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Picture: Luzira NHCC artistic photo

KAMPALA METROPOLITAN BASELINE REAL ESTATE PROPERTY **MARKET REPORT AS OF DECEMBER 2021**

Background

It is acknowledged that the real estate market interacts with the macro-economic and broader investment environment, particularly the financial sector.¹ Consequently, questions about the extent to which volatility in real estate property prices interacts with the micro and macro-economy leading to financial stability challenges have come to the attention of financial and monetary regulators.^{2,3}

Henceforth real estate property market analytical reports assist the Client to quantify the relationships between supply and demand parameters and test them empirically; thus enabling the Client to make reliable predictions about the real estate property market. Hence the need to undertake a baseline real estate property survey for the Kampala metropolitan area.⁴

The objective of the baseline real estate property survey was to investigate and benchmark market trends and factors influencing demand and supply of retail, office, residential, industrial and hospitality properties in the Kampala Metropolitan Area. This baseline survey will be followed by six monthly subsequent follow-up surveys with the final outcome being half-year holistic and facts-based real estate market reports that would track changes and thus explain previous, current and projected six-monthly indicators for the status-quo of Kampala metropolitan's real estate market.

¹ Tsolacos, S., & Andrew, M. (2021). Applied Quantitative Analysis for Real Estate. Taylor & Francis

² Gaspar, J. C. (2015). The Impact of Real Estate Market in Financial Stability: Commercial Banks Exposure. Coimbra University.

³ Bank for International Settlements [BIS]. (2012). Property markets and financial stability (No. 64). Retrieved from www.bis.org

⁴ For purposes of this report, Kampala metropolitan area comprises KCCA and the districts of Mukono and Wakiso

1.0 OFFICE PROPERTY MARKET

The formal office market in the Kampala Metropolitan Area is mainly concentrated in Kampala particularly in the Central Business District (CBD). Buildings are ranked by a classification system that takes into consideration their amenities, age, finishes, accessibility and location factors.

The office market is still nascent in the neighbouring suburbs and districts of Wakiso and Mukono, with the majority of transactions being undertaken informally.



Picture: Forest mall Affluent banking

1.1 Kampala Office Market

Kampala Office Baseline Snapshot as of December 2021

Building Type	Median rents / m ² /month(USD)	Vacancy (%)
Grade A	15	11%
Grade B	11	17%
Grade C	8	26%

Source: Stanbic Properties Uganda Ltd

As of December 2021, average occupancy from surveyed buildings was recorded at 89% for Grade A, 83% for Grade B and 74% for Grade C buildings. Prevailing median rents were recorded at USD 15, USD 11 and USD 8/m²/month for Grade A, B and C buildings respectively exclusive of service charge.

Market evidence indicated more demand for the newer Grade A office buildings that feature large –open layout floors and state-of-the-art design and safety characteristics is emanating from companies in the oil and gas, financial services, government parastatals and engineering sectors.

Besides, the key firms/companies that stimulated this trend are those that had previously been leasing smaller spaces in lower-tier Grade B multiple buildings because the market never provided ample opportunities to consolidate their operations in a single building. Hence, they were taking advantage of the availability of ample Grade A buildings to consolidate several departmental operations in a single Grade A building. Other key demand drivers included exclusiveness of the stand-alone Grade A office structures evidenced by an increase in enquiries away from multi-tenanted office buildings to take advantage of branding and fully control their security requirements. Furthermore, demand for space in the lower tier Grade B and C buildings whose rents

are low was dominated by start-ups as well as small and medium enterprises (SMEs) and therefore affordable to most SMEs and Start-up firms.

We also noticed several NGOs scaling down on their rental space by consolidating their operations in single stand-alone formerly residential buildings as opposed to renting several buildings particularly in areas of Bugolobi, Muyenga and Naguru. This trend was primarily driven by downsizing due to COVID19 related budgetary constraints faced by foreign funders as well as a growing work from home (WFH) trend for employees and only use formal office workspaces on an as-needed basis. In terms of pipeline, the completion of buildings currently under construction will add approximately 36,000 m² of lettable space to the existing stock by the end of 2023. It's anticipated that Grade A space will account for 90% of the pipeline developments.

1.2 Wakiso and Mukono Office Markets

Location.	Median Rents/room measuring approx. 20m ² /month (UGX).
Entebbe municipality	1,000,000
Katabi Town Council	500,000
Kyengera Town Council	200,000
Wakiso Town Council	800,000
Mukono Municipality	400,000

Source: Stanbic Properties Uganda Ltd

Offices are mainly located in adapted stand-alone houses, apartments and other mixed-use low-grade buildings which are not wholly suitable for modern office space. Below is an overview of key suburbs with office space outside Kampala.

Entebbe: The exception to the above is Entebbe municipality, which has the largest concentration of formal office space outside Kampala's CBD. It is dominated by older buildings housing many government ministries and agencies. Rents are averaging at UGX 40,000/m² /month, with occupancy rates ranging from 95%-100% in the surveyed buildings; the majority of which are owner-occupied by government parastatals and agencies

Other Suburbs such as Kyengera town council, Katabi town council, Kira municipality, Nansana municipality and Mukono municipality are predominant with mixed-use office buildings catering to small and medium enterprises, small consultancy firms as well as out-reach/subsidiary branch offices for utility companies such as water and electricity firms. The majority of office space available is integrated with mixed-use buildings or in former residential houses that have been converted into offices. The weighted median rental rate for decent office space in buildings located along arterial routes was registered at UGX 25,000/m² /month.



2.0 RETAIL PROPERTY MARKET

The formal retail sector was traditionally concentrated in Kampala's CBD and a few high-end residential areas in the peripherals particularly Naalya, Lubowa and Entebbe. However, the growth of Kampala's prime retail sector has spilled over into the sub-urban areas of Wakiso district where the retail sector is experiencing a fundamental transformation through improved quality and standards. As of December 2021, we observed an increasing trend towards the development of formal super and hypermarkets as well as shopping malls in Sub-urban suburbs in Wakiso and Mukono districts. This trend is being driven primarily by the increasing purchasing power of the working-class, who predominantly reside in these areas. Additionally, the COVID 19 related movement restrictions also forced consumers to increase their retail expenditure within their immediate residential neighbourhood.

2.1 Kampala Retail Market

Kampala Retail Baseline Snapshot as of December 2021

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

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

Source: Stanbic Properties Uganda Ltd

The retail sector in Kampala is more vibrant compared to the metropolitan areas of Wakiso and Mukono. That said, findings from the survey revealed that Kampala's prime retail malls were facing stiff competition from locally owned sub-urban shopping centres in Wakiso district whose market was majorly supported by a higher domestic consumption by the middle-class. The highest rental rates were registered in prime malls where tenants pay 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.

We expect openings of new retail stores and expansion of existing retail stores to remain stagnant or very limited as retailers acclimatize to the post COVID19 retail environment in the near future. This is mainly due to the fact that COVID19 related restrictions have forced consumers to adopt online retail, a tendency that is likely to stabilize and continue. Above all, we anticipate market activity for the prime malls to pick up in early 2022 buoyed by the anticipated lifting of curfew restrictions and the full re-opening of the economy.

2.2 Wakiso and Mukono Retail Markets

Wakiso and Mukono Retail Baseline Snapshot as of December 2021

Median Retail rents in UGX by location per 15m² room per month.

• Entebbe Municipality	: 1,000,000	• Kyengera Town Council	: 600,000
• Kajjansi Town Council	: 700,000	• Mukono Municipality	: 800,000
• Kakiri Town Council	: 300,000	• Nansana Municipality	: 700,000
• Katabi Town Council	: 400,000	• Wakiso Town Council	: 500,000
• Kira Municipality	: 1,000,000	• Kasangati Town Council	: 900,000

Source: Stanbic Properties Uganda Ltd

The retail sector in Wakiso and Mukono is currently immature and informal but shows great growth potential in both demand and supply primarily due to the emergence of the middle-class. The retail market in these suburbs was dominated by public markets constructed by the government of Uganda, as well as small family-owned shops, hardware shops and temporary roadside kiosks housed along arterial routes.

On the other hand, there were a number of modern newly finished shopping malls as well as some under construction within these areas. Some of these include the Akamwesi mall along Gayaza road at Kyebando and the Voice mall along Entebbe Road at Bwebajja. These are strategically positioned to serve the large middle-class populations of Kasangati town council, parts of Kawempe as well as Katabi and Kajjansi town councils respectively. Weighted median rents were registered at UGX 48,600/m²/month on the ground

floor. It's also worth noting that for multi-storey buildings, rents differ by floor with the ground floor attracting the highest rents.

Primary research revealed that key retailers that are looking at expanding into this market are from the construction, fashion, cosmetics, sports betting, restaurant, wholesale trade and distribution sub-sectors. Approximately 80% of enquiries for space in these malls originate from former occupiers of space in Kampala's arcades in the CBD who are relocating to areas closer to their residential areas mainly due to lower asking rents. Additionally, market evidence attests that further demand is driven by the working class who prefer to venture into the retail business to diversify their income sources.



3.0 RESIDENTIAL PROPERTY MARKET

3.1 Kampala Residential Market

Kampala's formal residential property market is split into the primary high-end and secondary residential suburbs. The high-end locations are preferred residential locations to the diplomatic community, expatriates, heads of multi-national companies' and high-net worth Ugandans whereas the secondary locations are preferred locations for former residents of the high-end areas whose budgets have been constrained as well as affluent Ugandans and former or current politicians.

Kampala Residential Baseline Snapshot as of December 2021 for high-end suburbs of Nakasero, Naguru, Bugolobi and Kololo

Description	Median Rent/ month (USD)	Median selling price (USD)
2-bed apartment	2,000	220,000
3-bed apartment	2,500	270,000
3-5 bed stand-alone house	3,500	1,500,000

Source: Stanbic Properties Uganda Ltd

Kampala Residential Baseline Snapshot as of December 2021 for secondary suburbs of Nsambya, Muyenga, Luzira, Munyonyo, Mutungo and Buziga

Description	Median Rent/ month (USD)	Median selling price (USD)
2-bed apartment	800	100,000
3-bed apartment	1,000	130,000
3-5 bed stand-alone house	1,300	150,000

Source: Stanbic Properties Uganda Ltd

We witnessed greater demand from occupiers to rent as opposed to buy in the high-end residential areas of Bugolobi, Nakasero, Kololo and Naguru, although developers continued to give preference to sales. As a result, approximately 60% of the occupied apartment units were a result of the rental market. This was evidenced by the fact that at least 40% of the apartment units that were originally built for sale were being offered for rent by the landlords. Average occupancy was recorded at 67% as of December 2021 whereas weighted median rents were recorded at USD 2,000/month and USD 2,500/month for 2 and 3-bed apartments respectively as of December 2021.

The secondary residential suburbs of Muyenga, Buziga, Nsambya, Mutungo, Munyonyo and Luzira recorded weighted median rents of USD 800/month and USD 1,000/month for 2 and 3-bed apartments respectively.

3.1 Wakiso and Mukono Residential Markets

Wakiso and Mukono Residential Baseline Snapshot as of December 2021

Location	Median Rent/month in UGX			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	300,000	400,000	450,000	150,000,000
Kyengera Town Council	400,000	N/A	500,000	150,000,000
Nansana Municipality	N/A	N/A	500,000	110,000,000
Wakiso Town Council	N/A	N/A		80,000,000
Mukono Municipality	500,000	600,000	800,000	110,000,000
Kira Municipality	700,000	1,000,000	1,100,000	260,000,000
Katabi Town Council	350,000	500,000	750,000	155,000,000
Kajjansi Town Council	400,000	600,000	800,000	350,000,000
Entebbe Municipality	1,000,000	2,500,000	3,500,000	550,000,000

Source: Stanbic Properties Uganda Ltd

In the middle-class settlements of Wakiso and Mukono such as Kitende, Kira, Naalya, Najjera, Seeta, asking weighted median rents for 2-3-bedroom apartments and stand-alone bungalows/maisonettes were registered at UGX 600,000, UGX 800,000 and UGX 1,000,000 respectively. It's important to note that approx. 80% of all surveyed apartments in these areas were 2-bedroom units.

On the other hand, the rental market for stand-alone houses is not as robust compared to that of apartments. This may be attributed to peoples' preference for building to own model in these suburbs. Primary research revealed that asking weighted median selling prices for 3-5-bedroom bungalow or maisonette on a 0.125-0.25-acre plot were registered at UGX 350,000,000.



4.0 INDUSTRIAL

Kampala Metropolitan Industrial Baseline Snapshot as of December 2021



4.1 Kampala Industrial Property Market

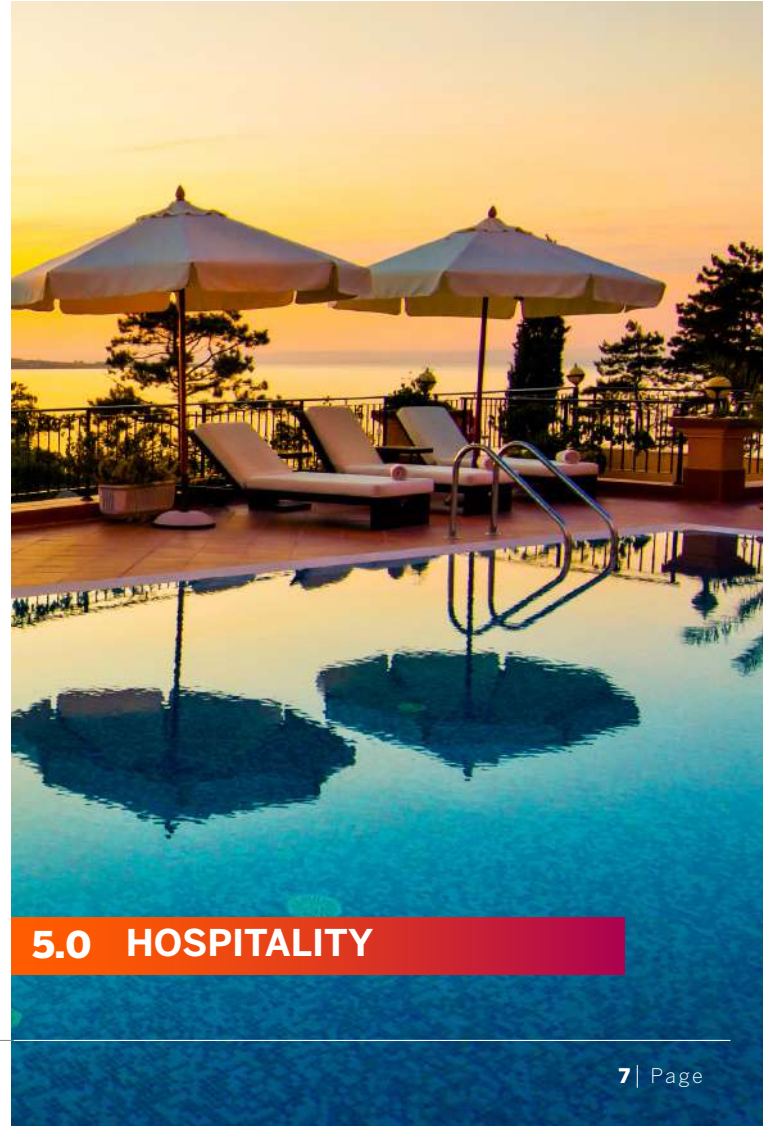
The areas demarcated for industrial use in Kampala include 1st -8th Street, industrial area, Luzira industrial park, Nakawa-Ntinda industrial area and Kawempe industrial park. We observed that many industrial users are occupying highly valued land but their facilities are old and dilapidated. Hence, a number of these landlords were selling their land to commercial investors particularly office developers and relocating their industrial operations to the cheaper and booming industrial parks outside the congested CBD to parks outside Kampala particularly Namanve industrial park. The park saw an addition to its power supply with the opening of the 189MVA, 132/33kv Namanve South Industrial Park electricity substation. National Water and Sewerage Corporation also set up waterlines with a booster water supply station for the park and these are supplemented by the 20,000 cubic meters water reservoir at Buto, a nearby hill, to ensure uninterrupted.

Primary data revealed that rental rates for warehouses in Kampala's traditional industrial areas of Ntinda, Nakawa, Luzira, Bugolobi and 1st-8th Street were registered at a median price of USD 6/m2/month. We also observed a trend of occupiers' willing to relocate to smaller spaces outside of the CBD as well as a few large corporations willing to move from rented to owner-occupied premises. We anticipate the above trends to continue for the medium to long term. We expect overall industrial occupancy to rise in 2022 buoyed by demand from the growing e-commerce.

4.2 Wakiso and Mukono Industrial Markets

In terms of location, the majority of industrial properties in the metropolitan areas of Wakiso and Mukono are found along key roads that exit Kampala, particularly Jinja Road, Bombo Road, Entebbe Road, Hoima Road, Masaka Road and Mityana Road. The key demand is emanating from transportation, logistics and e-business retail firms due to proximity to delivery centres away from the traffic-congested CBD in Kampala and easy accessibility by both foot and vehicular traffic.

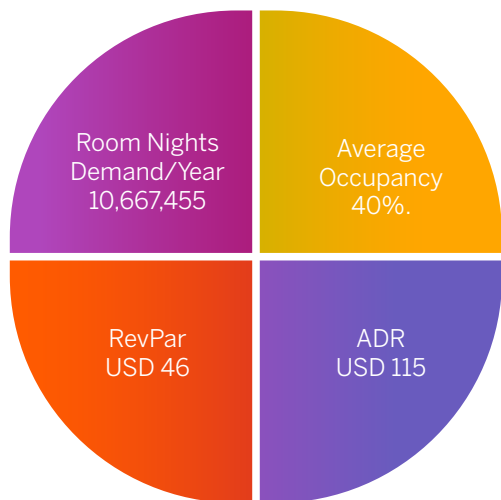
Warehouse rents for good quality space were recorded at a median price of USD 4/m2/month as of December 2021. Above all, market research reveals that industrial property has a higher rate of owner-occupancies fluctuating between 85% to 90%, compared with other commercial real estate segments. We project that the subdued supply pipeline will continue to lend support to occupancy in these areas.



5.0 HOSPITALITY

5.1 Kampala Hospitality Market

Kampala Metropolitan Hospitality Baseline Snapshot as of December 2021



According to the Uganda Bureau of Statistics (UBOS) Census of 2014, Uganda's hospitality sector had approx. 6,291 establishments with about 97,511 rooms and 103,261 beds. Approx. 75% of these establishments are located in the Kampala metropolitan area. Recovery of the hospitality market from COVID19 related drawbacks is expected to drag for a while, given the risks and uncertainties that still linger, though it will be mitigated by the gradual increments in tourist arrivals. The lodging market is rebounding after the relaxation of COVID19 related restrictions, with occupancy rates averaging 40%, average daily rate (ADR) averaging USD 115 per night for star-rated hotels, resulting in a revenue per room (RevPar) rate of USD 46. With the Kampala metropolitan catchment area having an estimated 73,133 rooms, Room Nights Demand (RND) was estimated at 10,677,455 room nights per year as of December 2021.

However, full recovery of the hospitality market is expected to be long-drawn, based on the risks and uncertainties that still linger, though it will be mitigated by the moderate level of increasing tourist arrivals due to the relaxation of COVID19 related restrictions. Additionally, it's anticipated that the Kampala hospitality market will see additions of approximately 480 keys in the star-rated segment of the hotel market in the next 24 months.

We also noticed a growing trend of people investing in re-recreational spaces in form of artificial turfs futsal pitches. These usually occupy space measuring approx. 700m² on average and have the convenience of being all-weather pitches. They are usually dominated by 5-aside football matches and participants can play both during day and night given that they are very well lit. Some of these facilities include fast sports fusion in the industrial area, K-wonder facility in Bunga, Champions united facility in Kansanga, Bayern area in Munyonyo, Inter sports center in Kyebando to mention but a few. Prevailing rates were recorded at UGX 20,000 per player per hour.

5.2 Wakiso and Mukono Hospitality Markets

The hospitality market of Wakiso and Mukono was characterized by recreational and entertainment facilities particularly geared towards fitness, children's play areas and sports centres. These facilities support the following market segments: children's play areas and amusement parks, restaurants and bars, gyms, sauna and fitness studios as well as extreme activities such as high ropes, paintball, trampoline, etc. Some of these include Kavumba recreation park at Wakiso, Extreme adventure park at Busiika along Gayaza-Zirobwe road, Hakuna Matata fun city at Naluvule along Kampala-Hoima Road, Buloba forest park along Mityana road, Kids World water park at Naalya to mention but a few. Approx. 85% of demand for these services emanates from the emerging local middle-class, which is a precursor to spurring domestic tourism.

Primary research revealed that the working-class residents of these middle-income suburbs tend to spend and participate more in fitness and sports-related activities compared to their counterparts in the traffic-congested high-end residential areas of Kampala, who tend to spend more on entertainment-related activities such as live performances, bars/pubs, restaurants. Above all, growing investments in improving transport infrastructure in Wakiso and Mukono are likely to further improve the outlook for the hospitality market in these areas. For instance, the expansion and upgrading of Busabala road have improved the amount of traffic to lakeside beaches and lodging facilities at the shores of Lake Victoria in Busabala.



6.0 ADVISORY

H2 2021 saw a further guidance from Surveyor's Registration Board (SRB) regarding the operation of registered surveyors in Uganda. As per the Surveyor's Registration Act Cap 275, registered surveyors are only mandated to operate as sole proprietors or under partnership among registered surveyors. This guidance is aimed at streamlining the operations of surveyors as per the act and this is going to be enforced beginning 2022 with issuing practicing certificates to only surveyors operating as per the law.

Stanbic Bank, Stanbic Properties and National Housing Construction Company signed a tripartite partnership that will deliver 1,400 affordable units to bank staff and other entities. This partnership is aimed at closing all gaps from designs, monitoring & evaluation, project finance to final product in order to manage costs and deliver the most affordable housing in the market. This marriage is envisaged to open up more collaborations towards the development of real estate sector.

Following the gradual easing of covid 19 pandemic restrictions in July 2021, the valuation sector registered a slight increase in instruction volumes. There has been mixed performance of highs and lows in the second half of 2021 as the banks continue to minimize their exposure, they wait to see the payback strength of majority of the borrowers especially with expiry of the credit relief measures that the Central Bank had earlier put in place.

APPENDIX

Wards/ Parishes that accounted for the weighting areas								
District	Town Council/ Municipality (Weighting area)	Parish	District	Town Council/ Municipality (Weighting area)	Parish	District	Town Council/ Municipality (Weighting area)	Parish
Wakiso	Katabi Town Council	Kabale	Wakiso	Nansana Municipality	Busukuma		Kasangati Town Council	Gayaza
	Katabi Town Council	Kisubi		Nansana Municipality	Guluddene		Kasangati Town Council	Kabubbu
	Katabi Town Council	Kitala		Nansana Municipality	Kabumba	Wakiso	Entebbe Municipality	Central
	Katabi Town Council	Nalugala		Nansana Municipality	Kikoko		Entebbe Municipality	Katabi
	Katabi Town Council	Nkumba		Nansana Municipality	Kiwenda		Entebbe Municipality	Kigungu
	Katabi Town Council	Kabale		Nansana Municipality	Lugo		Entebbe Municipality	Kiwafu
	Katabi Town Council	Kisubi		Nansana Municipality	Magigye	Wakiso	Wakiso Town Council	Gombe
Wakiso	Kyengera Town Council	Buddo		Nansana Municipality	Wamirongo		Wakiso Town Council	Kasengejeje
	Kyengera Town Council	Kasenge		Nansana Municipality	Buwambo		Wakiso Town Council	Kavumba
	Kyengera Town Council	Katereke		Nansana Municipality	Gombe		Wakiso Town Council	Kisimbiri
	Kyengera Town Council	Kikajjo	Nansana Municipality	Kavule	Wakiso Town Council		Mpunga	
	Kyengera Town Council	Kitemu-Kisozi	Nansana Municipality	Kiryamuli	Wakiso Town Council		Naluvule	
	Kyengera Town Council	Kyengera Town Board	Nansana Municipality	Matugga	Wakiso Town Council		Namusera	
	Kyengera Town Council	Maya	Nansana Municipality	Migadde	Wakiso	Kakiri Town Council	Bukalango	
	Kyengera Town Council	Nabbingo	Nansana Municipality	Mwereerwe		Kakiri Town Council	Busujja	
	Kyengera Town Council	Nanziga	Wakiso	Kira Municipality		Bweyogerere Division	Kakiri Town Council	Kikubampanga
	Kyengera Town Council	Nsangi		Kira Municipality		Bweyogerere Division	Kakiri Town Council	Lugeye
Kyengera Town Council	Buddo	Kira Municipality		Kira Division	Kakiri Town Council	Nakyelongoosa		
Kyengera Town Council	Kasenge	Kira Municipality		Namugongo Division	Mukono	Mukono Municipality	Ggulu	
Wakiso	Kajjansi Town Council	Bulwanyi	Kira Municipality	Namugongo Division		Mukono Municipality	Namumira Anthony	
	Kajjansi Town Council	Bweya	Kira Municipality	Bweyogerere Division		Mukono Municipality	Nsuube Kauga	
	Kajjansi Town Council	Kitende	Kira Municipality	Bweyogerere Division		Mukono Municipality	Ntaawo	
	Kajjansi Town Council	Nakawuka	Wakiso	Kasangati Town Council		Bulamuz	Mukono Municipality	Bukerere
	Kajjansi Town Council	Namulanda		Kasangati Town Council		Gayaza	Mukono Municipality	Misindye
	Kajjansi Town Council	Nankonge		Kasangati Town Council		Kabubbu	Mukono Municipality	Nantabulirirwa
	Kajjansi Town Council	Ngongolo		Kasangati Town Council	Katadde	Mukono Municipality	Nyenje	
	Kajjansi Town Council	Nkungulutale	Kasangati Town Council	Masooli	Mukono Municipality	Seeta		
	Kajjansi Town Council	Nsaggi	Kasangati Town Council	Nangabo				
	Kajjansi Town Council	Ssisa	Kasangati Town Council	Warpeewo				
Kajjansi Town Council	Wamala	Kasangati Town Council	Wattuba					
Kajjansi Town Council	Bulwanyi	Kasangati Town Council	Bulamu					
Kajjansi Town Council	Bweya							

Source: Uganda Bureau of Statistics



Office buildings classification

- **Grade A:**

These have state of the art fixtures, finishes, amenities, and are newer. Additionally, these buildings usually mid-high rise and are expected to offer fixed line connections for telephone and data communications, satellite decks, air-conditioning, serviced lifts, flexible floor layouts, regulated cabling, back-up power systems, adequate parking for tenants and visitors , 24-hour security , accessibility for persons with disabilities in form of ramps and toilets, building management system and property management services (out-sourced or in-house).

- For Grade B and C, age is a fundamental determinant in categorizing these buildings owing to the tear and wear on the building.

- **Grade B:**

These are a tier lower from the Grade A buildings particularly in terms of quality and age. They also offer fewer facilities in comparison to their Grade A counterpart.

- **Grade C:**

These are a tier below Grade and B buildings and are predominantly old but refurbished but offer fewer facilities and amenities than both Grade A and B buildings.

For more information,
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