



**Stanbic Properties
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HALF-YEAR KAMPALA METROPOLITAN REAL ESTATE PROPERTY MARKET REPORT

AS OF JUNE 2022



National Housing Project - Bugolobi

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Background

This half-year (H1) report for the period January-June 2022, is a follow-up of our baseline report undertaken in December 2021 and it presents an overview of the real estate property market in the Kampala metropolitan area for the period January to June 2022. It analyzes trends related to office, retail, residential, industrial and hospitality properties with regards to rents, occupancies and demand drivers as well as the projected impact of existing and pipeline stock of buildings applicable to future real estate trends in the Kampala metropolitan area.



1.0

Office Property Market



Umoja House Nakasero

1.1

Kampala Office Market

Kampala Office Snapshot as of June 2022

BUILDING TYPE	MEDIAN RENTS /M ² /MONTH (USD)	H1 2022 VACANCY (%)	HALF YEAR CHANGE IN MEDIAN RENTS (%)	HALF YEAR CHANGE IN VACANCY (%)
Grade A	15	6%	0%	-5%
Grade B	12	11%	9.1%	-6%
Grade C	8	26%	0%	0%

Source: Stanbic Properties Uganda Ltd

As of June 2022, office demand as measured by occupancy levels increased by 5% and 6% from 89% and 83% recorded in December 2021 for Grade A and Grade B properties respectively. However, Grade C occupancy rates remained stable at 74%. Prevailing median rents were recorded at USD 15, USD 12 and USD 8/m²/month for Grade A, B and C buildings respectively exclusive of service charge.



We observed a general upsurge in demand for Grade B office buildings driven by an increase in demand by long term large space occupiers within the Grade A offices segment that forced short-term and small space occupiers to take up space within the lower tier Grade B buildings. Above all, the fact that the supply of Grade A space is limited compared to the high demand has also accounted for the reduction in vacancy rates in Grade B buildings, leading to the absorption of more space in the Grade B buildings. Key occupiers of Grade B buildings include Oil and Gas, government Ministries, Departments and Agencies (MDA) as well as the financial services sector, which were all mainly expanding.



The Grade C office segment, whose occupiers' ability to pay rent is usually reliant on the economic cycle has remained subdued with some noticeable leasing activity registered away from the central business district (CBD), predominantly in the suburbs of Ntinda, Naguru and Bugolobi dominated by start-ups, consultancy firms and NGOs. Going forward, we anticipate the continued demand for Grade A office space vis-à-vis the limited supply to slowly drive up rents in the next 12 months. This further underscores the fact that quality office spaces will continue to be a vital strategy for occupiers as part of their attraction and retention of employees.

1.2



Wakiso and Mukono Office Markets

Wakiso and Mukono Office Snapshot as of June 2022

LOCATION	MEDIAN RENTS/ROOM MEASURING APPROX. 20M ² /MONTH (UGX)	HALF YEAR CHANGE IN MEDIAN RENTS (%)
Entebbe municipality	1,000,000	0%
Katabi Town Council	500,000	0%
Kyengera Town Council	400,000	0%
Wakiso Town Council	200,000	0%
Mukono Municipality	800,000	0%

Source: Stanbic Properties Uganda Ltd

The office property available in Kampala’s metropolitan suburbs of Wakiso and Mukono is convenient to small space occupiers such as **utilities, consultancy firms, legal, pharmaceutical, logistics and consultancy firms**. This implies a scarcity of space suitable to accommodate large space occupiers such as multi-national corporations. It’s also worth noting that it’s very difficult to ascertain and validate occupancy rates in these locations due to the fact their office property market is still nascent and informal.

H1 2022, saw a 2% increase in enquiries for office space when compared to December 2021. Consultancy firms accounted for nearly a third of (30%) of the enquiries. Other significant enquires emanated from SMEs.

Given the informal nature of the office market, it was difficult to validate accurate overall changes in occupancy rates. Nevertheless, we observed an uneven spread of occupancy across these suburbs on a building-by-building basis varying by location and amenities available.



The weighted median rental rate for decent office space in buildings located along arterial routes out of Kampala stagnated at UGX 25,000/m² /month as of June 2022.

2.0

Retail Property Market



Aponye City Mall - Burton Street

2.1 Kampala Retail Market



We observed an improvement in market activity for the prime malls in H1 2022 buoyed by the full re-opening of the economy. Nevertheless, the gains of the improvement in the market activity in terms of enhanced foot traffic and sales were dampened by the overall increase in the cost of living possibly due to a rise in headline inflation recorded at 6.8% in June 2022 compared to 2.9% registered in December 2021 as well as global supply-chain disruptions, arising from the Ukraine-Russia war which has wiped out disposable incomes of consumers. This meant that consumers bought fewer goods and services with the same amount of money as of June 2022 compared to December 2021.

Rents stayed resilient in H1 2022 with the highest rents registered between USD 22 to 27/m²/month for prime retail space on the lower floors and between USD 12 to 16/m²/month for large space occupiers on similar floors.

USD 22 - 27/m²

USD 12 - 16/m²



Kampala Retail Snapshot as of June 2022

Median Rents in USD/m²/month in Kampala's prime malls



DISCRIPTION



RENT



- Large space occupiers (>500m²): 15
- Mid-large space occupiers (100-500m²): 23
- Small - Mid space occupiers (<100m²): 30
- Small space occupiers (<50m²): 40



HALF YEAR CHANGE IN RENTS

- 0%
- 0%
- 0%
- 0%

Source: Stanbic Properties Uganda Ltd

2.2

Wakiso and Mukono retail markets

Wakiso and Mukono Office Snapshot as of June 2022

Resilient investor and consumer demand in the Wakiso and Mukono retail property markets continued throughout H1 2022. However, investment volumes were constrained by the limited quality stock available on the market evidenced by the partial occupation of incomplete buildings as well as a reduction in consumers' disposable incomes due to an overall rise in the cost of living. Notwithstanding the above, good quality neighbourhood retail stores underpinned by strong catchments, road infrastructural developments and trading performance within middle-income suburbs continued to attract strong footfall to catchment area ratios.

The robust trading activity of good quality neighbourhood shopping centres within the greater Kampala metropolitan areas further reaffirms investors' and consumers' confidence in the Mukono and Wakiso retail property markets. Besides, the advent of COVID-19 led to the rise of the localism sentiment among Wakiso and Mukono consumers. Localism is becoming a major influence on consumer preferences and purchasing decisions as neighbourhood inhabitants are becoming increasingly attached to their local community. Market evidence from our research asserts that approximately 70% of residents within Wakiso and Mukono prefer to shop regularly at their local stores.

We registered an 8% half-year average increase in enquiries for space in public markets constructed by the government of Uganda in Wakiso and Mukono as of June 2022. This is mainly attributed to several roadside small-scale traders who rely on walk-in customers and have since relocated to these suburbs after being evicted from Kampala's CBD.

Weighted median retail property rents reached UGX 49,600/m²/month on the ground floor in June 2022, representing a 1.9% increase from UGX 48,600/m²/month recorded in December 2021.

Furthermore, survey results also revealed that the retail space in mixed-use buildings along arterial routes was mostly occupied by sports betting shops, fashion, restaurants, beauty parlours, hardware shops and pharmacies, which mostly occupy the ground floors.


Going forward, we anticipate the rise of localism to spur further demand for space in retail stores, particularly by local retailers; something that is likely to attract more sophisticated investors into such markets. Additionally, children's play facilities are becoming a mainstay in driving up consumer traffic across various good quality neighbourhood shopping centres.



70%

of residents within Wakiso and Mukono prefer to shop regularly at their local stores.

Wakiso and Mukono Retail Snapshot as of June 2022

MEDIAN RETAIL RENTS IN UGX BY LOCATION PER 15M² ROOM PER MONTH 	LOCATION	RENT	HALF YEAR CHANGE IN RENTS
	Entebbe Municipality	1,000,000	0.0%
	Kajjansi Town Council	705,000	0.7%
	Kakiri Town Council	315,000	5.0%
	Katabi Town Council	410,000	2.5%
	Kira Municipality	1,030,000	3.0%
	Kyengera Town Council	615,000	2.5%
	Mukono Municipality	810,000	1.3%
	Nansana Municipality	715,000	2.1%
	Wakiso Town Council	501,000	0.2%
Kasangati Town Council	920,000	2.2%	

Source: Stanbic Properties Uganda Ltd

3.0

Residential Property Market



Pearl Marina- Garuga

3.1 Kampala Residential Market

We recorded a 7% increase in occupancy as of June 2022 in the high-end residential areas of Bugolobi, Nakasero, Kololo and Naguru, up from 67% recorded in December 2021. There was more demand for the 1 and 2-bedroom apartments since these are conducive for the majority of expatriates coming into the country without their families. We continued to witness greater demand from occupiers to rent as opposed to buying, possibly due to the availability of better yielding investment alternatives owing to increased interest rates. Weighted median rents remained stable at USD 2,000/month and USD 2,500/month for 2 and 3-bed apartments respectively as of June 2022. The secondary residential suburbs of Muyenga, Buziga, Nsambya, Mutungo, Munyonyo and Luzira recorded a 10% average reduction in rents as of June 2022 compared to December 2021 with the weighted median rents registered at USD 700/month and USD 900/month for 2 and 3-bed apartments respectively.

Kampala Residential Snapshot as of June 2022 for high-end suburbs of Nakasero, Naguru, Bugolobi and Kololo

DESCRIPTION	MEDIAN RENT / MONTH (USD)	HALF-YEAR CHANGE (%) IN RENTS	MEDIAN SELLING PRICE (USD)	HALF-YEAR CHANGE (%) IN SELLING PRICE
2-bed apartment	2,000	0.0%	220,000	0.0%
3-bed apartment	2,500	0.0%	270,000	0.0%
3-5 bed stand-alone house	3,500	0.0%	1,500,000	0.0%

Source: Stanbic Properties Uganda Ltd

Kampala Residential Snapshot as of June 2022 for secondary suburbs of Nsambya, Muyenga, Luzira, Munyonyo, Mutungo and Buziga

DESCRIPTION	MEDIAN RENT / MONTH (USD)	HALF-YEAR CHANGE (%) IN RENTS	MEDIAN SELLING PRICE (USD)	HALF-YEAR CHANGE (%) IN SELLING PRICE
2-bed apartment	700	-12.5%	100,000	0.0%
3-bed apartment	900	-10.0%	130,000	0.0%
3-5 bed stand-alone house	1,200	-7.7%	150,000	0.0%

Source: Stanbic Properties Uganda Ltd

3.2

Wakiso and Mukono Residential Markets

The housing market in the sub-urban residential suburbs of Wakiso and Mukono witnessed stable activity, with half-year rental price growth for 2 and 3-bedroom apartments registered at 14% and 7% from UGX 600,000 and UGX 800,000 per month respectively in December 2021. This can partly be attributed to an upward spike in take-up rates albeit a slowdown in construction activity as a result of persistent inflationary pressures on construction-related raw materials witnessed during H1 2022.

The weighted median rents for stand-alone bungalows/ maisonettes remained stable at UGX 1,000,000. Similar to the period ended December 2021, the rental market

for stand-alone houses in surveyed areas remained subdued compared to that of apartments, probably because consumers would prefer to build and own rather than rent in these areas. The sales market witnessed non-significant activity with only a few sales registered. There was a 1.5% average decrease in the weighted median selling prices for 3-5 bedroom bungalow or maisonette properties on a 0.125-0.25 acre plot from UGX 350,000,000 in December 2021 to UGX 344,750,000 in June 2022. This is partly due to the supply-demand disequilibrium and the fact the sales market is currently sluggish with properties taking longer

than expected on the market which has forced some sellers to lower their asking prices. This is also in agreement with the Bank of Uganda monetary policy report for June 2022 that revealed that the premium on the industry average lending rates was consistently highest on loans disbursed to land purchase and residential buildings in the quarter to April 2022. Additionally, this could also be attributed to the rise in interest rates on other alternative investment portfolios such as government bonds, which are less risky and thus provide a better and less-risky investment alternative to would-be buyers.



Kira municipality which accounts for approximately 40% of the middle-income residential suburbs recorded a 9.6% average upward price movement in rents for 2-3 bedroom apartments in H1 2022 from what was recorded in December 2021.

Above all, we have registered a significant number of inquiries of investors looking to set up gated communities within the greater Mukono catchment area. This is mainly due to improving infrastructure, proximity to Kampala and relatively affordable land compared to places along Entebbe Road with similar attributes in terms of scenery. In terms of the outlook, we expect a rise in the central bank rate (CBR) recorded at 7.5% in June 2022 to slow inflation by reducing consumer demand albeit worsening the cost of living. This will in turn increase the cost of financing, leading to upsurge in mortgage costs in short to medium term.

Wakiso and Mukono Residential Snapshot as of June 2022

Location	Half-year price movement (%) in Median Rent/month in UGX			Half-year price movement (%) in Median selling price (UGX) for a stand-alone house on a 0.125-0.25 acre plot
	2-bedroom apartment	3-bedroom apartment	Stand-alone house on 0.125-0.25 acre plot	
Kasangati Town Council	33%	25%	0.0%	0.0%
Kyengera Town Council	25%	N/A	0.0%	0.0%
Nansana Municipality	N/A	N/A	0.0%	0.0%
Wakiso Town Council	N/A	N/A	N/A	0.0%
Mukono municipality	20.0%	16.7%	0.0%	-9.1%
Kira Municipality	14.3%	5.0%	0.0%	-3.8%
Katabi Town Council	0.0%	0.0%	0.0%	0.0%
Kajjansi Town Council	12.5%	8.3%	0.0%	0.0%
Entebbe Municipality	10.0%	4.0%	0.0%	0.0%

Source: Stanbic Properties Uganda Ltd

4.0

Industrial Property Market



Creston Business Park - Namanve Industrial Park

4.1

Kampala Metropolitan Industrial market

Rising transportation costs and supply chain disruptions were the key challenges faced by most occupiers of industrial property in H1 2022. This is evidenced by a 22.8% year-on-year increase in the producer price index for manufactured goods and utilities for the month ending June 2022 compared to 15.4% registered in December 2021 according to the Uganda Bureau of Statistics surveys.

Nevertheless, we registered a 3% half-year increase in demand for warehouse space, particularly for distribution centres and purpose-built warehouses as of June 2022.



The demand for distribution centres is still attributed to spill over effects of the COVID-19 pandemic, where consumers went to physical retail stores less frequently, or in some cases, avoided them completely. Rents for warehouses in Kampala's traditional industrial areas of Ntinda, Nakawa, Luzira, Bugolobi, 1st-8th Street and in the metropolitan areas found along key roads that exit Kampala, particularly Jinja Road, Bombo Road, Entebbe Road, Hoima Road, Masaka Road and Mityana Road stagnated at median prices of USD 6/m²/month and USD 4/m²/month as of June 2022 respectively. There has been 9.1% increase in the asking rents for warehouses in Namanve Industrial park compared to December 2021 due to increased demand for space amenable to cold rooms and distribution centers.

Kampala Metropolitan Industrial Snapshot as of June 2022

<p>Others along roads exiting Kampala USD 4/m²/month [half-year change: 0%]</p>	 <p>1st-8th Street Industrial area: USD 6.5/m²/month [half-year change: 0%]</p>	<p>Namanve Industrial Park: USD 6/m²/month [half-year change: 9.1%]</p>
<p>Ntinda-Nakawa USD 5.5/m²/month [half-year change: 0%]</p>		<p>Luzira Industrial Park USD 5.5/m²/month [half-year change: 0%]</p>

Source: Stanbic Properties Uganda Ltd



Going ahead, we anticipate the expansion of e-commerce and the completion of several road infrastructure up-grading projects currently underway particularly in areas of Kira municipality, Katabi, Kajjansi and Kyengera town councils to fuel further demand for distribution centres in areas outside Kampala.

5.0

Hospitality



Pearl Marina - Garuga

5.1

Kampala Metropolitan Hospitality

Kampala Metropolitan Hospitality Snapshot as of June 2022

METRIC	PERFORMANCE	HALF-YEAR CHANGE (%)
Occupancy	55%	38%
ADR	USD 120	4.3%
RevPar	USD 66	43.5%

Source: Stanbic Properties Uganda Ltd

Kampala metropolitan's robust visitor numbers, buoyed by the scrapping of mandatory COVID-19 testing for travellers at Entebbe International Airport which is the key entry for tourists into Uganda and a key hotspot for MICE hubs, have led to a proportionate strong demand for lodging facilities, as reflected by average occupancy rates of 55% that are among the highest of any urban market in Uganda.

While Kampala's position as the capital city of Uganda makes it the largest and most vibrant hotel market in the country, Wakiso and Mukono's hotel markets were characterized by spill over demand from Kampala as well as the other key drivers, specifically proximity to the airport in case of Entebbe municipality, access to public transportation especially for boutique hotels along arterial routes, availability of social services and other amenities in neighbourhood, proximity to a critical mass of star-rated hotels as MICE destinations and vibrant tourism neighbourhoods and government aided initiatives such as the Greater Kampala Metropolitan Area (GKMA) Tourism Circuit whose main objective is to increase the convenience of tourists to easily access attractions in the GKMA, provide employment and generate revenue to the local authorities.

Above all, the growing trend of investing in recreational spaces particularly artificial turfs for futsal pitches continued in H1 2022 with previously vacant small size land measuring approx. (<800 m²) and conveniently located along access roads developed to suit this purpose in areas of Kira and Kasangati town councils. Prevailing rates varied between UGX 50,000 and UGX 100,000 per 5-a side team per hour.

6.0

Advisory Services



PAU MoU Signing

6.1

Advisory Services

Stanbic Properties Ltd and Petroleum Authority of Uganda commissioning ceremony to define business opportunities in the housing sector linked to Uganda's emerging Oil & Gas Economy' Feb 3, 2022



For more information,
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