



**Stanbic Properties
Limited**

A member of Standard Bank Group

HALF-YEAR KAMPALA METROPOLITAN REAL ESTATE PROPERTY MARKET REPORT

AS OF DECEMBER 2022

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Background

This report presents the annual changes in the real estate property market in the Kampala metropolitan area registered in the second half of 2022 (July-December 2022) compared to the same period in 2021. It analyses 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



Twed Towers

1.1

Kampala Office Market

Office leasing activity for Grade A and B in H2 2022 witnessed a solid recovery compared to H2 2021 with approximately 12,000 m². This space taken up was a combination of expansionary or consolidation-led and pent-up demand leasing as occupiers began to realign their business strategies after a lengthy hiatus post-COVID-19.

We also witnessed the equilibrium between personal and company preferences continue to be tested with the advent of a new trend of hybrid workplace strategies featuring a mix of on-site and remote working with more focus on employee wellbeing.

On a yearly basis, rents for Grade A and B space have remained stable in H2 2022 recorded at USD 15 and USD 11/ m²/month respectively. Grade C rents declined by 12.5% from USD 8/ m²/month registered in December 2021.



Office leasing activity for Grade A and B in H2 2022 witnessed a solid recovery compared to H2 2021 with approximately

12,000 m²

On the other hand, demand measured in terms of vacancy levels decreased across all the office segments for Grade A, B, and C buildings by 6%, 5% and 2% from 11%, 17% and 26% recorded in December 2021 respectively. Key occupiers included Financial Institutions, Government Ministries, Departments and Agencies (MDAs) and the Oil and Gas sector.

We continued to register an increase in enquiries for Grade A space whose supply is limited, mainly emanating from multinational firms that want to expand as well as tenants who want to relocate from Grade C buildings as they sought more convenient office space away from the cross-cutting obstacles faced by most of the Grade C buildings especially insufficient parking and traffic jams associated with locations in the CBD.

The market has also witnessed the birth of demand for condominium office space, especially for law firms, financial institutions and consultancy firms, a phenomenon that was previously a preserve of the residential market. This is attributed to the need to ensure the security of tenure to have full control of space utilization and associated costs.

Above all, the trend of feeble demand for lower-quality Grade C space persisted throughout H2 2022 with the exception of recently refurbished properties.

Kampala Office Snapshot as of December 2022

BUILDING TYPE	MEDIAN RENTS/ M ² /MONTH (USD)	H2 2022 VACANCY (%)	ANNUAL CHANGE IN MEDIAN RENTS (%)	ANNUAL CHANGE IN VACANCY (%)
Grade A	15	5%	0%	-6%
Grade B	11	12%	0%	-5%
Grade C	7	24%	-12.5%	-2%

Source: Stanbic Properties Uganda Ltd



Going forward, we anticipate office rents particularly for Grade A to remain on an upward trajectory in the next 12 months on the back of tight vacancy, robust demand and limited new supply for rent.

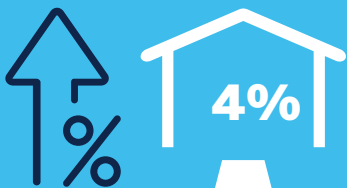
Furthermore, we expect occupier appetite for office expansion to strengthen in the next 24 months mainly driven by the recent developments in the Oil and Gas sector as the fast-tracking of Oil and Gas exploration and pipeline developments gains momentum. In terms of projections, we expect the supply pipeline

to remain below pre-COVID estimates with the completion of buildings currently under construction to add approximately 18,000 m² of lettable space to the existing stock by the end of 2023.

1.2

Wakiso and Mukono Office Markets

Leasing demand in Wakiso and Mukono was driven by small consultancy firms and utility companies. The over-saturation of Kampala's office market has spurred the emergence of a nascent office market in the suburbs of Wakiso and Mukono, particularly on the upper floors of mixed-use buildings along the arterial routes. However, the bulk of office supply in these nodes is suitable for SMEs, start-ups and single-person occupiers.



H2 2022 witnessed a 4% annual increase in enquiries for office space when compared to December 2021. The weighted median rents for decent office space in buildings located along arterial routes out of Kampala stagnated at UGX 25,000/m² /month as of December 2022 except for Mukono Municipality which registered a 12.5% annual increase, up from UGX 20,000/m²/month recorded for the same period in 2021.

Wakiso and Mukono Office Snapshot as of December 2022

LOCATION	MEDIAN RENTS/ROOM MEASURING APPROX. 20m ² /MONTH (UGX)	ANNUAL CHANGE IN MEDIAN RENTS (%)
Entebbe Municipality	1,000,000	0%
Katabi Town Council	500,000	0%
Kyengera Town Council	200,000	0%
Wakiso Town Council	800,000	0%
Mukono Municipality	450,000	12.5%

Source: Stanbic Properties Uganda Ltd

2.0

Retail Property Market



Redevelopment of Stanbic Bank Mbarara

2.1 Kampala Retail Market

The rising cost of living continued to be the key challenge faced by most retailers in Kampala in H2 2022. This is evidenced by a 10.6% year-on-year increase in headline inflation recorded in November 2022 compared to 2.6% registered in November 2021 according to the Uganda Bureau of Statistics surveys. This meant that consumers bought fewer goods and services with the same amount of money as of December 2022 compared to the same period in 2021.

Besides the above, H2 2022 witnessed a sense of normalcy return in Kampala's prime retail malls and 'business as usual' is the attitude adopted by most retailers owing to a number of new openings registered. Prime locations on the ground and first floors continued to be keenly sought after as retailers took advantage of tenant-favoured markets to secure more accommodative rents.

Furthermore, the shift to online consumption during the COVID-19 pandemic has come at the expense of physical retail. We witnessed landlords and retailers in prime malls ex-

Rents have shown little or no noticeable movements since 2021 with the highest rents stagnating 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

perimenting with diverse tactics to lure consumers back to brick-and-mortar retail stores. Some of the tactics included supplementary promotional events, thematic retail stores and extended display areas.

Kampala Retail Snapshot as of December 2022

Median Rents in USD/m²/month in Kampala's prime malls 	 DESCRIPTION	 RENT	 HALF-YEAR CHANGE IN RENTS
	Large space occupiers	(>500m ²): 15	0%
	Mid-large space occupiers	(100-500m ²): 23	0%
	Small - Mid space occupiers	(<100m ²): 30	0%
	Small space occupiers	(<50m ²): 40	0%

Source: Stanbic Properties Uganda Ltd

Going forward, we anticipate a cautious expansion approach by retailers and developers as demand is expected to be relatively lethargic in H1 2023, with a recovery likely to pick up from H2 2023 onwards. Additionally, we also expect landlords to adopt a proactive strategy of embedding turnover rent clauses and regular rental appraisal terms into leases, coupled with occupiers appointing representatives to negotiate on their behalf in a bid to spur market recovery.

5,000 m²

In terms of pipeline, we anticipate an upsurge in the development of strip mall retail space, measuring up to 5,000 m² since they are easy to manage, typically require smaller shop sizes and lower upfront costs.

2.2


Wakiso and Mukono retail markets

Weighted median retail rents decreased by 2.1% year on year from UGX 48,600 /m²/ month on the ground floor in December 2021 to UGX 47,580 /m²/ month recorded in December 2022. This is mainly attributed to the spillover effects of the high cost of living that wiped out the disposable incomes of predominantly middle-class consumers. The biggest price movements were registered in Entebbe and Kira municipalities at -10%.

However, domestic demand remained strong in Wakiso and Mukono, owing to the resilience of the middle-class market buoyed by the nascent rise of e-commerce, and variations in consumer behaviour that were accelerated by the rise of the localism sentiment. Demand emanated mainly from bars, restaurants, cosmetics, wine shops and boutiques, which characteristically entail smaller shop sizes and lower upfront costs.

We also noticed a growing trend of consumers spending more time in retail locations near their homes and thus giving birth to the Omnichannel retail strategy; where demand is growing for a broader and faster range of delivery options for online purchases in these middle-income neighbourhoods of Kira, Kajjansi, Kasangati and Katabi Town Councils. Hence, the growing trend for new retail stores along arterial roads out of Kampala serves as last-mile delivery or fulfilment centres.

Wakiso and Mukono Retail Snapshot as of December 2022

MEDIAN RETAIL RENTS IN UGX BY LOCATION PER 15M² ROOM PER MONTH 	LOCATION	RENT	HALF YEAR CHANGE IN RENTS
	Entebbe Municipality	900,000	-10.0%
	Kajjansi Town Council	705,000	0.7%
	Kakiri Town Council	315,000	5.0%
	Katabi Town Council	400,000	0%
	Kira Municipality	900,000	-10.0%
	Kyengera Town Council	600,000	0%
	Mukono Municipality	750,000	-6.3%
	Nansana Municipality	680,000	-2.9%
	Wakiso Town Council	505,000	1.0%
	Kasangati Town Council	910,000	1.1%

Source: Stanbic Properties Uganda Ltd

Going forward, we expect an increase in Omnichannel sales and delivery retail points in Wakiso and Mukono as demand grows for a broader and faster range of delivery options for online purchases while reducing the need for in-store inventory, particularly for the textile, cosmetics, food, and beverages retail segments.

3.0

Residential Property Market



Pearl Marina - Garuga

3.1 Kampala Residential Market

Year-on-year rents for stand-alone houses stagnated in Kampala's upscale residential suburbs of Kololo, Naguru, Nakasero and Bugolobi registered at a median price of USD 3,500 per month. This was mainly due to the limited stock of bungalows as well as the nature of tenants, who typically sign up for long-term leases, particularly diplomats. H2 2022 saw an overall 5% annual reduction in rents for both 2 and 3-bedroom apartments in the high-end residential areas of Bugolobi, Nakasero, Kololo and Naguru with weighted median rents recorded at USD 1,900 and USD 2,375/month for 2 and 3-bedroom apartments respectively as of December 2022. This was mainly attributed to a demand and supply disequilibrium with supply outstripping demand as the previous pipeline stock of apartments was completed. We continued to receive a lot of enquires for stand-alone residential houses in the secondary residential suburbs Muyenga, Buziga, Nsambya, Mutungo, Munyonyo and Luzira mainly emanating from tenants in the high-end residential suburbs especially Kololo who want to relocate to quieter neighbourhoods but not far from the CBD. This is mainly attributed to the inconvenience caused by noise from the bars and nightclubs in Kololo. The secondary residential suburbs of Muyenga, Buziga, Nsambya, Mutungo, Munyonyo and Luzira recorded a 10% annual average reduction in rents as of December 2022 compared to December 2021 with the weighted median rents registered at USD 700/month and USD 900/month for 2 and 3-bedroom apartments respectively. In terms of the outlook, we expect approx. 100 apartment units to be completed in the next 12 months in the high-end residential suburbs, thus widening the supply-demand gap if demand doesn't pick up in the short to medium term.

Kampala Residential Snapshot as of December 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)	ANNUAL CHANGE (%) IN SELLING PRICE
2-bed apartment	1,900	5%	220,000	0.0%
3-bed apartment	2,375	5%	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 December 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%

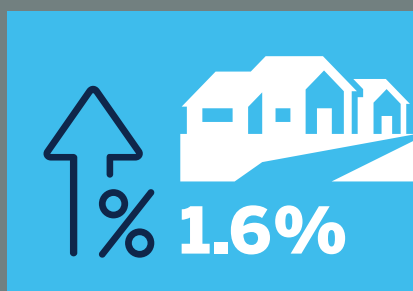
Source: Stanbic Properties Uganda Ltd

3.2

Wakiso and Mukono Residential Markets

The middle-class settlements of Wakiso and Mukono registered annual weighted rental growth of 10% and 6% for 2 and 3-bedroom apartments per month respectively as of December 2022. The biggest contributors to this growth were Kasangati and Katabi Town Councils which recorded price movements of 16.7% and 14.3 % for 2-bedroom apartments and 12.5% and 10.0% for 3 bedroom apartments respectively. This can

partly be attributed to the scaling up of ongoing government road infrastructure projects in these locations which has in turn opened up these suburbs to residential developments. On the contrary, we recorded a 2.3% decline in the weighted median rents for stand-alone bungalows/maisonettes, further rubber-stamping the growing preference for apartments for rent by the middle class in these areas.



The sales market registered a slight upward trajectory in H2 2022, probably as a result of buyers who withdrew their mid-term access retirement benefits from the National Social Security Fund (NSSF). As a result, we registered a 1.6% average increase 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 recorded in December 2021.

Wakiso and Mukono Residential Snapshot as of December 2022

Location	Annual price movement (%) in Median Rent/month in UGX			Annual 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	16.7%	12.5%	11.1%	6.7%
Kyengeru Town Council	12.5%	N/A	0.0%	0%
Nansana Municipality	N/A	N/A	0.0%	1.8%
Wakiso Town Council	N/A	N/A	N/A	12.5%
Mukono Municipality	10.0%	8.3%	-6.3%	-4.5%
Kira Municipality	7.1%	2.5%	-4.5%	-1.9%
Katabi Town Council	14.3%	10.0%	-6.7%	0%
Kajjansi Town Council	6.3%	4.2%	-12.5%	0%
Entebbe Municipality	10.0%	4.0%	0.0%	0%

Source: Stanbic Properties Uganda Ltd

Going forward, we anticipate a gradual increase in lending rates to discourage investors and developers in the short-medium term. Additionally, we also expect residential demand to remain concentrated in housing projects situated in locations with basic social and physical infrastructure particularly good access roads, schools, hospitals, places of worship and shopping facilities.

4.0

Industrial Property Market



Pio Limited, Namanve Industrial Park

4.1

Kampala Metropolitan Industrial market

We observed a partial crossover between retail property & warehousing properties in H2 2022. This is emphasized by the fact the new warehouses have the possibility to be used differently.

As a result, hybrids of industrial facilities, distribution centres and retail with extra space for office use are emerging.



We registered a 12.5% annual increase in the asking rents for warehouses in the metropolitan areas found along key roads that exit Kampala, particularly Bombo Road, Entebbe Road, Hoima Road, Masaka Road and Mityana Road, compared to December 2021 due to increased demand for space amenable to cold rooms and distribution centres. Rents for warehouses in Kampala's traditional industrial areas of Ntinda, Nakawa, Luzira, Bugolobi, 1st-8th Street and Namanve stagnated at median prices of USD 6.0/m²/month and USD 5/m²/month as of December 2022 respectively.

Key demand drivers include startups, firms expanding particularly in Namanve as well as a few firms relocating to areas closer to the CBD.

Kampala Metropolitan Industrial Snapshot as of December 2022



Source: Stanbic Properties Uganda Ltd

Going forward, warehouse leasing activity is expected to remain strong in 2023 supported by economic recovery and increasing investment activity.

5.0

Hospitality



Golf Course Hotel

5.1

Kampala Metropolitan Hospitality

Primary research revealed that the emergence of the Ebola virus Sudan variant in H2 2022 clouded the full recovery of the hospitality sector to pre-pandemic levels, with approximately 19% of tourists postponing their accommodation bookings or cancelling their planned travels to Uganda and thus, dampening the recovery pace. That said, we recorded an 18% annual increase in occupancy from 40% registered in December 2021 to 58% recorded in December 2022.

Additionally, we also registered a 13% weighted average increase in average daily rates (ADR) from USD 115 per night registered in December 2021 to USD 130 per night recorded in December 2022 for star-rated hotels, resulting in a revenue per room (RevPAR) rate of USD 75 as of December 2022. This is in agreement with the Uganda Bureau of Statistics producer price indices report of July-September 2022 that revealed that persistent annual price movements in accommodation services were registered at 9% compared to the same period in 2021.

Key drivers were mainly spillover effects of government incentives aimed at stimulating recovery of the Tourism Sector particularly capitalisation from the Uganda Development Bank (UDB) in form of soft loans with flexible terms.

Kampala Metropolitan Hospitality Snapshot as of December 2022

METRIC	PERFORMANCE	ANNUAL CHANGE (%)
Occupancy	55%	18%
ADR	USD 130	13%
RevPar	USD 75	63%

Source: Stanbic Properties Uganda Ltd

We project approximately 550 star-rated keys to be added onto the market in the next 12 months

6.0

New Developments



Ground Breaking ceremony at The Stanbic Bank Mbarara Branch



Artistic impression of the Re-developed Stanbic Bank, Mbarara Branch

The building will house the bank branch, retail shops, offices, restaurants and supermarkets.



Artistic impression of the Re-developed Stanbic Bank, Gulu Branch

The building will house the bank branch, retail shops, offices, restaurants and supermarkets.

MEET THE TEAM



Spencer Sabiiti
Chief Executive

sabiitis@stanbic.com
0312 224 700



Peter Sewagudde
Manager Business Development

sewaguddep@stanbic.com
0772 452 656



Athan Mukama
Manager Projects

mukamaa@stanbic.com
0312 224 548



Melody Atim
Manager Facilities

atimm@stanbic.com
0312 224 548

For more information, please contact us on.

1st Floor, Tall Tower - Crested Towers 17 Hannington Road
Email: spl@stanbic.com