UGANDA 25 YEARS

The Kampala Property Market Performance Review

H2 2024

The ultimate guide to real estate market performance and opportunities in Kampala.

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Executive Summary

The H2 2024 report offers an overview of Kampala's real estate market, highlights key opportunities, and provides a short-term outlook for various property sectors.

The economy grew by 6.5% in FY 2024-2025, building on the 6.0% growth recorded in the previous financial year and surpassing pre-pandemic levels and indicating a complete recovery. Inflationary pressures have diminished, with the overall inflation rate dropping from 4.0% in July to 3.3% by December 2024.

In the prime residential sector, activity was sluggish, with low sales and rental volumes, and occupancy rates fell by 2% to 82% compared to H2 2023. There was a 1% rise in average rents for three-bedroom apartments due to the introduction of newer, larger, and more modern units, while rents for two-bedroom apartments remained unchanged.

Demand for prime office space remained consistent, with average net rents at $16.5 and $15.0 per square meter per month for Grade A and Grade AB offices, respectively. Grade AB rents rose by 7%, reflecting a shift towards more cost-effective options. However, occupancy rates in prime commercial offices registered a slight 1% decrease despite ongoing demand. However, Landlords are achieving net rents as high as $18 per square meter in some of the newly constructed buildings. These buildings are strategically located in the prime areas of Kololo and Nakasero, featuring modern designs and finishes, and offering ample parking facilities.

The retail sector remained resilient in H2 2024 supported by new market entrants and expansions of existing retailers boosting occupancy growth. Nevertheless, foot traffic fell by 5%, indicating shifts in consumer shopping habits.

The industrial sector remained stable, with rental rates consistent with those in H2 2023 and occupancy levels above 80%. There was an increased uptake of warehouse space, particularly from SMEs, start-ups, and businesses establishing distribution centers. Additionally, there was also a rise in demand for industrial properties, particularly for land within proximity to the CBD.

The H2 2024 report offers an overview of Kampala's real estate market, highlights key opportunities, and provides a short-term outlook for various sectors.

6.5%
Economic growth rate

2%
Drop in residential occupancy rates

16.5%
Grade A average net rents for prime offices

5%
Reduction in retail foot traffic

>80%
Industrial Occupancy levels

"In the prime residential sector, activity was sluggish, with low sales and rental volumes registered. Occupancy rates fell by 2% to 82% compared to H2 2023."

The Economy

ECONOMIC ACTIVITY

The Uganda Bureau of Statistics (UBOS) projects that Uganda's economy will expand at an average pace of 6.5% in FY 2024–2025, continuing the 6.0% growth seen in FY 2023–2024. At 42.8%, the services sector continues to be the greatest contributor to GDP, fueled by strong results in real estate, re tail and wholesale trade, tourism, and ICT. Following at 25.2% and 24.6%, respectively, are the industry and agricultural sectors, which demonstrate their consistent contributions to the economy.

The 6.5% projected growth in the FY 2024/25 is above the pre-COVID-19 growth rate of 6.3% recorded in the FY 2018/19 confirming full economic recovery from the COVID-19-induced lockdowns. This growth is hinged on heightened investment in the oil and gas sector, a surge in tourism activities, strong remittance inflows, and private investment growth, bolstered by foreign direct investment (FDI).

INFLATION

Inflationary pressures eased in the second half of 2024, with headline inflation declining from 4.0% in July to 2.9% in November 2024 before slightly increasing to 3.3% for the year ended December 2024. Similarly, core inflation has remained stable, decreasing marginally from 4.0% as of July 2024 to 3.9% in December 2024. This stability can be attributed to monetary policy measures that have bolstered the shilling exchange rate, favourable weather conditions leading to lower food crop prices, lower oil prices, and a reduction in global inflationary pressures (State of the Economy Report -December 2024 -BOU)

In response to a steady inflation rate below 5%, the Bank of Uganda's Monetary Policy Committee lowered the Central Bank Rate (CBR) from 10.0% in September to 9.75% in its October 2024 sitting and has maintained the same to date. The Bank projects inflation to remain below 5% over the next 12 months, signalling a continued focus on maintaining economic stability.

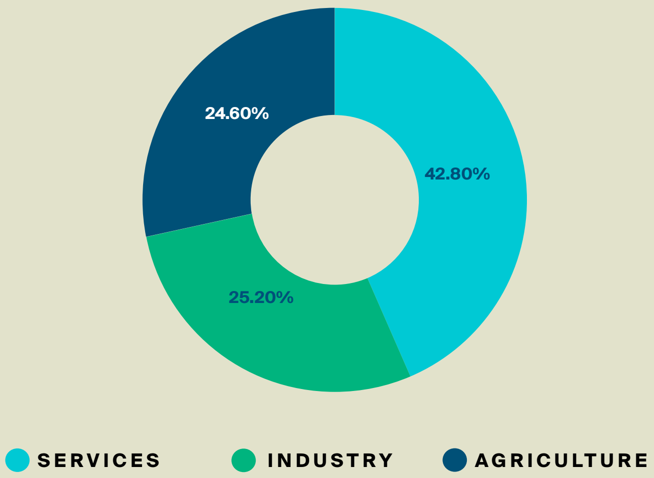
HIGHLIGHTS

Table 1: GDP Growth Trends

ECONOMIC FACTOR	STATISTIC (%)
Economic Growth Rate FY 2024/25	6.5%
Central Bank Rate (CBR) December, 2024	9.75%
Annual Uganda Shilling Appreciation, December, 2024	3.1%
Headline Inflation October 2024	2.9%
Core Inflation October 2024	3.9%

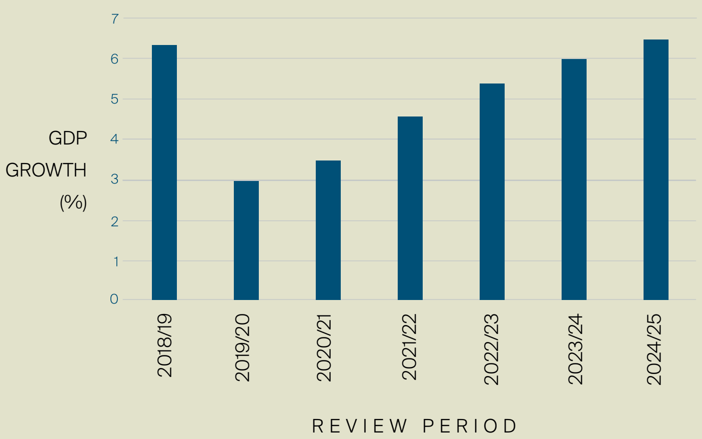
Source: Uganda Bureau of Statistics (UBOS) and Bank of Uganda (BoU)

Figure 1: Sectoral Contribution to GDP



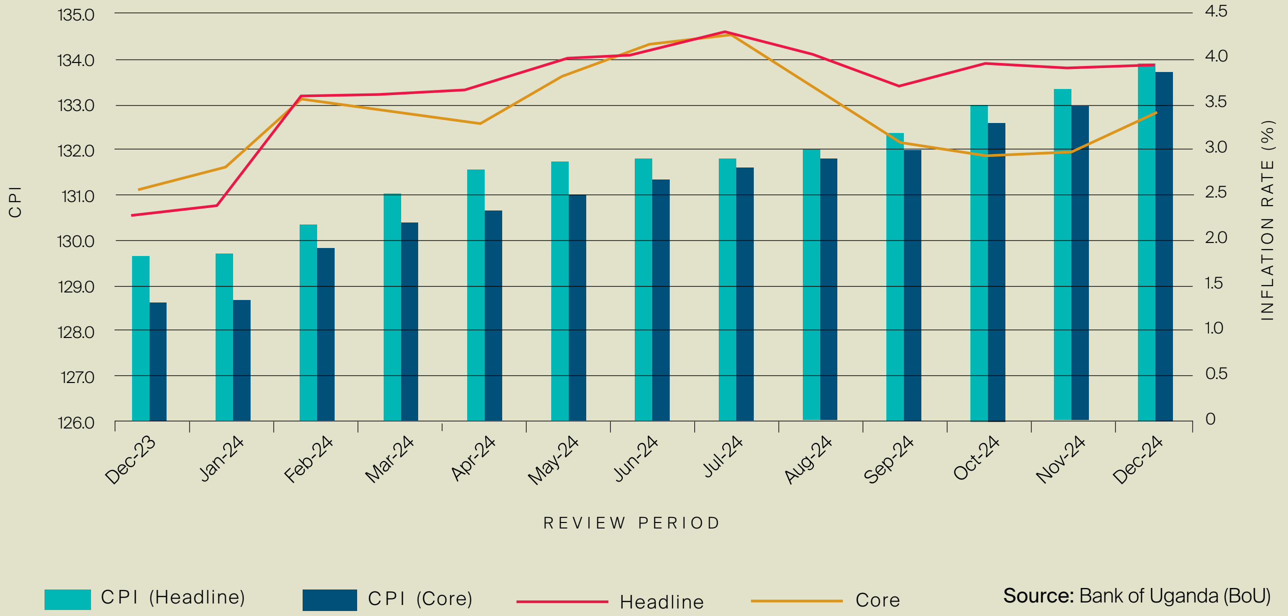
Source: Uganda Bureau of Statistics (UBOS)

Figure 2: GDP Growth Trends



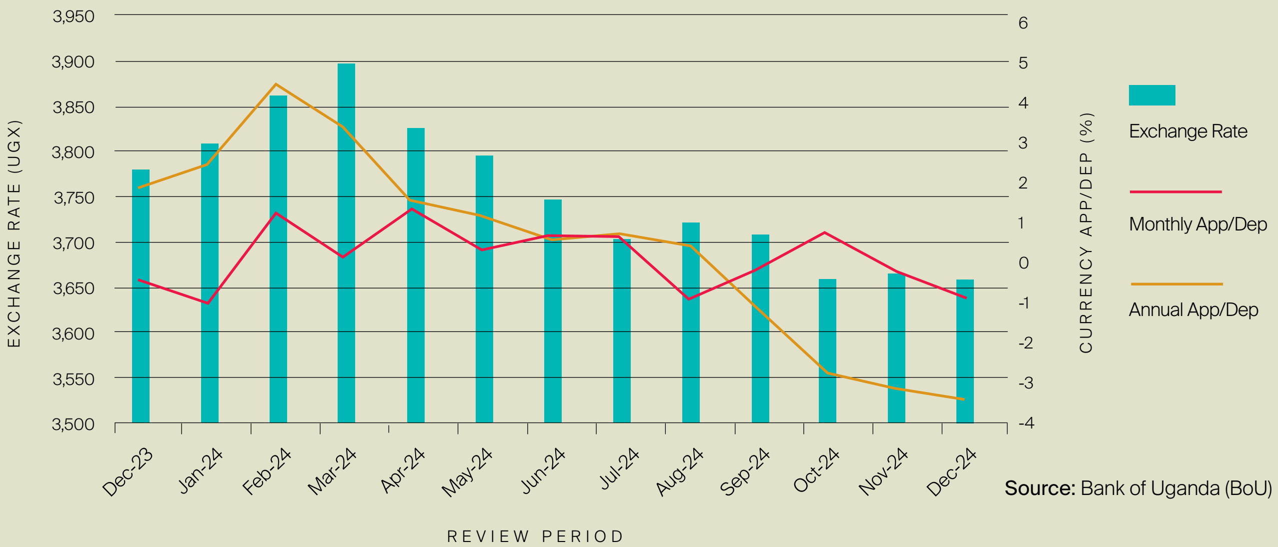
Source: Uganda Bureau of Statistics (UBOS)

Figure 3: Annual Inflation Trend



Source: Bank of Uganda (BoU)

Figure 4: Monthly Currency Appreciation/ Depreciation.



Source: Bank of Uganda (BoU)

EXCHANGE RATES

The Uganda Shilling remained relatively stable with a bias toward an appreciation in H2 2024 supported by continued inflows from coffee exports, remittances, portfolio inflows, FDI inflows, and monetary policy actions. On an annual basis, the Shillings appreciated by 3.1% for the year ended December 2024.

BUSINESS ACTIVITY

The business sentiments pointed to a positive outlook among business executives relative to historical averages within the H2 2024 period. The Business Tendency Index (BTI) decreased slightly from the 59.08 figure posted in July to 57.51 in October 2024 before rebounding to 59.64 in December 2024, indicating heightened optimism among business executives.

Similarly, the Stanbic Bank Purchasing Managers Index (PMI) reflected positive momentum, with the PMI posting 53.7 in July and increasing to reach 57.8 by September and decreasing slightly within the last quarter of the year to 54.0 in December 2024.

The PMI throughout the period remained above both the 50 no-change mark and the series average of 52.7. Ugandan private sector companies ended 2024 on a positive note, maintaining the growth of output and new orders and being optimistic about further growth in 2025 however, firms posted a reduction in employment as most opted not to replace departing staff.

OTHER ECONOMIC HIGHLIGHTS.

The Kampala Capital City Authority (KCCA) has launched the Kampala City Roads Rehabilitation Project (KCRRP) as part of a broader initiative to upgrade the city's infrastructure. This project aligns with the Government of Uganda's Vision 2040, aimed at transforming the economy from low-income to a competitive upper-middle-income status.

The KCRRP focuses on reducing traffif congestion, improving road networks, upgrading key traffic junctions, and enhancing drainage systems to mitigate flooding.

The project also includes the establishment of a Traffic Control Centre (TCC), provision of street lighting, and improvements to stormwater drainage.
The first phase, which is underway prioritizes upgrading 121 km of road network, with further phases planned for continued city-wide development. This project will aid in improving road transport in Kampala city by reducing transit time and transportation costs.

Legal Alert

REAL ESTATE BILL ANALYSIS

After over a decade in the pipeline, the Real Estate Bill comes at a pivotal time when the sector is experiencing unprecedented growth attracting a significant number of stakeholders and creating the need for urgent regulation. The Bill provides a regulatory framework for the sector designed to safeguard the interests of various stakeholders including investors, consumers, and other industry players.

This analysis evaluates the implications of the proposed Real Estate Bill on the operations and continuity of real estate businesses, as well as its broader impact on the sector as a whole. It further identifies critical gaps and potential shortfalls within the bill that remain unaddressed, yet they are essential for promoting a stable and secure Real Estate market that fosters investor confidence.

MARKET INTEGRITY AND CONSUMER SAFEGUARDS.

Central to the Bill's objectives is the need to address the long-standing challenges in the Real Estate sector, particularly the prevalence of fraudulent transactions and unethical practices by some industry players that have left many consumers susceptible to financial loss. The establishment of the High Court and Land Division was in part a retort to these challenges. By requiring real estate agents and developers to register and obtain licenses, the bill introduces a layer of accountability that has been absent in the sector often leading to unsuspecting customers falling prey to unverified agents or developers. Additionally, it establishes safeguards to ensure that buyers receive value for their investments, mitigating risks associated with property acquisitions and fostering greater trust in real estate dealings.

STANDARDIZING INDUSTRY PRACTICES

One of the Bill's most anticipated contributions is its potential to bring uniformity to the real estate sector. The bill seeks to introduce consistent rules and standards, ensuring a level playing field for all actors.

The absence of clear guidelines has posed significant challenges, especially to legitimate market actors who have oftentimes faced unfair competition from fraudulent players engaging in unfair trade practices.

This standardization will have far-reaching benefits not only to the industry players but the economy as a whole as it enhances investor confidence and stimulates economic growth. With Investors having assurance that their investments are secure, they will be more willing to inject capital. Furthermore, standardized practices will reduce ambiguity in transactions, enabling smoother operations and promoting economic stability.

FOSTERING INVESTOR CONFIDENCE

Investors are typically more cautious about injecting capital into markets perceived as unregulated or high-risk, and the proposed bill strategically addresses this concern. By introducing mechanisms such as obligations upon developers to comply with customer protection requirements, enforceable contracts, proper documentation, and a structured dispute resolution framework, the legislation aims to create a secure environment for investments. These measures will reduce uncertainties and foster confidence among both local and international investors.

The presence of a well-regulated market will also encourage long-term investments, as it encourages an orderly and transparent market where investors feel more secure in committing their resources to large-scale developments.

This influx of capital has the potential to stimulate job creation, spur economic growth, and position Uganda as a preferred destination for real estate investment.

ENSURING ACCOUNTABILITY AND ETHICAL CONDUCT.

The designation of the Department of Housing Development and Estate Management under the Ministry of Lands, Housing, and Urban Development as the regulatory body is a step in the right direction towards achieving accountability in the sector.

This body will oversee compliance with the law, address grievances, and enforce disciplinary measures where necessary. The establishment of a Professional Code of Ethics for real estate agents is yet another significant development, as it will promote professionalism and ethical behaviour within the industry ultimately safeguarding the interests of consumers and stakeholders. Agents will be mandated to adhere to these standards and those who fail shall be liable to sanctions including fines and revocation of licenses. By holding agents accountable for their actions, the bill protects consumers from exploitation and enhances the overall credibility of the real estate profession.

CONCLUSION

Overall, the proposed Real Estate Bill is a significant milestone towards a more transparent and regulated real estate sector. The Bill marks a paradigm shift in the Real Estate sector by confronting long-standing issues such as consumer protection, unethical practices, and lack of investor confidence and could potentially usher in a new era of public trust and confidence.

While acknowledging the bill's limitations in addressing emerging trends like digital transactions, potential risks of over-regulation, and bureaucratic inefficiencies, these concerns should not downplay the bill's potential benefits. Rather, they accentuate the need for periodic assessment to guarantee that the Bill, when eventually passed into law, will remain agile and relevant in a dynamic marketplace.

The Real Estate Bill is not just a legislative tool but an opportunity to elevate Uganda's real estate sector to regional and global heights with immense potential to drive growth in auxiliary sectors such as construction, banking, and insurance, creating a ripple effect across Uganda's economy. Ultimately, its success and impact will be entirely contingent on effective implementation.

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DISCLAIMER

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Residential Sector

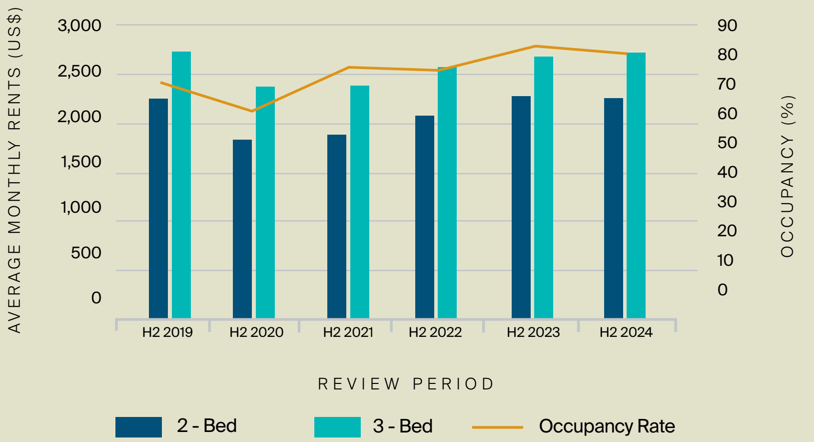
HIGHLIGHTS

- Increase in serviced apartment inquiries.
- 1% increase in rental prices of 3-bedroom apartment units
- 2% decrease in Occupancy levels
- Increased pipeline activity
- Increase in high-density projects within the prime areas

Similar to H1 2024, the prime residential market remained sluggish in H2 2024 characterized by a low volume of sales and lettings and a slight decrease in occupancy levels compared to H2 2023. The market witnessed a 1% increase in average rental prices for 3-bedroom apartment units as a result of newer, spacious, and modern units coming onto the market while the average rental prices for the 2-bedroom units remained stable.

Occupancy levels in prime areas decreased from 84% in H2 2023 to 82% in H2 2024, a decline of 2 percentage points. The decline in occupancy levels is attributed to the upcoming projects in the secondary residential locations. While these areas are located further away from the CBD (within a 5km-10 km radius), they offer modern spacious units within quiet neighborhoods providing a serene environment at more affordable rates away from noise pollution, increased construction sites, and congestion that has characterized the prime areas of Nakasero and Kololo. This has, in turn, forced the diplomats, expatriates, and other high/middle-income occupiers who usually prefer the prime areas to consider the secondary suburban locations of Naguru, Mbuya, Bugolobi, and Muyenga among others.

Figure 5: H2 2024 Rental and Occupancy Rates



Source: Knight Frank Uganda

The influx of rent-seekers from prime areas to the secondary suburban locations has resulted in significant rental increases within these locations, consequently extending the city's boundaries. A notable example is the continuous rise in rental prices in the Kyanja neighborhood, which has led to the development of surrounding areas such as Kungu, Komamboga, Kitetika, Lutete, and others.

In the second half of 2024, there has been a sustained preference for furnished apartments, particularly among the expatriate community. Additionally, short-term rental arrangements (less than a month) have continued to grow in secondary neighborhoods such as Kyanja, Kisasi, Najjera, Bukoto, and Muyenga. This growth is driven by the adoption of proptech, as both landlords and tenants increasingly utilize technology to fulfill their real estate needs.

There has also been a significant increase in the number of developments coming on the market, especially in the prime locations of Nakasero, Kololo, and Naguru both for the sale and letting markets. Over 1,100 units are expected to be up on the market in the next 12-24 months. H2 2024 saw a continuation of the high-density projects as seen in H1 2024.

While most of these projects are still under construction, we anticipate an oversupply of units over the next two to three years which will result in a downward revision of rents as landlords try to reduce the vacancy rates.

The demand for residential rental housing in prime areas is primarily driven by the expatriate community, diplomatic corps, and multinational staff seeking to get closer to workplaces and major schools located close to the CBD. The 2-bed and 3-bed units continue to be the most preferred in the prime and secondary neighbourhoods of Kampala. There has been a persistent demand for standalone houses by the expatriate community in the prime areas of Kololo, Nakasero, and Naguru amidst their limited supply. Most of the standalone houses on the market in prime areas are considered old, featuring colonial designs, fittings, and finishes that fail to meet contemporary tenant expectations and functionality. This mismatch between supply and demand has led tenants to opt for more modern and chic apartment units (built on plots formerly housing stand-alone houses that have been broken down to benefit from vertical expansion) or explore alternative housing options within the semi-prime and secondary neighbourhoods such as Muyenga, Munyonyo, and Lubowa.

Diplomats, multinational staff, and high- to middle-income individuals continue to seek accommodation in suburbs close to the Central Business District (CBD), such as Naguru, Bugolobi, and Kololo. These areas offer good quality building facilities, superior facility management services, and quieter living environments, all within close proximity to essential services like schools, hospitals, and shopping centers.

The sales market in prime areas has remained strained, with a growing number of properties available for sale and a limited pool of buyers. Consequently, this has led to longer completion times for property sales. Sales activity in secondary neighborhoods has also increased, driven by developers aiming to deliver high-density residential projects in these areas to meet the consistent demand within the catchment area.

Developers in secondary neighborhoods are successfully offloading properties by the block due to high occupancy levels, improved location proximity to main roads and public transport as well as more modern fittings and fixtures. The improved proximity to main roads and public transport enhances accessibility, attracting more potential buyers and renters who prioritize convenience in their daily commutes. Additionally, the incorporation of modern fittings and fixtures in these properties adds significant value, appealing to those seeking contemporary living spaces. These combined advantages make secondary neighborhoods an attractive option for both developers looking to sell quickly and residents seeking quality housing.

LUBOWA

Lubowa has become very popular over the past 2 years and is seeing a steady but increasing relocation of High-Net-Worth Individuals (HNWI) and expatriates from the once prime residential suburbs of Kampala like Kololo, Nakasero, Nagguru, and Bugolobi to Lubowa, Kigo, and surrounding areas. Relocations are to newly built owner-occupied villas on sizable plots or spacious apartments and penthouses on the hilltops of these leafy green locations. The relocations are being influenced by the areas' proximity to international schools, hospitals, easy access to the expressway, Entebbe International airport, and retail stores among others but most importantly a quieter, more serene quality of living in greener, less crowded locations.

Eden apartments - Ntinda

Office Sector

HIGHLIGHTS

Persistent demand for State-of-the-art Offices

1% decrease in Occupancy levels.

100,000 SQM

Office space in the pipeline

Stable rental rents

Source: Knight Frank Uganda

Table 2: Average Office rents per square metre.

GRADE	RENT PER SQM (US$)	OCCUPANCY
Grade A	$16.5	89.6%
Grade AB	$15	84.0%

The office sector in Kampala maintained a steady demand for prime office spaces in H2 2024 with prime average rents recorded at $16.5 and $15.0 per square metre per month for Grade A and Grade AB, respectively. Despite these averages, some landlords are achieving net rents as high as $18 per square meter in newly constructed buildings. These buildings, strategically located in the prime areas of Kololo and Nakasero, boast modern designs and finishes, along with ample parking facilities.

The Grade A rental rents held stable in comparison to the H2 2023 rates while the Grade AB rental rates experienced a 7% increase underscoring a shift among cost-conscious tenants seeking affordability without significant compromise in location or amenities. Despite robust demand, occupancy levels for Grade A and AB office properties experienced a slight decline, with vacancy rates increasing by 1% compared to H2 2023. This marginal drop is attributed to factors including business downsizing, the completion of NGO and government-funded projects, relocation to lower-grade spaces, office relocations from the CBD to the city suburbs, and market saturation in specific Grade A segments.

The Landlords remained firm on implementing annual contractual escalations of 3% to 5%, as allowed under the Landlord and Tenant Act. Lease agreements typically ranged between 3 to 5 years, reflecting stability in tenancy among prime office spaces.

Demand for smaller office units (under 200 square meters) has persisted. The trend highlights an increasing preference for compact, cost-effective spaces among businesses adapting to hybrid work models and varying operational needs.
Parking availability remains a critical factor influencing building occupancy levels. Tenants continue to prioritize properties with adequate parking, making it a decisive factor in office space selection.

In the second half of 2024, there was a noticeable increase in demand for office space outside the Central Business District (CBD), particularly among startups, services and financial sector firms. This shift is driven by a strategic preference to be closer to their customer base, as these locations are where many of their clients reside and conduct business

Table 3: Examples of Pipeline Office Projects

S/N	PROPERTY	LOCATION	APPROXIMATE LETTABLE AREA (SQM)
01	Pension Towers	Lumumba Avenue	32,000
02	Speke Business Park	Yusuf Lule road	16,660
03	Plot 5, Luthuli Avenue	Luthuli, Bugolobi	4,000
04	Saddler View Office Park (Mixed)	Saddler Ave, Naguru	8,329
05	IGG Building	Opposite Garden City	19,000
06	Twed Heights	Kyadondo	13,310
07	JLOS House	Naguru Police Campus	60,040

Source: Knight Frank Uganda

This shift is further influenced by challenges such as congestion, traffic jams, noise pollution and limited parking within the CBD.
Notably, there has been a surge in demand for residential stand-alone properties in Bukoto, Ntinda, Naguru, and surrounding neighbourhoods, which are being converted into office spaces.
These properties offer advantages such as enhanced privacy, ample parking, and proximity to residential areas, making them attractive alternatives to traditional office spaces.

The office sector in Kampala is poised for an oversupply of office space in 2025, with the completion of major projects such as the Chint Building, UDB Building, Ministry of Finance Building, and the Inspectorate of Government Building.
This influx is expected to result in increased vacancy rates, particularly in H2 2025, as the market adjusts to the added capacity.

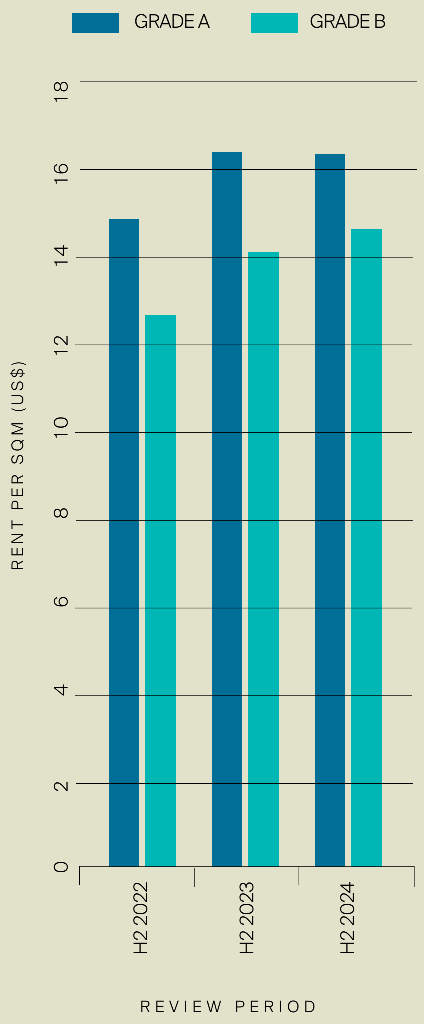
Furthermore, in a bid to cut expenditure, the government introduced a rationalization policy that saw some Ministerial departments and Agencies (MDAs) abolished or combined while others were returned to their mother ministries.

This is likely to have a negative impact on the performance of the office sector as some of the MDAs who were renting out office premises, will relinquish these spaces thus resulting in an office space oversupply.

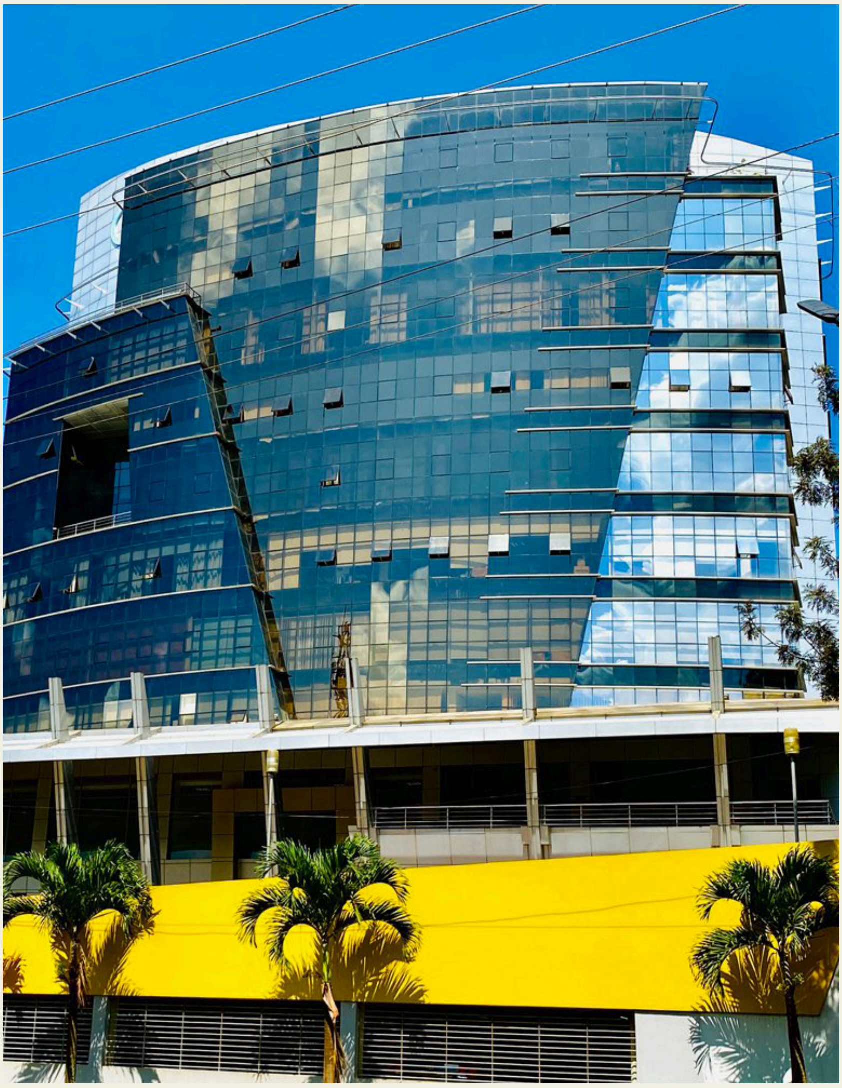
Pipeline projects continued to experience significant construction completion delays due to a number of reasons such as development finance constraints and unexpected/delayed regulatory hurdles.

Over 100,000 sqm of office are expected onto the market between H1 2025 and H2 2025. The pipeline projects once complete will increase the office supply at a faster rate as compared to demand thus further increasing vacancies and lowering the rental levels.

Figure 2: Prime Office Rentals in US$



Source: Knight Frank Uganda



Course View Towers along Yusuf Lule Road adding up more than 5000 sqm of office space at the start of 2026

Retail Sector

HIGHLIGHTS

2.8% growth in annual turnover

4,600 SQM

Retail space leased in KFU Malls in H2 2024

5% decrease in footfall

1.72% growth in occupancy

Source: Knight Frank Uganda

Table 4: Retail rentals per square metre.

SIZE OF SPACE (M2)	RENT PER SQUARE METRE (US$)
< $10m^2$	$250
< $50m^2$	$48
<$100m^2$	$40
<$500m^2$	$32
>$500m^2$	$20
>$1000m^2$	$13

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.

In the second half of 2024, the retail sector remained resilient, as evidenced by increasing turnover and occupancy figures. On an annual basis, average turnover within the general grocery retail category increased by 2.8%, Occupancy levels across Knight Frank-managed malls increased by 1.72%, rising from 80.7% in H2 2023 to 82.4% in H2 2024 while average footfall figures decreased by 5%.

These mixed indicators—rising turnover and occupancy alongside declining footfall—suggest a nuanced shift in consumer behavior. While increasing occupancy and turnover figures point to consistent consumer demand, the decline in footfall figures suggests that some consumers have changed their shopping patterns.

Knight Frank launched new retail developments in

Kampala, Mbarara & Hoima

Source: Knight Frank Uganda

The minimal increase in average turnover for general grocery retail is attributable to the decrease in disposable income and changing market dynamics in the electronics consumer market sector. While electronic sales have always formed a big component of the black November promotions and sales at many general grocery retail outlets, more competitive players such as U-home and Chinatown have come onto the market, offering better prices and thus lowering the electronics and appliance sales at general grocery retail outlets.

The increase in occupancy was occasioned by new entrants into the market such as Numero Uno as well as retailers who were expanding and opening new outlets at other malls. The continued development of neighborhood malls within the Greater Kampala Metropolitan area has likely contributed to the decline in footfall observed in Kampala's larger retail malls.

These smaller malls offer increased convenience for local residents due to their proximity to residential areas, reducing travel time. However, these neighborhood malls typically offer limited parking capacity and a less diverse tenant mix, primarily featuring local retailers with limited presence from international and regional brands. Retail rentals across the different Knight Frank-managed malls have remained stable as compared to H2 2023.

Parking has remained a driving factor for shoppers and in a bid to create consumer parking spaces, H2 2024 saw most of the malls formerly offering free parking introduce parking fees. While most of the malls offer free parking for the first hour, some malls have gone ahead to charge parking fees even in the first hour, which is likely to affect turnover and footfall figures negatively and compromise on convenience.

During H2 2024, the market witnessed the entry of new players into the market, with Numero Uno, a franchise operation dealing in fashion brands such as Stradivarius, Pull and Bear, and Zara to mention but a few opening its first store in Kampala at Acacia Mall while MRP, an international fashion retailer opened its third store in Kampala at Arena Mall. Skechers and USS Polo are set to debut their first stores at Acacia in Q2 2025 while Dr Mattress and Beko are set to Open at the Arena Mall in Q2 2025.

The retail sector showed buoyant demand in H2 2024 with over 4,600sqm of space leased out by Knight Frank across Knight Frank-managed Malls.

Several roads are being upgraded within Kampala with most of the former round-abouts being replaced with T- junctions and traffic lights which have increased accessibility of some of the properties. To note is the Arena Mall in Nsambya, the opening of the roads around the mall has led to a doubling of the foot figures, increased occupancy levels (above 80%), and an increase in sales volumes.

The Retail sector is projected to continue growing during H1 2025, with numerous new store openings in Kampala malls. Knight Frank also launched three new retail developments in this half year with all three developments expected to commence trading in 2026. They are located in Lugogo, Kampala, Mbarara City and Hoima City.

> "The retail sector showed buoyant demand in H2 2024 with over 4,600 SQM of space leased out by Knight Frank across Knight Frank-managed Malls."

Numero Uno, a clothes brand opened at Acacia.

Skechers and USS Polo are set to debut their first stores at Acacia

80%

Arena Mall occupancy levels

Figure 6: Changes in Occupancy across Knight Frank Managed Malls

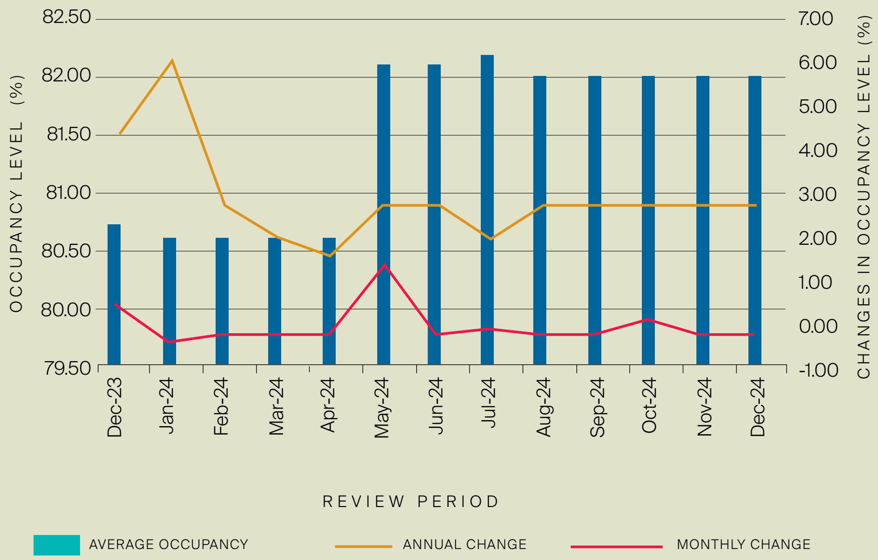


Figure 7: Footfall Growth across Knight Frank Managed Malls

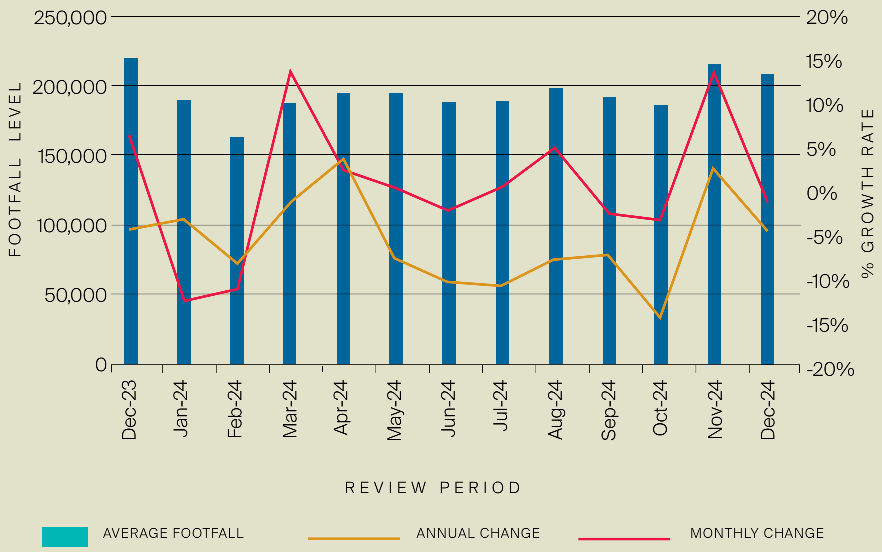
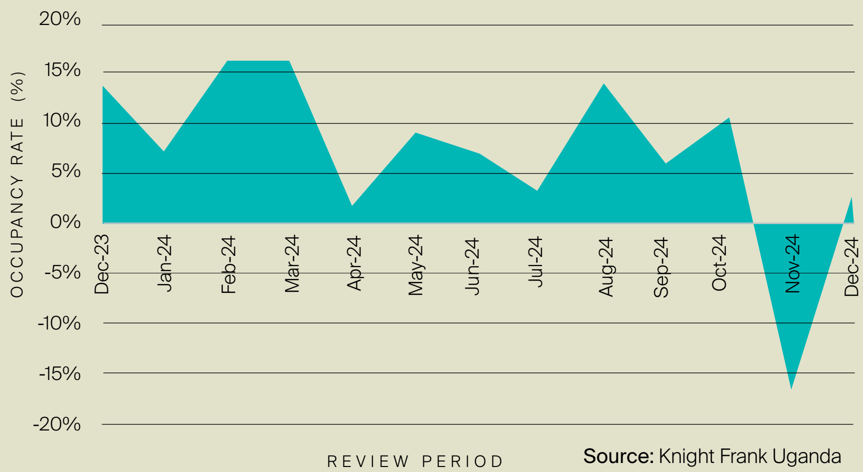


Figure 8: Changes in General Grocery Retail Turnover across Knight Frank Managed Malls



Source: Knight Frank Uganda

Industrial Sector

Over 30,000 sqm of warehousing space brought into the market while over 100,000 sqm of industrial space is currently under construction.

The industrial sector remained resilient throughout H2 2024 with rental rates similar to those recorded in H2 2023 and occupancy levels above 80%. The sector witnessed continued demand from Small to medium enterprises as well as start-up companies. Additionally, we have seen a rise in the demand for warehouse space in area with close proximity to the central business district, particularly from companies wishing to establish distribution centres.

The Kampala Industrial and Business Park (Namanve) has experienced exponential growth with more industries completing construction and starting production. The warehousing and distribution sub-sector within the park is booming with over 40,000 sqm of warehousing space expected on the market before the end of 2025.

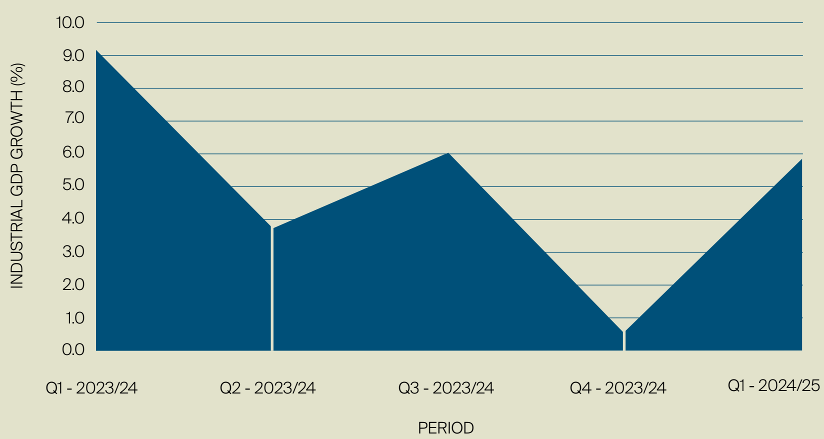
The new warehousing hots are sizeable (over 1,000 (over 1,000 sqm) with eaves height between 7m and 10m. The parking yards and access roads have been widened to enable easy turning of heavy-duty trucks. The main occupiers of warehousing space within Namanve include exporters especially those in the coffee export business, local industries (setting up distribution centres) and importers looking for storage for imported goods before dispatch.

Demand for industrial space has persisted, primarily driven by investors in the agro-processing, automotive, manufacturing, interior design, pest control, pharmaceutical, and beverage industries. These firms consistently seek modern facilities equipped with amenities such as higher heights, wide doors, and reinforced concrete floors to support heavy machinery. Additionally, the demand for cold storage solutions continues to grow steadily, particularly for those involved in the supply chain of perishable commodities.

Pipeline activity in the industrial sector increased in the second half of 2024, with over 30,000 square meters of new warehousing space completed and brought to market. An additional 100,000 square meters of industrial space is currently under construction. The majority of this pipeline space is located within Namanve Industrial Park and Nalukolongo Industrial Area.
H2 2024 also registered an increase in industrial properties available for sale. Most of the properties being advertised for sale are old warehouses with low eaves height (5m and below), lack modern facilities, and require significant repairs. However, there are few buyers, and this has resulted in prolonged marketing periods and low sale prices thus creating a buyers' market.

In the period under review, there has been an increased demand for industrial land to buy in areas within close proximity to the city with most occupiers looking for land between 3-4 acres.

Figure 9: Industrial GDP Growth Rates



Source: UBOS

Table 5: 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

> "Industrial occupiers continue to demand for modern facilities with amenities such as higher eaves heights, wide doors, strong floors to accommodate heavy machinery and cold storage for those in the supply chain of perishable commodities."

However, most of the available land within the industrial parks does not meet the client's requirements (3-4 acres) and it's highly priced where available thus becoming unaffordable to the prospective buyers.

Occupiers continue to prefer proximity to major transport routes as well as major suppliers and distributors. The traditional industrial area (01st to 06th Street), Ntinda-Nakawa Industrial Area, Bweyogerere, Namanve, and Kawempe have remained the most preferred locations with warehousing rent ranging between $3-$7 per square metre depending on location and other property specific attributes.

Uganda's growth strategy for the FY 2024/2025 is anchored on agro-industrialisation, tourism development, mineral development including oil and gas, and technology and innovation. The Q1 2024/25 GDP data released by UBOS indicates that the industrial sector grew by 5.9% in Q1 2024/25 with growth registered mainly in the manufacturing and construction subsectors.

On November 21, 2024, The President of Uganda, His Excellency Yoweri Kaguta Museveni launched the construction of Uganda's Standard Gauge Railway (SGR), a 272-kilometer railway connecting Kampala to Malaba at the border with Kenya. This modern rail system aims to enhance Uganda's competitiveness in trade and investment by reducing transportation costs and linking Uganda to Kenya's rail network and the Indian Ocean port of Mombasa. The project, valued at €2.7 billion, is expected to be completed by 2028. The project once complete will ensure faster delivery of both finished and raw materials which is expected to significantly enhance the efficiency of supply chains for industrial businesses and stimulate further growth within the sector.

Nalukolongo Industrial Park has continued to gain traction with the development of Yogi Business Park, a 33-acre premium industrial hub offering 65,000 sqm of warehousing space located 5.5km southwest of Kampala's central business district. The park offers excellent access to major transportation routes, including Masaka-Kampala Road and Wankulukuku Road.

The park offers state-of-the-art industrial space including cold chain refrigeration, high-capacity power supply and advanced security systems, positioning it as a leading development in Uganda's Industrial sector.

Nalukolongo Industrial Area

100,000 sqm

Warehousing space within the pipeline

Over 30,000 sqm

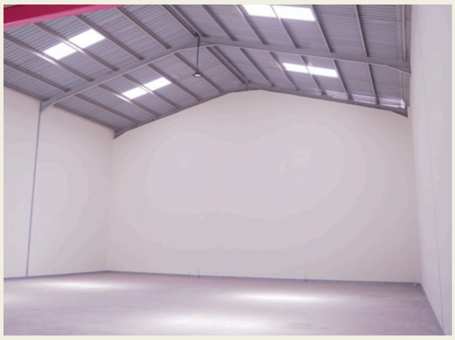
Space brought onto the market in H2 2024

US$3 - US$7

Warehouse Rental rates

Increased demand for industrial space

Source: Knight Frank Uganda



Yogi Business Park

65,000+ SQM OF WAREHOUSE & LOGISTICS SPACE

Strategically located 5KM from CBD in Nalukolongo along Masaka Road.

SUITABLE FOR

- AGRO- PROCESSING
- MANUFACTURING
- HOME SUPPLIES
- CONSTRUCTION
- GENERAL MERCHANDISE

SPECIFICATIONS

- **150** WAREHOUSE UNITS
- AMPLE PARKING AND LOADING DOCK MANEUVERING SPACE
- MONTHLY RENTAL RATE **UPON CONTACT**
- GROSS LETTABLE AREA **65,000 SQM**
- MINIMUM FLOOR AREA **FROM 450 SQM**
- COLD STORAGE **1350 SQM**

AMENITIES

- **BANKING** Banking Hall, ATM and Agent Banking
- **WIFI**
- **24/7 SAFETY & SECURITY**
- **WEIGH BRIDGE & CUSTOM BONDED WAREHOUSE**
- **RESTAURANT**
- **GYM**
- **ONSITE UTILITY MANAGEMENT**
- **SERVICED APARTMENT**

Valuation and Advisory

Demand for credit rose in the three months to October 2024, reaching Shs 7.4 trillion, up from Shs 6.0 trillion in the three months to July 2024 signalling sustained economic activity and growing financing needs across various sectors.

THE CREDIT FINANCING OUTLOOK H2 2024

From the general outlook, the economy experienced undulating shocks resulting in fluctuating inflation with the annualized headline inflation peaking at 4% in July 2024. In a bid to maintain the inflation rate within the medium target range of 5% and minimise currency depreciation while supporting sustainable growth, the Bank of Uganda, in a special monetary policy sitting in the first half of the year raised the Central Bank Rate (CBR) to 10.25% (the highest since 2017) which saw the annualized headline inflation easing out gradually, averaging at 2.9% in November 2024.

The loans sector in Uganda has been volatile hinged on both domestic and foreign economic shocks. According to the State of the Economy report for December 2024 published by the Bank of Uganda, private sector credit (PSC) growth softened in H2 2024, reflecting the impact of increased government borrowing, which constrained private sector access to credit. In the three months leading up to October 2024, annualized average PSC growth declined to 8.2%, from 9.1% in the three months leading up to July 2024.

Net of valuation and capitalized interest, PSC growth also moderated to 8.3%, compared to 9.1% in Q2 2024. Shilling-denominated loans expanded by 10.4%, slightly lower than the 11.0% growth recorded in the prior period, while foreign currency-denominated loans slowed significantly to 2.4% from 4.1%.

The report further highlights that total net credit extensions in the three months to October 2024 declined to Shs 0.8 trillion from Shs 1.2 trillion in the three months to July 2024, reflecting a cautious stance by supervised financial institutions (SFIs), which scaled back lending to the private sector amidst increased government borrowing and tight liquidity conditions.

On the flip side, demand for credit rose in the three months to October 2024, reaching Shs 7.4 trillion, up from Shs 6.0 trillion in the three months to July 2024 signalling sustained economic activity and growing financing needs across various sectors.

On the supply side, credit availability also improved, with supply rising to Shs 4.6 trillion from Shs 4.1 trillion over the same period. The commercial mortgages continue to trail the residential mortgages with 52% of the mortgages extended to commercial borrowers compared to the 48% extended to residential ones in the four months to October 2024 per Bank of Uganda data.

Despite this positive trend, credit approval declined to 62.6% from 68.4% as banks adopted a more cautious lending approach in response to heightened risks and increased competition for funds. This cautious stance contributed to a marginal decline in non-performing loans (NPLs), which fell to 4.85% in September 2024 from 5.0% in June 2024, reflecting improved portfolio quality in the banking sector.

0.8

Trillion Uganda Shillings total net credit extensions

TECHNOLOGY (AI & ESG IN VALUATIONS)

As part of our ongoing commitment to support high standards in valuation delivery worldwide, future-proof practices in the public interest and build trust in the profession, RICS updated its Red Book Global Standards, published in December 2024 and will become effective on 31st January 2025. These proposed updates are set to include a revised structure, enhanced focus on ESG data, valuation modelling, and a series of administrative adjustments and reinforce compliance requirements where written valuations are provided. While AI is not prohibited, the valuer's professional judgment remains central to producing a compliant valuation.

ESG considerations have been part of the Red Book since 2012, with mandatory standards introduced in 2014. The Red Book Global Standards update further integrates ESG by defining a performance framework to measure objectives aligned with sustainability goals.

Outlook

SECTORS

01 Economy

- Global headline inflation is expected to ease reflecting a broader stabilization in prices as economies adjust to post-pandemic conditions and central banks continue to manage interest rates effectively (IMF WEO report, October 2024)
- Inflation is projected to remain below the medium-term target of 5%, averaging 3.7% in FY2024/25 and 4.2% in FY2025/26 and return to target in the medium term (BOU).
- Economic growth in FY2024/25 is projected between 6.0% and 6.5%, rising above 7% in the subsequent years driven by investment in the extractive industry and government programs targeted at boosting productivity.
- Increased infrastructure development in Kampala under the Greater Kampala Metropolitan Area Development Program. This is likely to positively affect all the sectors of the economy, including real estate.

02 Residential Sector

- Increase in rental rates in the suburbs and commuter towns.
- Increase in the number of high-density projects within the prime areas.
- Increased pipeline activity within the prime and semi-prime areas.
- Reduction in rental levels and occupancy levels for the prime areas as build quality in the secondary residential suburbs improves greatly.
- Increasing fibre internet connectivity to the secondary suburbs and commuter towns.

03 Commercial office Sector

- Persistent demand for smaller spaces
- Increasing vacancy rates in lower-grade buildings due to flight to quality as occupiers move to state-of-the-art grade A office buildings.
- Decline in rental rates due to increased competition from newer properties.
- Decrease in commercial office construction pipeline activity

04 Retail Sector

- Increase in neighbourhood malls in semi-prime areas and commuter towns.
- Increase in pipeline activity
- Stable occupancy, turnover and footfall figures.

05 Industrial Sector

- Increased demand for industrial land
- Increased warehouse development pipeline activity.
- Increase in cold storage facilities

Increase in the number of high-density projects within the prime residential areas.

Persistent demand for smaller office spaces

Increase in neighbourhood shopping centers in semi-prime areas and commuter towns.

Increase in cold storage facilities

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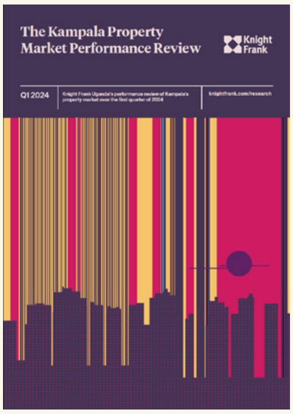

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THE AFRICA REPORT - 2024/5

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