/C office space, as organisations relocated into new premises releasing older office stock back onto the market, particularly within the Nakasero CBD.

Table 1: Office Space Brought onto the Market in H1 2026

S/N	Property	Location	Lettable Area (sqm)	Comment
01	JLOS Towers	Katalima Road, Naguru	60,040	Owner occupied
02	Plot 9 Kanjokya Street	Kanjokya Street	1,000	
03	Kira Chambers	Kira Road	770	Standalone office block
04	Naguru Office Blocks	Naguru	400	Condominium offices
05	ICPAU Building	Bukoto Street	–	Owner occupied
06	ROHO Office Block	Bukoto Street	–	Newly completed

Table 2: Pipeline Office Space

S/N	Property	Location	Lettable Area (sqm)
01	National Forensic DNA Database Building	Lourdel Road	–
02	IGG Building	Yusuf Lule Road (opp. Garden City)	19,000
03	Pension Towers	Lumumba Avenue	32,000
04	Naguru Office Blocks	Naguru	600
05	Afreximbank Africa Trade Centre (AATC)	Yusuf Lule Road	10,000
06	NSSF Project	Yusuf Lule Road	–
07	Kingdom Kampala Extension	Nile Avenue	70,000
08	Business Bay	Lumumba Avenue	4,786

Speculative development has become increasingly selective: developers are prioritising committed occupiers, phased construction and mixed-use schemes over large volumes of speculative space, reflecting risk management in a market marked by flight to quality and elevated vacancy in older stock.

Occupier and Landlord Dynamics

Occupier decisions were deliberate and efficiency driven. Rather than expanding, most businesses consolidated into premises better aligned with current workforce needs and capable of accommodating growth without materially higher costs, producing more relocations than new market entrants. Landlords responded with asset enhancement; refurbished common areas, upgraded services, façade improvements and professional management and greater flexibility in negotiation, using fit-out contributions, rent-free periods and phased occupation to close transactions without cutting headline rents.

Outlook

The H2 2026 outlook is cautiously optimistic. Grade A+/A rents should hold firm on scarce premium stock and sustained flight-to-quality demand. Grade AB vacancy will stay elevated: absorption remains relocation-driven, and completion of more pipeline projects such as the IGG Building will add Grade A inventory while releasing yet more secondary space. Grade AB landlords are likely to lean further on incentives rather than headline reductions, parking will remain decisive in leasing outcomes, and the market will stay firmly tenant-driven with well-priced, well-managed assets outperforming, while outdated stock burdened by refurbishment needs face prolonged vacancy.

Retail Sector

KEY HIGHLIGHTS

- **Average Footfall ↟ increased by 1% in Knight Frank managed Malls.** Increased Transport costs, tighter budgets and the Ebola outbreak cut discretionary trip and a severe impact on turnover.
- **Average Occupancy ↟ 2% y/y in Knight Frank Managed Malls.** Tenants stayed put; mature malls with little space to offer.
- **Approximately 700 sqm let in Knight Frank managed Malls.** Electronics, fashion, banks and services sector.
- **Continued growth of Neighbourhood centres.** Suburban growth, continued formalization of retail
- **Prime rents stable.** Tight supply held pricing firm.

Market Overview

Kampala's formal retail market traded unevenly through the first half of 2026, but beneath the volatility sat a clear shift in consumer behaviour: shoppers made fewer trips and spent more selectively when they came. This trend became more pronounced in the second quarter, especially April and May, when grocery turnover grew at 5% and 8% year-on-year, outpacing footfall, evidence that households were consolidating essential purchases into fewer, larger baskets even as discretionary visits softened. The first half opened subdued amid election anticipation and disruption, recovered through February and March, and closed with a marked June pullback as cost-of-living pressures mounted and the Ebola outbreak kept shoppers at home.

Unlike turnover and footfall, occupancy levels held stable, posting positive year-on-year growth in every month of the half as tenants stayed put and prime centres traded close to full capacity.

Footfall Performance

Footfall moderated in H1 2026 after the strong recovery recorded in H1 2025, registering in June 2026 year-on-year. The year opened quietly amid election-related disruption before activity normalised, sustained by demand for essential goods and services.

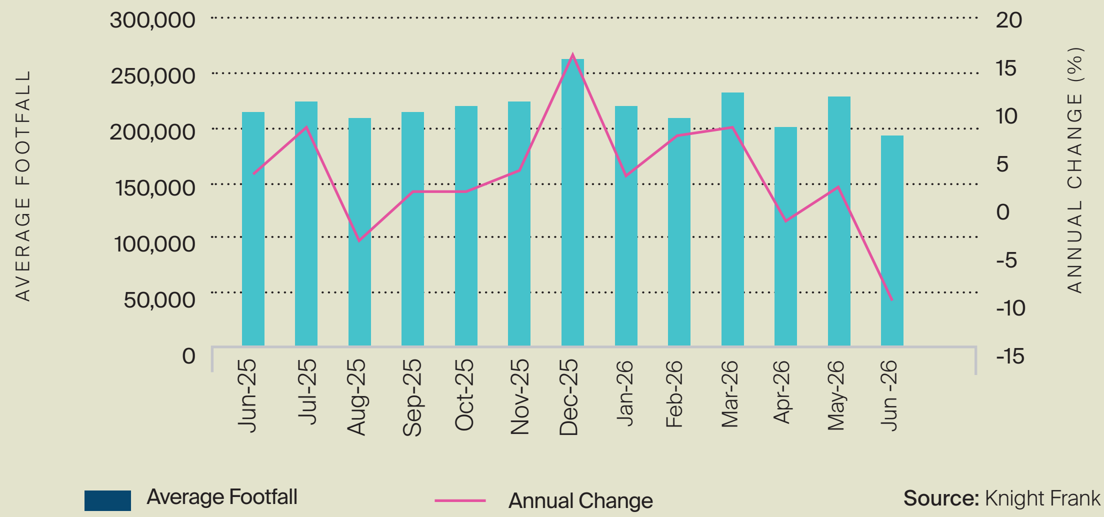
Knight Frank-managed malls recorded subdued footfall in January, largely reflecting reduced business activity during Uganda's Presidential and Parliamentary Elections held on 15 January 2026. Footfall subsequently increased by 8% year-on-year in both February and March as normal work and school routines resumed. However, this momentum faded in the second quarter as footfall fell by 2% in April, edged up by just 1% in May, before it contracted sharply by 11% in June as fuel, transport and household costs rose and the Ebola outbreak prompted shoppers to stay away.

Neighbourhood shopping centres led leasing performance, supported by growing suburban populations, improved accessibility, the spread of mixed-use developments across Kampala's residential suburbs and the continued formalization of the retail sector within the Greater Kampala Metropolitan (GKMA) suburbs. Ground-floor space consistently traded above 85% occupancy, with first- and second-floor space at around 80%, evidence of demand for convenience retail anchored on essential goods and expanding residential catchments.

Turnover Performance

Grocery turnover was volatile through the half, swinging between growth and contraction as households responded to cost-of-living pressures, election-related uncertainty and health concerns.

Figure 9: Footfall Growth across Knight Frank Managed Malls



Source: Knight Frank Uganda

Across Knight Frank managed Malls, turnover fell 7% year-on-year in January, weighed down by election disruption and post-festive budget fatigue. A modest 2% recovery in February was followed by a 1.4% contraction in March, despite stable shopper traffic, suggesting continued pressure on consumer spending. The second quarter began on a stronger footing, with growth accelerating from 5% in April to 8% in May aided by an influx of regional tourism for the presidential inauguration and outpacing footfall, confirming that staple purchases held firm even on tighter household budgets. However, the momentum was short-lived as turnover fell 8% in June, the steepest monthly decline of the half, as renewed cost pressures linked to higher global oil prices, coupled with heightened public caution following the Ebola outbreak, to cancellation of Matyrs day festivities resulting in Uganda receiving no pilgrims, further weakened consumer confidence and discretionary spending.

The second-quarter footfall softness coincided with a major global shock, the Iran–US war from late February 2026 closed the Strait of Hormuz, driving Brent from around $71 to above $100 before easing in late June. As a fuel importer, Uganda felt this quickly through pump prices, transport fares and distribution costs, squeezing already-stretched household budgets and compressing the discretionary spending behind mall visits.

While the partial retreat in crude prices offers some relief heading into H2 2026, renewed tensions around the strait keep energy costs a live risk to consumer spending.

Occupancy and Leasing Activity

Average occupancy across Knight Frank-managed malls rose by 1% year-on-year, recording positive growth in every month of the half. With many prime malls trading at or near capacity, the gains were driven by tenant retention rather than new supply.

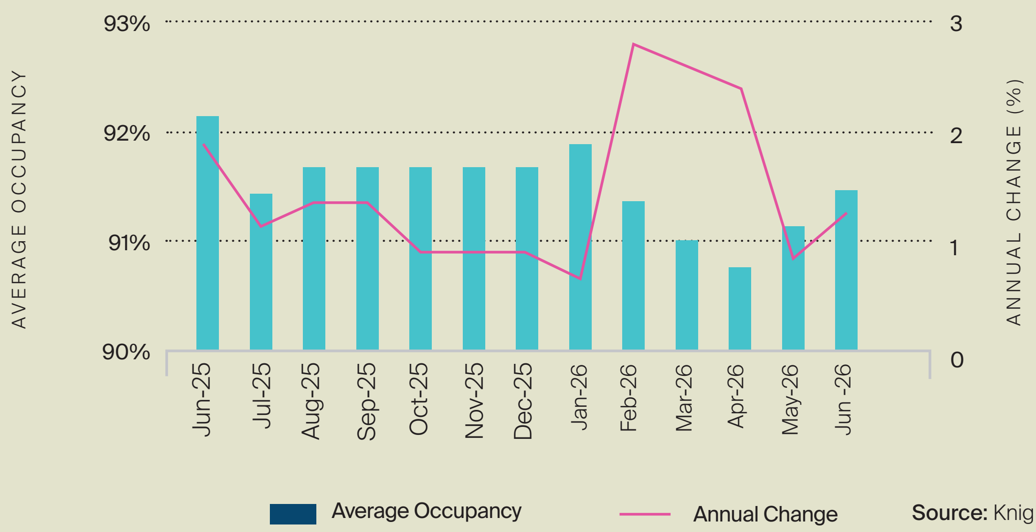
Approximately 700 sqm was let across the portfolio, a function of scarce vacancy in mature schemes rather than weak occupier demand. Interest centred on units of 50–200 sqm from electronics and jewellery retailers, financial institutions and service businesses. Leasing activity remained resilient during H1 2026 despite limited availability of vacant space, with approximately 700 sqm transacted across Knight Frank-managed malls. While take-up was lower than in the previous year, this primarily reflected the mature nature of the market, where high occupancy levels continue to constrain leasing opportunities rather than weaken occupier demand. Activity was led by service-oriented businesses, including financial services, telecommunications and beauty operators, alongside lifestyle retailers in fashion, jewellery, consumer electronics and bridal wear, reinforcing the continued shift towards convenience, experiential and destination-based retailing.

Sector-Specific Performance and Emerging Trends

Digitalisation of Retail Payments

The retail sector continued to exhibit structural shifts during H1 2026, particularly in the adoption of digital payment solutions across Kampala's shopping malls.

Figure 10: Occupancy Growth across Knight Frank Managed Malls



Source: Knight Frank Uganda

Growing consumer preference for cashless transactions, coupled with ongoing financial sector reforms aimed at deepening digital financial inclusion, is gradually reshaping the retail experience. The Bank of Uganda's planned introduction of stricter cash withdrawal and cheque limits from January 2027 signals a longer-term transition towards a digital-first financial ecosystem.

While the policy is yet to take effect, retailers are increasingly investing in digital payment infrastructure to improve convenience, enhance transaction efficiency, and cater to evolving consumer behaviour.

Growth of Mixed-Use Developments and Neighbourhood Retail

Kampala's mixed-use pipeline gained momentum in H1, with a growing number of schemes integrating retail alongside residential, office and hospitality components rather than delivering standalone retail.

This model prioritises convenience, walkability and captive demand, offering built-in footfall and diversified demand drivers. Neighbourhood retail centres, which have consistently led on leasing activity and occupancy, are well positioned to benefit from this structural shift.

Rental Performance: Prime mall rents were broadly stable over the period, as outlined in the table below.

Table 3: Prime Retail Rental Rates, H1 2026

Size of space (M2)	Rent Per Square Metre (US$)
< $10m^2$	$225
< $50m^2$	$52
<$100m^2$	$40
<$500m^2$	$34
>$500m^2$	$22
>$1000m^2$	$12-$16

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.

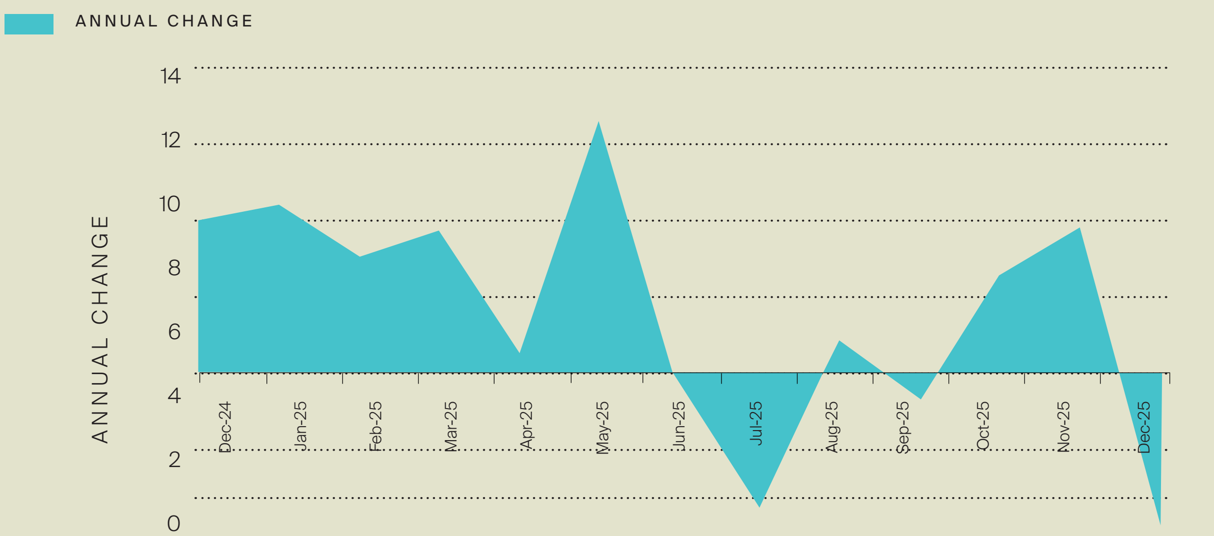
Victoria Mall Entebbe

Outlook

The sector will remain fundamentally resilient through H2 2026, with occupancy and rents holding firm even as macroeconomic headwinds persist. Elevated transport and fuel costs and continued inflationary pressure on household budgets will, however, keep discretionary spending and with-it footfall and turnover under pressure.

Leasing is likely to stay constrained, driven by renewals rather than new take-up as prime malls trade near full occupancy. Demand will remain concentrated among convenience-led retailers, facshion, financial services providers, F&B operators and service-based occupiers, with neighbourhood centres best placed to capture it as suburban expansion and new mixed-use schemes come through.

Figure 11: Turnover growth across Knight Frank Managed Malls



Source: Knight Frank Uganda

Industrial Sector

KEY HIGHLIGHTS

- **Occupancy:** above 80% across key industrial zones, led by Grade A warehousing.
- **Warehouse rents:** US$3.00–$7.00 per sqm per month, a widening premium for modern facilities.
- **EACOP:** 82% completed by April 2026 (from 79% at end-2025); first oil targeted for H2 2026.
- **Industrial output:** Up by 4.1% year-on-year in Q2 FY2025/26; sector contributed 24.1% of GDP.
- **Kabalega Industrial Park (Hoima):** US$390 million oil-and-gas park confirmed.

Rental Performance

Rental performance remained resilient across Kampala's major industrial locations in H1 2026. The market continued to exhibit a clear two-tier structure, with premium assets sustaining strong pricing while older, secondary warehouses faced softer rental conditions as occupiers increasingly prioritised quality specifications, operational efficiency, and compliance with modern industrial standards.

82%

EACOP Completion level by April 2026

4.1%

Year on year Increase in industrial output year on year

Table 4: Industrial Rental rates by Location

S/N	Location	Rent per sqm
01	Traditional Industrial Area	$4.5 - $7.0
02	Kampala Industrial Business Park (Namanve)	$3.00 - $5.50
03	Ntinda-Nakawa	$4.5 - $6.5
04	Nalukolongo Industrial Area	$4.5 - $6.0

Source: Knight Frank Research

The Traditional Industrial Area remained the most expensive location at $4.50–$7.00 per sqm, supported by its established base and proximity to the central business district. Its competitive edge is narrowing, as the road infrastructure in the area has continued to deteriorate, eroding access and prompting a steady stream of relocations to better-serviced parks, Namanve chief among them. Rents along the Ntinda–Nakawa Corridor held at $4.50–$6.50 per sqm, where road connectivity continues to draw logistics operators and light manufacturers, while Nalukolongo sat mid-range at $4.50–$6.00 per sqm.

Namanve remained the most affordable of the four at $3.00–$5.50 per sqm and was the clearest gainer of the period. The park's €215 million infrastructure programme; paved roads, drainage, water, power, fibre-optic connectivity and street lighting, funded by Government and UK Export Finance passed 80% completion during H1 2026, with substantial completion targeted by the end of 2026. The improved access has lifted occupancy, drawn cost-sensitive manufacturers including relocations from the Traditional Industrial Area, and pushed modern buildings within the park to the upper end of the rental band.

Namanve Industrial Area

Occupier Demand

Inquiry levels were subdued through H1 2026, with enquiries weighted towards smaller units of 300–500 sqm rather than the larger footprints sought in previous periods. Demand was concentrated among FMCG distributors, logistics operators, automobile dealerships seeking showroom space and import and export traders, most pronounced among coffee exporters and light assembly operations, sectors whose space requirements are driven by throughput and distribution rather than production scale.

Heavy manufacturers, by contrast, continued to bypass the leasing market altogether, preferring to acquire land for purpose-built construction over renting existing stock. This preference reflects the specification demands of heavy industrial processes, which established warehousing rarely accommodates, and it keeps a segment of underlying industrial demand out of recorded leasing activity, reinforcing the pull towards serviced land in Namanve, and other areas.

Industrial Production

Uganda's Index of Industrial Production rose to 165.7 in Q2 FY2025/26, up 4.1% year-on-year and a marked acceleration from the 2.6% growth recorded in Q1, with quarter-on-quarter output also picking up from 0.1% to 1.5%. The improvement was led by manufacturing (up from 159.4 to 163.2) and electricity, gas, steam and air conditioning supply (up from 218.3 to 224.2), suggesting that early-year input and power constraints eased rather than demand shifting sharply higher. Still, the 4.1% annual growth remains well below the double-digit growth seen in 2023/24, pointing to a sector normalising toward steadier, more moderate expansion. Sustained growth in the manufacturing sector continued to underpin demand for industrial real estate in H1 2026, supporting steady occupier demand for warehouse and factory space. This reinforced the leasing momentum generated by the expanding manufacturing base, alongside continued demand from the oil and gas supply chain and the FMCG sector.

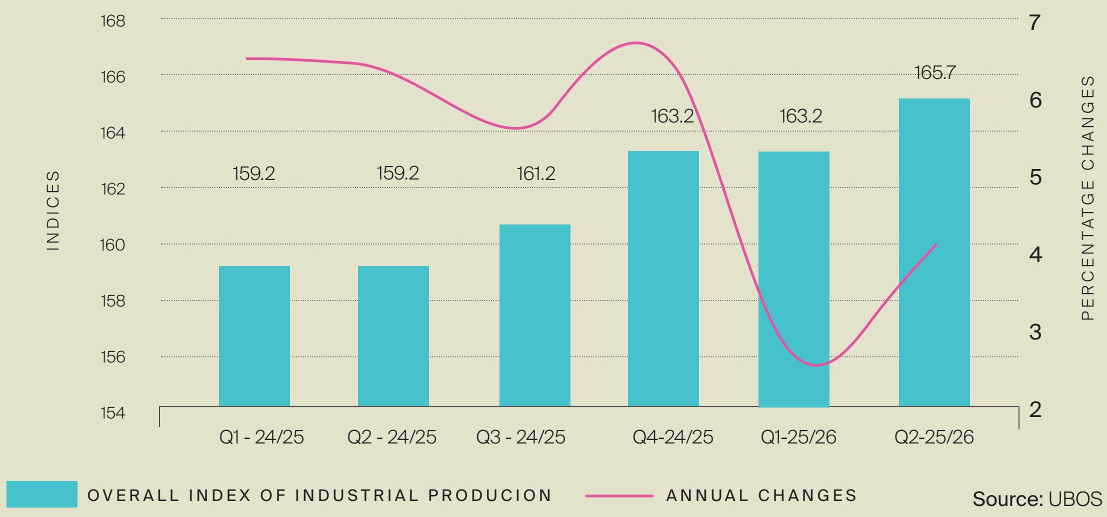
Oil Sector and Kabalega Industrial Park, Hoima

The East African Crude Oil Pipeline (EACOP) reached 82% overall completion by April 2026, up from 79% at the end of 2025, with first oil targeted for H2 2026. Milestones were achieved across pump stations, trenching and marine terminal works, while the Kingfisher feeder pipeline passed 95% completion.

By March 2026, the Petroleum Authority of Uganda reported cumulative sector investment of USD 12.3 billion, with drilling ahead of first-oil requirements at both upstream projects – 198 wells completed at Tilenga against the 170 required, and 21 at Kingfisher against 19. In the Albertine region, this final-phase programme kept oil and gas contractors, service providers and logistics operators active in the industrial market.

Yogi Industrial Park Nalukolongo

Figure 12: Overall Index of Industrial Production



Source: UBOS

UNOC confirmed construction of the USD 390 million Kabalega Industrial Park, covering 29.57 km² in Hoima District and forming the region's principal future supply of serviced industrial land. Thirty-one investors have been identified for the first phase, which will develop the area around Kabalega International Airport, the EACOP crude oil export hub, and supporting logistics warehousing, with the master plan also providing for polymer, fertiliser and mixed-use industries alongside an oil refinery and petrochemical facilities. Government set land service fees at USD 1.50 per sqm per year for general industries and commercial premises, benchmarked against comparable regional parks.

SME Supply Chain Integration to Broaden Future Industrial Demand

In February 2026, the Uganda Investment Authority (UIA) launched a nationwide SME profiling exercise aimed at integrating small and medium-sized enterprises into the supply chains of large manufacturers operating within industrial parks and free zones. The initiative seeks to strengthen linkages between local enterprises and anchor investors by identifying capable SMEs across four priority sectors namely agro-processing, wood and furniture, textiles and garments, and pharmaceuticals. The pilot targets formally registered businesses with annual revenues of at least USD 30,000 and a minimum of five employees, while providing capacity-building support to firms requiring improvements in quality, compliance, and operational scalability.

For the industrial real estate market, the initiative represents a medium- to long-term demand catalyst rather than an immediate source of space absorption. As SMEs become integrated into formal manufacturing supply chains, demand is expected to emerge for smaller, compliant production and warehousing units typically below 1,000 sqm particularly within established industrial parks and light industrial estates.

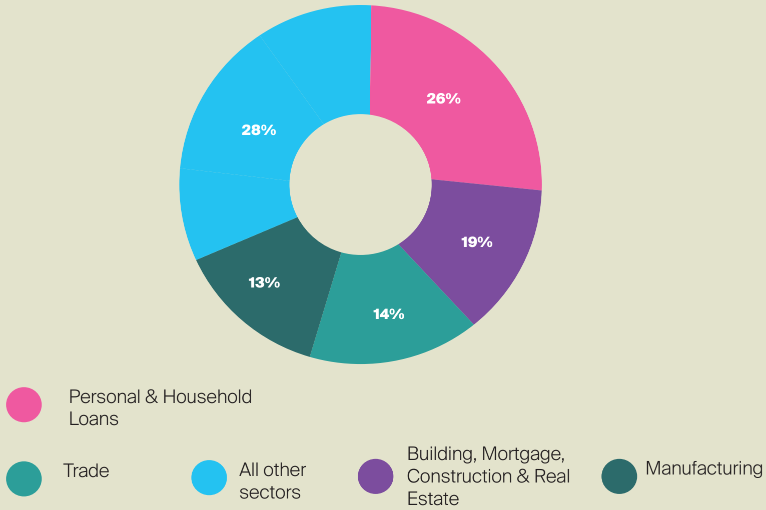
Outlook

The second half will be shaped by first oil and infrastructure delivery. EACOP's remaining commissioning work and the H2 2026 first-oil target should sustain contractor and logistics activity in the Albertine, while the Kabalega investment launch converts a planned scheme into a live proposition though absorption there will follow infrastructure, not precede it, and material take-up is unlikely before phase one completes.

In Kampala, the redistribution already under way is set to continue: Namanve's infrastructure programme reaches substantial completion by year-end, which should further lift occupancy and draw additional relocations out of the Traditional Industrial Area, where deteriorating roads continue to erode the location's pricing advantage. Rents are expected to hold rather than climb, with the premium for modern, well-serviced space widening as older secondary stock softens.

Valuations & Advisory

Figure 13: Average Distribution of private sector credit by sector H1 2026



Source: Bank of Uganda

Credit Conditions

Private sector credit growth remained subdued. Average outstanding credit stood at UGX 24.46 trillion during H1 2026, with shilling lending rates averaging 18.63% and foreign currency rates at 7.02%. Credit approval rates fell sharply to 39.2% in January from 73.0% in December 2025, reflecting bank caution during the election period. The building, construction and real estate sector captured 18.7% of outstanding credit on average during H1 2026, second only to personal and household lending.

The persistent spread between shilling and foreign currency rates continued to create divergent financing conditions for property market participants

Regulatory Reforms

A significant regulatory development during the period was the implementation of the Valuation Act, 2026. Originating from the Valuation Bill, 2024, the legislation was assented to by the President on 19 February 2026 and came into force on 19 March 2026. The Act establishes a statutory framework for the regulation of valuation practice in Uganda and represents one of the most significant institutional reforms affecting the profession in recent years.

The legislation creates the Institute of Certified Valuers of Uganda (ICVU), provides for professional registration and licensing, and introduces a framework for national valuation standards and professional oversight. Under the Act, valuation practitioners are required to register with the Institute and obtain practising certificates in order to undertake valuation assignments legally. The legislation also introduces requirements relating to professional conduct, continuing professional development, disciplinary procedures and compliance with prescribed valuation standards.

For the real estate sector, the Act represents a step towards greater standardisation of valuation practice. The introduction of nationally recognised standards and professional oversight will contribute to greater consistency in valuation methodologies applied across lending, investment, acquisition and compensation-related assignments.

The Act also provides for the establishment of a National Valuation Information System under the oversight of the Chief Government Valuer. The Ministry of Lands has operationalised this through the Land Valuation Management Information System (LVMIS), which is currently deployed across multiple zonal offices. Further expansion is planned under the medium-term programme. As implementation progresses, the system is expected to support the collection, storage and management of valuation-related information, contributing over time to improved market transparency and broader data availability.

For lenders, investors, developers and public sector institutions, the legislation provides a clearer regulatory framework governing valuation practice. The effectiveness of the Act will depend on the pace of implementation, the operationalisation of the Institute, the adoption of valuation standards, the development of supporting information systems and the availability of adequate financial and human resources.

The sector remains in a transitional phase. Valuation assignments continue under existing professional practice while the institutional arrangements provided for under the Act are progressively operationalised. As implementation advances, the legislation is expected to strengthen professional governance, support greater consistency in valuation practice, and improve transparency across lending, investment, acquisition and compensation-related work.

UGX
24.46 Tn

Average outstanding credit

Course View Towers

Photo of the Commercial property on Yusuf Lule Road

GROSS LETTABLE AREA

7,450M²

PRIME SPACE AVAILABLE

5,115 M²

4

HIGH SPEED LIFTS

PARKING SLOTS

200

UNINTERRUPTIBLE POWER

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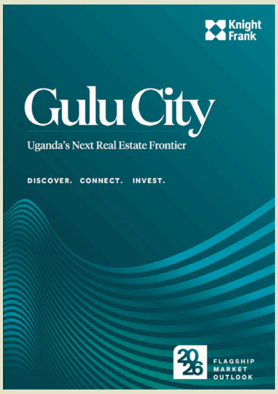

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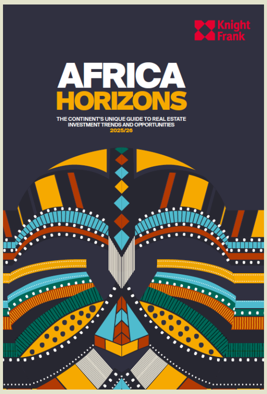

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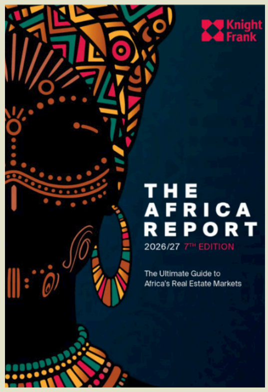

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