Kampala Short-Term Rental

Market Report - 2026

Trends, Performance and Investment Opportunities in Kampala's Short-Stay Accommodation Sector

EXECUTIVE SUMMARY

Kampala's short-term rental market is one of East Africa's most commercially significant and fastest-evolving hospitality subsectors. It is not a speculative frontier, it is an established, revenue-generating market with a structurally resilient demand base, measurable performance metrics, and a clearly defined path of professionalization.

Demand
Business-driven: Market dominated by NGO professionals, diplomats, and corporate travelers. Resilient against economic cycles and underpinned by institutional funding and project-based travel.

Supply
3,478 Airbnb-visible listings and growing. The true market is materially larger. 1,000+ new residential units expected in prime zones within 24 months, intensifying competition.

Opportunity
Tier 2 zones (Bugolobi, Bukoto, Mbuya) offer the strongest risk-adjusted returns. Professional operators are consistently outperforming the market, and execution quality is the primary differentiator.

The Kampala STR market rewards execution discipline more than asset quality alone. A well-managed unit in Kyanja will consistently outperform a poorly managed unit in Kololo.

Six things every investor needs to know

1. Demand is institutional, not seasonal leisure: NGO, diplomatic and corporate guests form the bedrock, providing year-round resilience.
2. Supply is growing faster than demand in prime zones: rate compression in Tier 1 is real; smart capital is moving to Tier 2. Tier 3 supply remains elevated due to low barriers to entry, making these zones highly competitive and margin sensitive.
3. The off-platform market is large: the online bookings platform understates total market size. Corporate and direct-let segments are invisible to platform analytics.
4. Infrastructure investment is non-negotiable: backup power and water storage, WIFI are not premiums; they are table stakes for any serious STR operator.
5. Regulatory formalization is coming: operators who establish compliance early (UTB licensing, tax registration) will have a structural advantage as enforcement tightens.
6. Online reviews are a critical performance lever: listings with consistently high ratings and responsive host profiles are algorithmically favoured by platforms, directly influencing visibility, booking volume, and pricing power.

MARKET OVERVIEW

Key Market Highlights	Data	Source
Active Airbnb Listings	3,478	AirDNA, Dec 2025
Average Daily Rate	$39	Median booked nightly (Airbtics)
Median Occupancy Rate	44%	Airbnb segment (Airbtics)
Year-on-Year Supply Growth	56.7%	Change in active listings (Airbtics)
Est. Avg Annual Revenue Per listing	$6,333	Airbnb segment
RevPAR Revenue per available rental	$16.7	(AirDNA)

*These numbers are based on listed units

Introduction
Kampala's short-term rental (STR) market is undergoing a period of structural expansion driven by rising tourism, a growing expatriate workforce, and a decisive shift by property owners away from long-term leases toward furnished, flexible-stay units. As of late 2025, approximately 3,478 active Airbnb listings operate across the city and surrounding areas.

The market is at a structural transition point. A long phase of informal, landlord-led supply expansion is giving way to increasing professionalization, quality segmentation, and growing competition for a guest pool that is quality-sensitive and brand-aware. Over 1,000 new apartment units are expected to enter prime residential areas within 12 to 24 months, much of which is likely to seek STR tenancy as long-term rental pressure mounts.

How the market defines a short-term rental
A short-term rental (STR) is any residential unit listed for stays of fewer than 30 nights on platforms including Airbnb and Booking.com, or through direct booking arrangements. Kampala's STR market also accommodates extended stays of 1–3 months, distinguishing it from leisure-led global STR markets. It operates at the intersection of hospitality and residential real estate, demanding hotel-grade service while priced as an alternative to traditional apartments.

Three Phases of Market Evolution
Kampala's STR market has evolved through three distinct phases, each defined by shifts in supply structure, investor behaviour, and guest expectations.

Phase	Period	Supply Dynamics	Demand Character	Defining Feature
1	Pre-2015	Minimal; boutique guesthouses and informal homestays dominated	Expatriates and niche travellers; low platform awareness	Nascent - market barely existed
2	2016–2022	Surge in individual landlord conversions; Airbnb listings proliferate rapidly	Price-sensitive demand; growing local and international adoption	Rapid Informal Expansion - anyone with a furnished flat could participate
3	2023–Present	Multi-unit operators enter; listings up by over 37% over the 3 years; portfolio-based operators emerge	Guests prioritise reviews, consistency, and amenity standards over price	Gradual Professionalisation; quality floors are rising; informal operators losing ground

Market Intelligence

Prime residential occupancy in Kampala remained stable at approximately 83% in H1 2025, improving modestly from 82% in H2 2024. However, 1,000+ new apartment units entering prime zones within 12–24 months will intensify ADR compression unless differentiated through quality and management.

DEMAND DRIVERS AND GUEST SEGMENTATION

Key Demand Drivers

Demand in Kampala's STR market is predominantly business-driven, distinguishing it from more tourism-led destinations. The primary guest segments include NGO and development sector professionals on short-term assignments, diplomatic personnel, corporate consultants, and diaspora returnees undertaking medium-length stays. This demand base is relatively resilient to economic fluctuations, underpinned by institutional funding and project-based travel. However, it is highly quality-sensitive with guests demonstrating strong preferences for consistency, reliability, and well-managed properties often returning to high-performing units while quickly disengaging from underperforming ones.
Uganda recorded approximately 1.37 million international visitor arrivals in 2024 (MTWA Statistical Abstract 2025), providing a substantial inbound visitor pool. International tourists use Kampala as a transit or staging point before onward travel to safari destinations.

Uganda's well-established development ecosystem comprising multilateral agencies, bilateral donors, and international NGOs ensures a consistent, year-round flow of medium-term guests with relatively inelastic accommodation budgets, supporting sustained occupancy levels within the sector.

Regional Demand - East African Region

The market has witnessed an increased demand from regional African travellers, particularly from the Democratic Republic of Congo, South Sudan, Rwanda, and Kenya. Kampala functions as a primary logistics, medical, and business hub for the Great Lakes region, drawing a steady flow of visitors for cross-border trade, specialist healthcare, and corporate engagements. This demand is structurally resilient and largely operates outside platform booking channels, making it underrepresented in conventional STR analytics. For investors, the segment presents a compelling opportunity, particularly for properties positioned near the central business district, and the Entebbe Road corridor, where regional traveller activity is most concentrated.

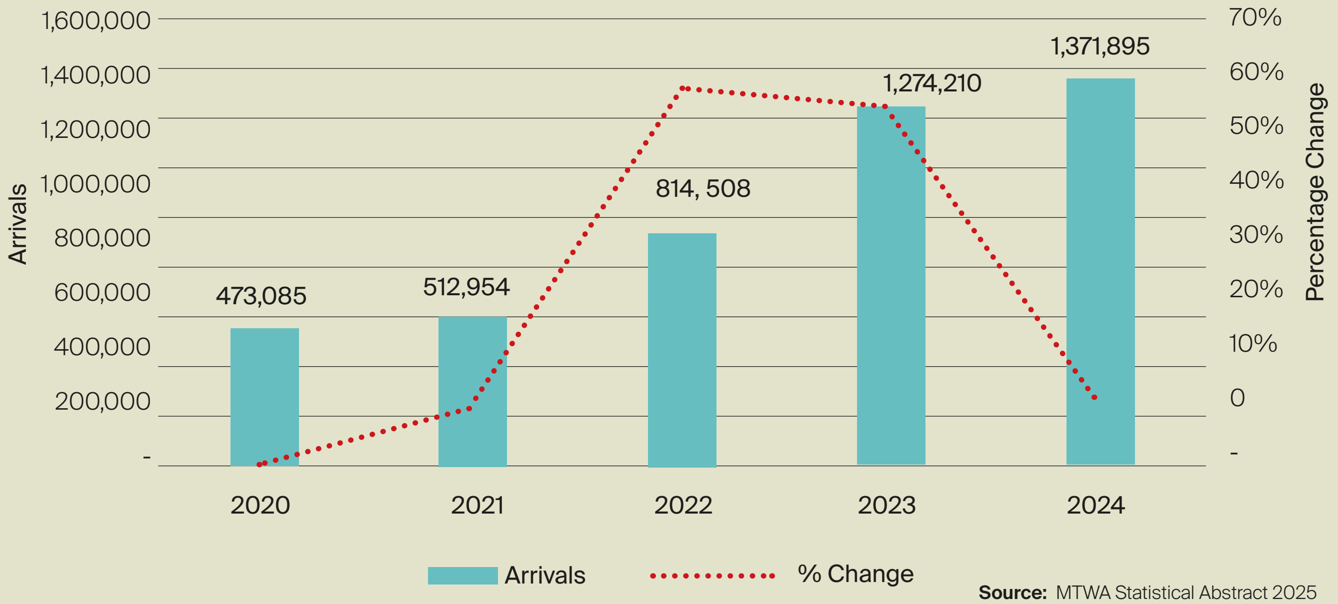
Demand Risk Alert

The Market has witnessed a slowdown in western expatriate demand (NGO, diplomatic) due to global redeployments and USAID funding contractions. This directly impacted occupancy in Kololo, Nakasero, and Naguru, prime locations most exposed to this segment. Operators in these zones should proactively diversify their guest mix toward regional corporate and diaspora segments.

Guest Segmentation

Kampala's short-term rental market is supported by a diverse mix of guest segments, each with distinct travel purposes, spending patterns, and accommodation preferences.

Figure 1: International Tourist Arrivals to Uganda, 2020-2024



Source: MTWA Statistical Abstract 2025

The table below outlines the primary guest categories driving demand in the market and their key characteristics.

Segment	Profile & Characteristics	Typical Stay	Booking Behaviour	Spend Level
International Business Travellers	Corporate professionals on short-term assignments, meetings, and conferences. High review sensitivity; willing to pay premium for consistency.	3–14 days	Platform-booked; high willingness to pay for quality	High
NGO & Development Sector Professionals	Consultants, programme managers, and project staff linked to multilateral agencies, NGOs, and donor organisations.	14–60 days	Institutional procurement; direct or agent-booked; high repeat rate	High – institutionally funded
Diaspora Returnees	Ugandans returning from UK, US, Middle East and elsewhere for family, business, or relocation exploration.	7–30 days	Often direct or personal networks; price-sensitive relative to internationals	Moderate
Regional African Travellers	Business and medical visitors from DRC, South Sudan, Burundi, Rwanda, and Kenya. Kampala is a logistics and healthcare hub for Great Lakes region.	3–14 days	Mixed - platform, agent, and direct. Growing segment with increasing spend.	Moderate -High
Safari & Leisure Tourists	International visitors transiting Kampala before wildlife travel.	1–3 days	Platform-booked; less amenity-sensitive than institutional guests	Moderate
Domestic Short-Stay Users	Local residents seeking accommodation for events, staycations, or personal transition periods.	1–3 days	WhatsApp and personal networks; price-sensitive; growing segment	Price Sensitive

Knight Frank market research indicates that the highest-performing STR operators in Kampala are those who leverage a diversified booking strategy across all available channels, combining platform listings (Airbnb, Booking.com), direct corporate arrangements, real estate agent networks, and personal referrals. Operators who rely on a single channel consistently underperform those with a multi-channel acquisition model, both in occupancy consistency and revenue per unit.

Seasonality and Demand Rhythms

Kampala's STR market exhibits pronounced seasonal variation driven by international travel patterns, corporate activity cycles, conference calendars, and holiday movements. Demand peaks are aligned with periods of heightened business travel, diaspora return, and major events, while off-peak periods introduce greater vacancy risk and rate pressure. Understanding these rhythms is critical for yield management, cash flow planning, and marketing strategy.

Table 2: Kampala STR Demand Calendar

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
High	Low	Low	Mid	High	Mid	Soft	Soft	Mid	Mid	High	Peak

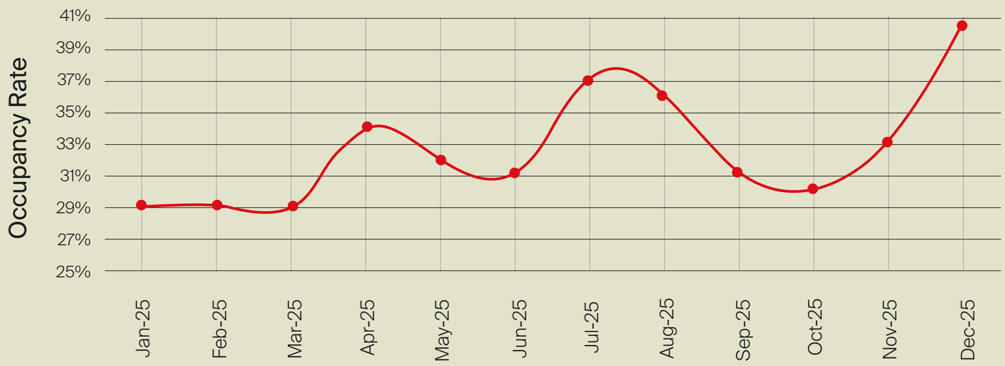
Table 3: Intra Year Demand Pattern

Period	Months	Demand Drivers	Market Impact
Primary Peak	Dec–Jan	Diaspora returnees, year-end corporate travel, holiday leisure	Highest occupancy and ADR; December is peak revenue month
Secondary Peak	May–Jun	MICE activities; NGO programme cycles	Strong RevPAR, especially for well-positioned suburban units
Tertiary Peak	Sep–Nov	Business travel resurgence; fiscal year-end project activity	Stable weekday demand; improved institutional absorption
Primary Trough	Feb–Mar	Post-holiday lull; limited conference activity	Rate pressure; occupancy dip; cash-flow planning period
Secondary Trough	Jul–Aug	Fewer major events; NGO summer leave cycles	Softest ADR period; dynamic pricing required to maintain occupancy

SUPPLY ANALYSIS

What's on the market, what's coming, and what it means

Figure 2: 2025 Average Monthly Occupancy Rate Trend in Kampala



Source: AirRoi - Kampala's Occupancy Trend

Market Size and Active Listing Base

Kampala's STR supply base has grown considerably and continues to expand. AirDNA data records approximately 3,478 active Airbnb listings as of December 2025, a 56.7% year-on-year increase.
This figure captures only the Airbnb-visible segment.

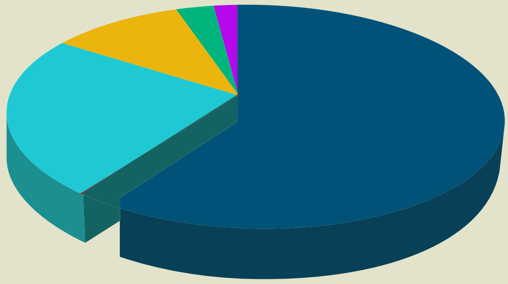
A material share of the market operates through direct booking arrangements, managed serviced apartment portfolios, and informal personal referral networks that generate no platform data. The true market is therefore significantly larger.

Table 4: Short Term Rental Listings by Unit Type

UNIT TYPE	SHARE OF LISTINGS	INVESTMENT INSIGHT
Studio / 1-Bedroom	60%	Optimal for yield and occupancy; aligns with dominant solo traveller and consultant demand profiles.
2-Bedroom	24%	Strong for small families, NGO colleagues travelling together, and extended stays by senior professionals.
3-Bedroom	11%	Viable for longer institutional stays; higher fit-out investment required. Consider dual-key configuration for flexibility.
4-Bedroom	3%	Niche product suited to diplomatic families and senior corporate clients. Lower occupancy but higher ADR per booking.
5+ Bedrooms	2%	Very limited market. High operational complexity. Not recommended at scale for new investors.

While Studio/1-Bedroom units have the highest demand, research data points to oversaturation within this segment, with supply exceeding demand.

Figure 3: Airbnb Listings by Unit Type



Source: Knight Frank

The Supply Conversion Dynamic

One of the most significant structural supply drivers in Kampala's STR market is the conversion of would-be long-term rental apartments into short-term use. Landlords are increasingly shifting from long-term lease arrangements to furnished short-stay models in response to declining conventional rental occupancy. In some cases, investors are renting apartments specifically to sublet as short-stay units, an emerging niche evident in Najjera, Kisaasi, Kyanja, and Kiwatule.

As per our primary research, over 1,000 new apartment units are expected to enter prime areas of Kololo, Nakasero, and Naguru within 12–24 months. As long-term rental absorption softens, a growing share of these units will enter the STR market, increasing competitive pressure particularly in Tier 1 and Tier 2 zones.

Property Configuration and Amenity Standards

Our analysis of the Kampala short-term rental market indicates a well-defined hierarchy of amenities that shapes both guest expectations and pricing performance. Rather than being uniform, the market has matured into distinct tiers of provision, where certain features are considered essential for basic market entry, while others function as competitive requirements or clear differentiators for premium positioning.

The table below outlines this structure, categorizing amenities according to their role in influencing listing competitiveness, guest satisfaction, and revenue potential.

Table 5: STR Amenity Overview in Kampala

Level	Amenities	Market Impact
Non-Negotiable Baseline	WiFi, kitchen, parking, hot water, 24/7 security, basic furnishing	Absence disqualifies a listing from competitive segments entirely
Strong Competitive Standard	Backup generator/ inverter, air conditioning, washing machine, dedicated workspace, DSTV/ Netflix, fibre internet, water storage tank	Required for premium guest segments; directly impacts review scores and repeat rate
Differentiating Premium	Swimming pool, gym access, airport transfer, rooftop terrace, smart TV, solar backup	Drives ADR premium of 20–35% above base; attracts repeat institutional bookings
Emerging Niches	Pet-friendly, co-working integration, chef-on-request, laundry service	Niche segments; growing demand from digital nomads and high-end diaspora guests

Source: Knight Frank

LOCATION ANALYSIS

Where Kampala's STR market divides and where the opportunity lies

Short-term rental pricing in Kampala is distinctly location-driven, with clear tier-based variations shaped by demand strength, guest profiles, and asset quality. The average daily rate (ADR) across the market sits at $35–$60 per night, with premium listings in Kololo reaching $80–$120 and budget-oriented units in Kyanja and Najjera priced at $25–$50.

Table 6: STR Market Segmentation

Tier	Key Areas	Guest Profile	Typical ADR	Risk-Return
Tier 1 Prime	Kololo, Nakasero, Naguru, Munyonyo, Muyenga	Diplomats, UN/NGO staff, corporate executives, embassies	$80–$120	High rate / high vacancy risk
Tier 2 Secondary Prime	Bugolobi, Bukoto, Mbuya, Entebbe, Buziga, Kigo	Mid-senior NGO, diaspora, regional corporates, leisure	$50–$80	Balanced returns: most attractive entry point
Tier 3 Emerging Mid-Tier	Kyanja, Kisaasi, Ntinda, Najjera, Kira	Domestic travellers, budget-conscious internationals, longer stays	$25–$50	Yield-driven; lower entry cost but rate compression risk

Tier 1: Established Prime Zones (Kololo, Nakasero, Naguru, Munyonyo, Muyenga)

Kololo, Nakasero, Naguru, Munyonyo, and Muyenga command the highest average rates, supported by strong institutional and diplomatic demand. These areas are home to most embassy clusters, UN agency offices, and senior corporate headquarters. However, they also carry higher vacancy risk, require significantly higher capital investment, and cater to an internationally mobile guest segment that will switch to hotels when STR pricing is not competitive. Revenue performance in this tier is highly dependent on consistent occupancy management and strong institutional relationships.

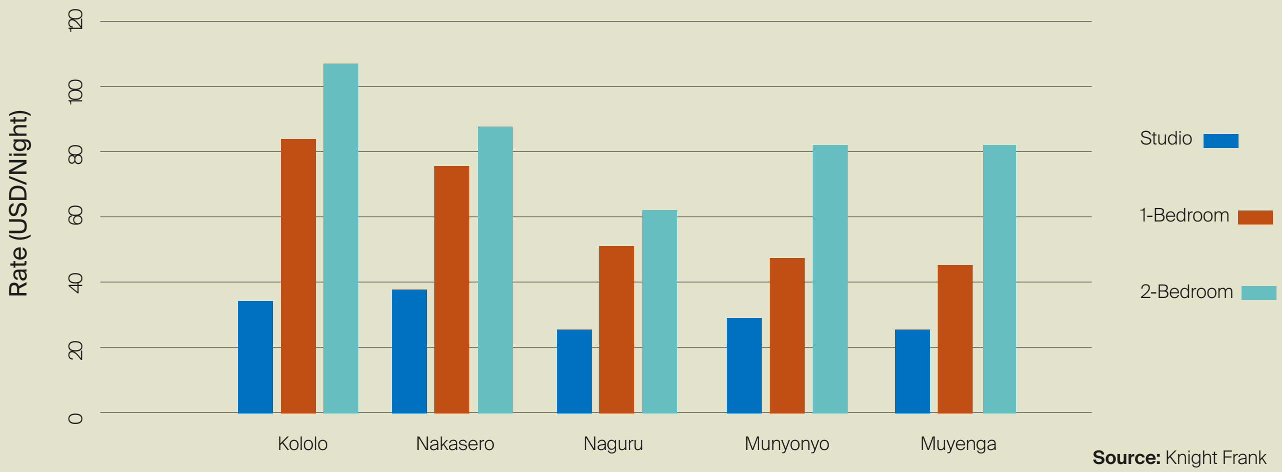
Properties in this tier achieve premium nightly rates well above the city average, especially for fully serviced, professionally managed units catering to institutional demand. However, as supply expands within these prime locations, pricing power is gradually tightening, with operators facing increasing pressure to remain competitive without eroding margins.

Tier 2: Secondary Prime: Bugolobi, Bukoto, Mbuya, and Entebbe

Secondary prime locations such as Bugolobi, Bukoto, Mbuya, and Entebbe present a compelling value proposition within Kampala's short-term rental market, offering access to premium guest segments at a relative discount to established prime zones. These areas are characterized by mature residential settings, lower-density environments, and increasing availability of modern apartment stock, making them attractive alternatives for guests seeking greater privacy, space, and a quieter living experience particularly as standalone housing options in prime areas continue to decline. Their appeal is further strengthened by ongoing gentrification, improving infrastructure, and enhanced connectivity, positioning them as increasingly competitive residential and hospitality nodes.

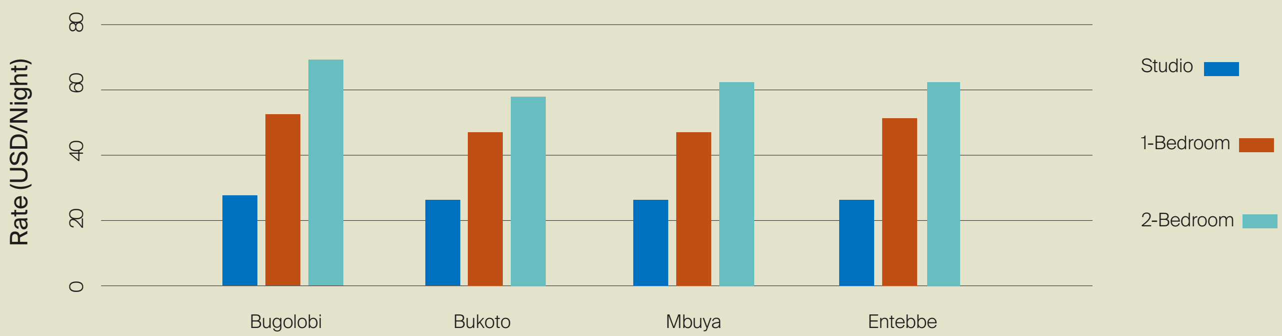
Demand in these locations is notably supported by diaspora returnees, NGO professionals, and mid- to senior-level corporate tenants, creating a stable yet discerning guest base. Within this tier, performance is less dependent on pure location and more driven by the quality of the property offering, including design, amenities, and service delivery.

Figure 4: Median Rates per Night across Kampala's Established Prime Zones.



Source: Knight Frank

Figure 5: Median Rates per Night across Kampala's Secondary Prime Zones.



Source: Knight Frank

Tier 3: Emerging Mid-Tier: Kyanja, Kisaasi, Ntinda, Kira, and Najjera

This cluster has rapidly emerged as one of the fastest-growing segments of Kampala's STR supply, underpinned by a combination of lower entry costs and improving residential quality. Compared to prime zones, more affordable land and acquisition prices enable investors to develop well-furnished, competitively priced units that appeal to mid-range corporate guests, local renters, and value-conscious international travelers. As a result, these areas are increasingly positioned as high-efficiency alternatives for operators seeking to balance affordability with quality.

This growth is further supported by a wave of modern residential developments across the suburban belt, offering amenities such as swimming pools, gyms, reliable power backup, road infrastructure, and fibre internet features once largely exclusive to prime neighbourhoods. Ntinda and Bukoto are also undergoing significant commercial densification, with new retail and hospitality anchors including supermarkets, restaurants, and medical clinics improving liveability and short-stay appeal.

For yield-driven investors and operators, these locations often outperform prime areas in terms of entry-price efficiency and return potential. This is further supported by a wave of modern residential developments across the suburban belt, offering amenities such as swimming pools, gyms, reliable power backup, and fibre internet features once largely exclusive to prime neighborhoods. The growth in STR activity also reflects a broader market shift, with landlords transitioning toward short-term leasing models to mitigate vacancy risks and enhance income stability in increasingly competitive, high-density apartment markets.

OPERATIONAL PERFORMANCE ANALYSIS

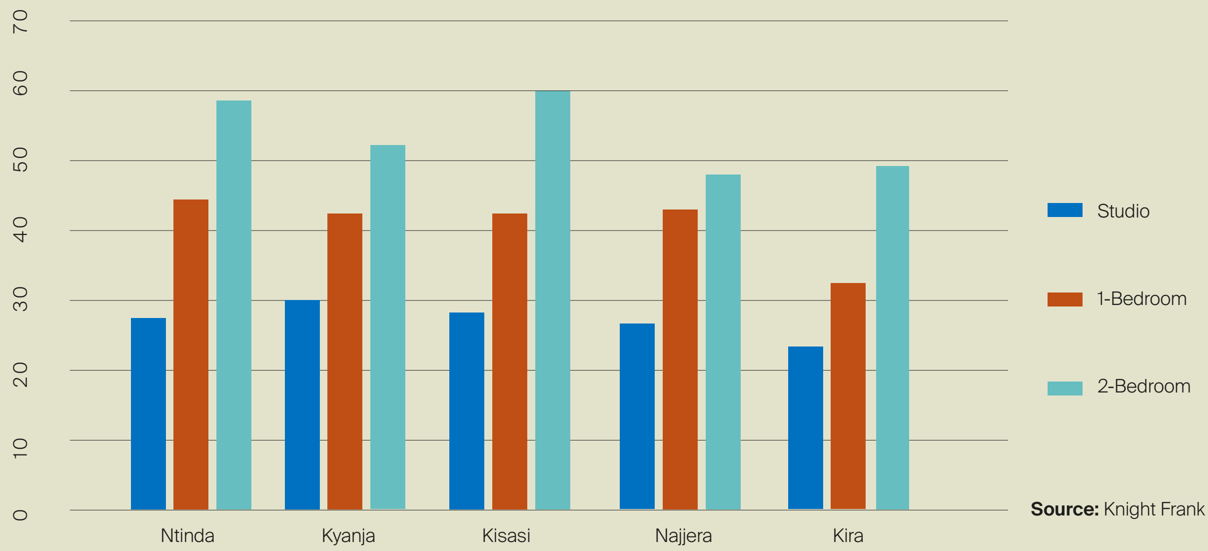
What separates the market leaders from the rest.

Kampala's short-term rental market has matured to a point where the difference between a high-performing unit and a struggling one is rarely about location or the underlying asset. It is almost entirely about execution. As the market moves deeper into its professionalisation phase, the cost of operational mediocrity is increasing and the performance gap between disciplined operators and passive landlords continues to widen.

Table 7: Operational Performance Analysis

Operational Factor	Why It Matters in Kampala	Top-Quartile Practice	Common Underperformer Mistake
Professional Photography	Majority of the guests (international), booking solely on digital presentation. Listing quality is the first point of sale.	Commission a professional photographer. Refresh images every 12–18 months as interiors evolve. Cover all rooms and outdoor spaces.	Low-resolution mobile photos. Dark or cluttered images. Missing key amenity shots.
Response Time & Communication	International guests across multiple time zones will move to the next listing within minutes of no response.	Automated first-response systems; dedicated WhatsApp line; target <1 hour response globally across time zones.	Delayed responses. No automated system. Lost bookings to faster competitors.
Consistency of Service Delivery	NGO and corporate clients prioritise reliability over novelty. Repeat bookings and institutional referrals depend on consistency.	Standardise cleaning checklists, welcome packs, and check-in processes. Use property management software.	Inconsistent cleaning standards. Missed check-in communications. Variable guest experience.
Power & Utilities Infrastructure Reliability	Electricity and water outages are frequent. Guests with zero tolerance for disruptions dominate the Kampala market.	Minimum: generator or inverter with battery backup plus water storage tanks	No backup systems. A single outage triggers 1-star reviews and guest refund requests.
Dynamic Pricing Strategy	Fixed-rate operators consistently underperform flexible-rate competitors, especially during trough periods.	Use AirDNA, PriceLabs, or manual rate calendaring. Adjust for peak, trough, event-driven, and day-of-week demand.	Fixed nightly rate all year. Leaving significant revenue on the table during peak periods.
Review Management	Review score is a primary ranking signal on all major platforms. Score decay is compounding and difficult to reverse.	Respond to all reviews within 24 hours. Conduct proactive mid-stay satisfaction checks for longer bookings.	Ignored negative reviews. No response strategy. Review score decay over time.

Figure 6: Median Rates per Night across Kampala's Emerging Mid-Tier Zones.



Source: Knight Frank

Risk Matrix

Risk	Risk Category	Overall Rating	Mitigation
Growing Supply Pressure Citywide oversupply of new units (1,000+ apartments entering prime and secondary zones within 12–24 months, plus continued informal listing growth)	Market	Medium	Avoid entry into nodes already showing signs of listing saturation.
Demand Concentration Risk Western expatriate/NGO demand contraction (USAID and donor cuts)	Demand	High	Diversify guest mix toward regional African travellers, diaspora, and corporate segments; avoid over-reliance on Tier 1 diplomatic demand.
Infrastructure Reliability. Power and water infrastructure failures	Operational	High	Invest in backup generator/inverter and rooftop water storage as a baseline cost of entry, not an optional upgrade.
Regulatory & Compliance Environment: Regulatory tightening (UTB licensing, URA tax enforcement)	Regulatory	Medium	Register with relevant proactively; operators must assess tax exposure from acquisition, ahead of enforcement.
Platform Exposure: Platform dependency and review-score volatility	Operational	Medium	Build a diversified, multi-channel booking strategy (direct, corporate, agent) and maintain disciplined review-response protocols.
Operational Execution: Passive/informal management underperformance	Operational	Medium	Commission professional property management from day one; treat execution quality as the primary return driver, not a secondary cost.
External Market Risks: Macroeconomic/ geopolitical shocks affecting international travel demand	External	Low	Maintain a diversified guest base across institutional, regional, and diaspora segments to reduce sensitivity to any single demand pool.

Investment Opportunity

Tier 2: Recommended (Best Risk-Adjusted)	Tier 3: Yield Play for Volume Operators	Tier 1 : Selective & Experienced Operators Only
Bugolobi, Bukoto, Mbuya, and Entebbe offer access to premium guest segments at a meaningful discount to Tier 1 capital costs.	Kyanja, Kisaasi, and Ntinda offer compelling entry-cost efficiency for yield-focused investors.	Kololo, Nakasero, and Naguru remain the prestige locations with the highest achievable ADR.
Less acute oversupply pressure, continuing gentrification, and improving infrastructure make these areas the most attractive entry point at this stage of the market cycle.	Modern residential developments with pools, gyms, and fibre are improving amenity parity with prime zones. Strong for volume operators building diversified portfolios.	**However:** rising supply, rate compression, and high capital costs mean only experienced operators with strong institutional relationships should target these zones at current entry prices.

Investment Opportunity: Action Points

PHASE	ACTION POINT	RATIONALE
1. Site Selection	Prioritise Tier 2 zones (Bugolobi, Bukoto, Mbuya, Entebbe) for new acquisitions.	Best risk-adjusted returns at this stage of the cycle; less acute oversupply pressure than Tier 1, higher guest quality than Tier 3.
	Approach Tier 1 (Kololo, Nakasero, Naguru) only with existing institutional relationships or verified occupancy data for the specific node.	High capital costs and rising vacancy risk mean Tier 1 now rewards experience and relationships more than raw location prestige.
2. Fit-Out	Design to the Strong Competitive Standard as a minimum: backup power, water storage, fibre internet, dedicated workspace.	These are non-negotiables in Kampala, not premium upgrades; their absence disqualifies a listing from competitive segments.
	Commission professional photography and refresh imagery every 12-18 months.	The majority of international guests book solely on digital presentation; listing quality is the first point of sale.
3. Compliance	Register the operating entity with relevant authorities and obtain required licenses and certifications	Positions the business entity ahead of tightening enforcement.
	Budget for income tax and assess VAT exposure	URA is digitising compliance detection; non-compliance is a material and growing operational risk.
	Establish a guest-data handling process consistent with the Data Protection and Privacy Act (2019).	Applies directly to operators using guest data for direct marketing or maintaining their own booking systems.
4. Operate	Implement dynamic pricing rather than a fixed nightly rate.	Fixed-rate operators consistently underperform flexible-rate competitors, especially during trough periods.
	Build a multi-channel booking strategy across platforms, direct corporate accounts, agents, and referrals.	Single-channel operators underperform on both occupancy consistency and revenue per unit.
	Standardise cleaning, check-in, and communication protocols; target a sub-1-hour response time across time zones.	NGO and corporate guests prioritise reliability over novelty; consistency drives repeat bookings and institutional referrals.
5. Monitor	Track USAID/donor funding flows, enforcement activity, and new institutional entrants on a quarterly basis.	These variables are the leading indicators most likely to shift demand, compliance costs, and competitive intensity in the long run.

MARKET INSIGHT

The Kampala STR market rewards execution discipline more than asset quality alone. A well-managed unit in Kyanja will consistently outperform a poorly managed unit in Kololo on occupancy, revenue, and review trajectory. Operators who invest in infrastructure reliability, professional presentation, and systematic guest management will compound their advantage as the market professionalises further.

REGULATORY ENVIRONMENT

What operators and investors need to know about compliance.

Uganda's short-term rental (STR) market currently operates in a largely informal and fragmented regulatory environment. There is no dedicated STR-specific licensing framework at the national level, and enforcement of hospitality-related standards across STR properties remains limited. Notwithstanding this, several existing legal and regulatory frameworks apply to STR operations, and the sector is gradually evolving towards formalisation as the market gains visibility. In addition to statutory and regulatory considerations, STR operations are also subject to constraints arising from contractual terms and property governance rules which can affect operational viability. Investors and operators who establish compliance early will hold a structural advantage as enforcement tightens.

Table 8: What operators and investors need to know about compliance

REGULATORY AREA	CURRENT STATUS	INVESTOR IMPLICATION
Business Registration	Required via Uganda Registration Services Bureau (URSB). Most operators register as sole proprietors or limited liability companies. Straightforward process.	Low barrier to compliance Registration is a baseline compliance requirement for operating STR businesses.
Tourism Licensing	Uganda Tourism Act requires tourist accommodation operators to hold a Tourism Operator Licence from the Uganda Tourism Board (UTB). Compliance is currently inconsistent across STR operators.	Formal operators gaining competitive advantage. Licensing enforcement expected to tighten as the market scales.
Tax Treatment (Income)	STR income is taxable under the Uganda Income Tax Act. URA (Uganda Revenue Authority) is increasingly digitising compliance detection. Many informal operators are non-compliant.	Budget for tax compliance from the outset. Non-compliance is a material operational risk and exposes the operator to penalties and interest.
VAT Registration	The Value Added Tax Act exempts residential accommodation but categorically excludes serviced apartments, thereby bringing such supplies within the VAT regime in principle.	Operators must assess VAT exposure.
Data Privacy	Uganda's Data Protection and Privacy Act (2019) provides the framework for the collection, processing, storage and use of personal data, including guest information . Compliance with the Act is a must.	Operators relying solely on platform-based booking systems may have limited direct involvement in the collection and processing of guest data; Operators using guest data for direct marketing must ensure PDPA compliance.

Market Insight

nvestors and operators who establish compliance early will hold a structural advantage as enforcement tightens. Formalized operators face modestly higher costs but materially lower regulatory risk, a trade-off that becomes more favorable as the market scales and UTB and URA visibility increases.

INVESTMENT PLAYBOOK

Table 9: Kampala Short-Term Rental Market SWOT Analysis

STRENGTHS +	WEAKNESSES –
USD-denominated revenues protect against local inflation	High infrastructure dependency (power, water, internet)
Premium pricing potential in established prime zones	Elevated operating costs (cleaning, staffing, utilities)
Flexibility of STR model vs. long-term leasing	High vacancy risk in premium segments during off-peak periods
Increasing supply of modern, amenity-rich developments	Oversupply risk in prime locations
Access to global booking platforms (Airbnb, Booking.com)	Absence of formal regulation creates quality inconsistency
Resilient institutional demand base (NGO, diplomatic, corporate)	UGX/USD mismatch for locally financed operators
USD-denominated revenues protect against local inflation	Oversupply in the Studi0/1-bed segment
OPPORTUNITIES +	**THREATS –**
Expansion into emerging suburbs with lower entry costs	• Increasing competition from new STR supply and informal operators
Increasing demand for fully serviced hotel-grade apartment units	Seasonality-driven revenue volatility
Recovery and growth in MICE and tourism activities	Platform dependency and negative review risks
Product differentiation through design, amenities, and branding	Macroeconomic uncertainty affecting international travel demand
Growing regional African traveller segment (DRC, South Sudan).	Currency fluctuations impacting margins (USD vs. UGX)
Digital nomad and remote work demand emerging globally	USAID/donor funding contraction reducing NGO guest demand
	Future regulatory/licensing requirements adding compliance costs.

Investment Opportunity

Tier 2: Recommended (Best Risk-Adjusted)	Tier 3: Yield Play for Volume Operators	Tier 1 : Selective & Experienced Operators Only
• Bugolobi, Bukoto, Mbuya, and Entebbe offer access to premium guest segments at a meaningful discount to Tier 1 capital costs. • Less acute oversupply pressure, continuing gentrification, and improving infrastructure make these areas the most attractive entry point at this stage of the market cycle.	• Kyanja, Kisaasi, and Ntinda offer compelling entry-cost efficiency for yield-focused investors. • Modern residential developments with pools, gyms, and fibre are improving amenity parity with prime zones. Strong for volume operators building diversified portfolios.	• Kololo, Nakasero, and Naguru remain the prestige locations with the highest achievable ADR. • However: rising supply, rate compression, and high capital costs mean only experienced operators with strong institutional relationships should target these zones at current entry prices.

Advisory Note

The regulatory information in this section reflects Knight Frank Uganda's understanding as of Q1 2026. Regulatory positions change. All operators and investors should seek independent legal advice from a qualified Ugandan property and hospitality lawyer before committing to commercial decisions.

Market Outlook

Kampala's STR market enters its next phase from a position of structural momentum. The demand base is resilient, the professionalization trend is clear, and the investment case is supported by fundamentals that distinguish this market from more speculative STR environments elsewhere in the region. The near horizon will, however, be shaped by meaningful competitive and structural pressures.

Table 10: Outlook for the next 24 months

Horizon	Market Dynamics	Pricing & Performance	Structural Shifts
0 – 12 Months	Supply growth outpaces demand in prime zones. Competition for bookings intensifies. Demand remains steady but increasingly selective.	ADR compression in Tier 1. Dynamic pricing operators outperform fixed-rate competitors. RevPAR broadly range bound.	Accelerated professionalisation. Informal operators begin to lose market share. Platform algorithms reward consistency and responsiveness.
12 – 24 Months	Institutional and regional operators enter the Kampala market. Demand aligns increasingly with professionally managed inventory.	Downward margin pressure in saturated nodes. Pricing becomes benchmark-driven among professional operators.	Market formalises operationally. Standardised service levels emerge. Regulatory attention increases as sector visibility grows.
Post 24 Months	Structured, tiered ecosystem consolidates: institutional portfolios, professional independents, and informal listings.	Yield compression in premium segment offset by scale and brand strength. More stable, predictable metrics for top-tier assets.	Market consolidation among fewer, larger operators. Informal segments persists but loses competitiveness in high-value segments.

A hillside residential area within Lubowa

Table 10: Investor Watchlist - Variables to Monitor

	Variable	Why It Matters
1	**USAID & donor funding flows**	Primary driver of NGO guest demand in prime zones. Contraction already visible in occupancy data.
2	**KCCA building permit pipeline**	Signals near-term supply increases. Cross-reference with your target node to assess local oversupply risk.
3	**UGX / USD exchange rate**	Directly impacts UGX-financed operator economics. A 10% depreciation materially shifts the break-even point.
4	**Uganda Tourism Board enforcement activity**	Leading indicator of regulatory tightening. Watch for licensing crackdowns and UTB compliance campaigns.
5	**New operator market entrants**	Regional hospitality groups entering Kampala will raise service standards and compress margins for informal operators.

CONCLUSION AND KEY TAKEAWAYS

Kampala's short-term rental market has passed the speculative phase. It is now an established, revenue-generating sector with defined demand drivers, measurable performance metrics, and a clear trajectory toward greater professionalisation and formalisation. The opportunity is real but so is the complexity.

Supply is growing faster than demand in established prime zones, introducing rate compression and increasing the importance of operational quality. Tier 2 locations offer the most compelling risk-adjusted entry point at this stage of the market cycle. The investors who will win over the next 24 months are those who combine the right location with professional management, strong amenity provision, and intelligent revenue strategy.

An aerial view of a section of Muyenga

Key Takeaways for Investors & Operators

BUY	One and two-bedroom serviced apartments in Tier 2 zones offer the strongest risk-adjusted returns. Target professional management from day one.
BUILD	Design to the Strong Competitive Standard minimum. Backup power, water storage, fibre internet, and a dedicated workspace are non-negotiable. Premium amenities drive 20–35% ADR uplift.
OPERATE	Execution quality is the primary performance driver. Invest in professional photography, automated communications, dynamic pricing, and consistent housekeeping before anything else.
AVOID	Fixed-rate pricing, passive landlord management, and investing in Tier 1 without strong institutional client relationships or existing occupancy data for the specific node.
WATCH	USAID funding flows, KCCA supply pipeline, UTB enforcement activity, and UGX/USD exchange rate. These four variables will most directly shape market conditions over the next 24 months.
COMPLY	Register with URSB and UTB now. Budget for income tax and potential VAT exposure. Operators who are compliant early will have a structural advantage as regulatory attention increases.

The investors who will win in Kampala's STR market over the next 24 months are those who combine the right location with professional management, strong amenity provision, and intelligent revenue strategy.

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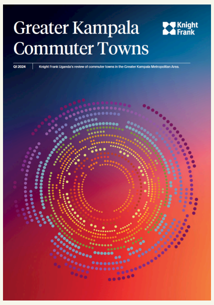

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