



# REAL ESTATE PROPERTY MARKET REPORT

Issue 1 - September 2022



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# OUR CORE BUSINESS

## Consultancy in Research & Investment Analysis

We provide up-to-date market based real estate information and advise clients on the best viable options to facilitate decisions in the life cycle of real estate projects. We provide investment and feasibility analysis, lifecycle costing and creative market-oriented design support.

## Real Estate Advisory Services

We have a collaborative team that handles legal services for property related matters and can provide support at the purchase and sale of property. We also provide services for the sub-division of land for sale in organized estates.

## Agency & Leasing Services

As agents, we work to facilitate the buyer and seller in the process of property acquisition and disposal. Our work is to find the buyer and connect them to the seller.

## Property & Facilities Management

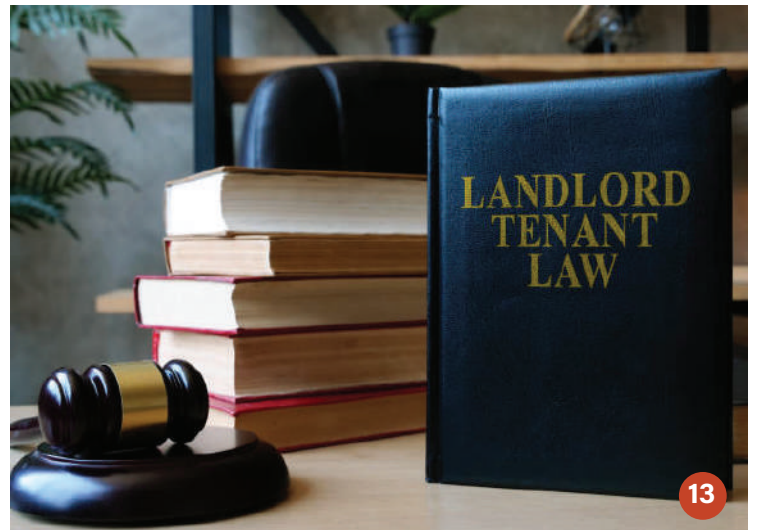
To provide services to manage the property business financially and technically. Our team focuses on creating systems to make the collection of all dues easy for the landlord to track his investment. We provide support in the taxation and management of council and municipal dues.



# INTRODUCTION

The objective of the E-Newsletter is to provide accurate and reliable information in the Real Estate Sector and is a basis for research and consultancy in this field. With the purpose to provide an in-depth analysis of real-estate market data to inform, educate and support the decision making process of the general public.

This E-Newsletter is unveiled to the market as a reference point for landlords, tenants, developers, academia, Government Agencies, interest groups and the public for the prosperity of the real estate sector.



# ECONOMIC OUTLOOK



Like the rest of the World, Uganda was grossly affected by the Covid19 pandemic, which had significant adverse impacts on the economy. The economy continued to face pressures from the increasing inflation by the end of July 2022. According to Bank of Uganda, **Annual headline and core inflation rose to 9.0% and 7.2% in August from 7.9% and 6.3% in July 2022 respectively.**

Bank of Uganda also reported the rising energy prices; intensified by a weaker Ugandan shilling has worsened the inflation outlook for the remaining part of 2022 and into 2023. This situation has been exacerbated by the geopolitical conflicts in Ukraine, which has further disrupted the supply chains resulting into the increased commodity prices.

According to Bank of Uganda , annual headline and core inflation rose to 7.9% and 6.3% in July from 6.8% and 5.5% in June 2022 respectively. Bank of Uganda also reported the rising energy prices; intensified by a weaker Ugandan shilling has worsened the inflation outlook for the remaining part of 2022 and into 2023. This situation has been exacerbated by the geopolitical conflicts in Ukraine, which has further disrupted the supply chains resulting into the increased commodity prices.

## Inflation



According to UBOS , the Inflation as measured by the Consumer Price Index for Uganda for the 12 months to August 2022 increased to 9.0%, up from 7.9% registered in July 2022.

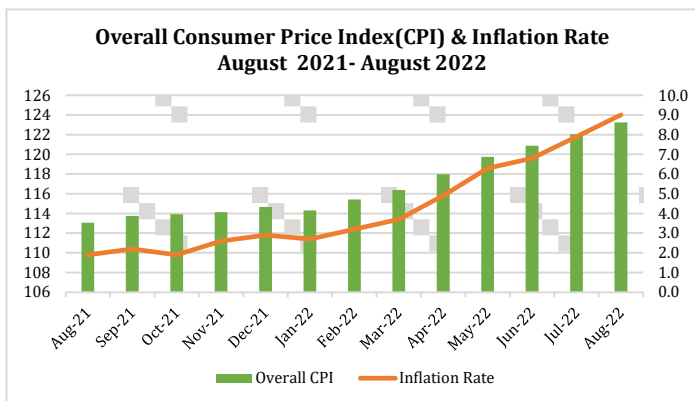
**Bank of Uganda projects that inflation is forecast to peak in the second quarter of 2023 before gradually declining to stabilize around the medium target of 5% by mid-2024.**

With the data provided by BOU, it indicates that commodity prices will continue to rise on the market, which has an adverse impact on the Real Estate Sector.

In addition, Annual National Water charges inflation increased to 5.8% in July 2022 up from 0.0% in June 2022.







Source: Bank of Uganda Data, 2022

The increase in inflation is attributed to escalation of geopolitical conflicts in Ukraine, the heightened global economy uncertainty, a stronger tightening of monetary conditions by advanced economies.

UBOS provides that the annual petrol inflation increased to 59.4% in August 2022, up from 56.1% in July 2022.

The increase in fuel prices will proportionately result into increment in the transport costs, which in turn adversely influence the cost of construction materials.

As of September 2022, the market prices have drastically increased with the median prices for fuel (petrol & diesel) rising to UGX 6,500 from UGX 3,700 in July 2021 on major filling stations in the city, a bag of cement increased to UGX 45,000 from UGX 30,000 in January.

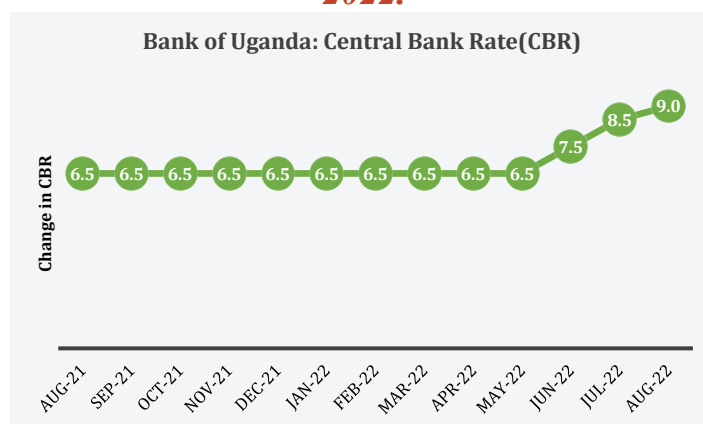
The current economic uncertainty will slow down the growth of the real estate sector through decelerating the construction of new buildings and hindering the rehabilitation of dilapidated buildings by the Landlords. Then the current housing will widen in the country.

## Interest Rates

With the increase in inflation,



**Bank of Uganda increased the Central Bank Rate (CBR) by 50 basic points to 9% in August 2022.**



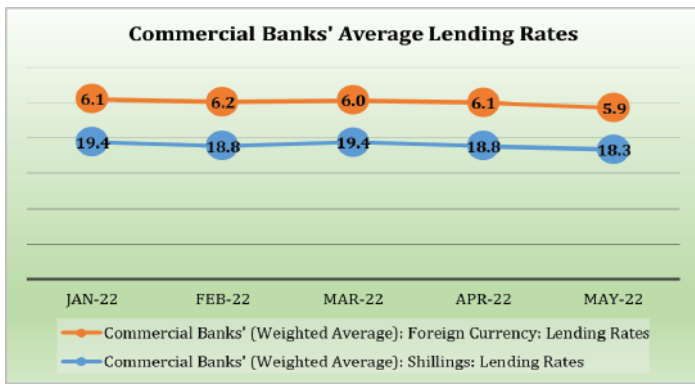
This was a deliberate monetary policy action to counteract the increasing inflation and continue supporting economic recovery.

## Lending Rates

Commercial banks' shilling denominated lending rates reduced from a weighted average of 19.35% in March to 18.84% in April 2022, partly supported by a reduction in the issuance of Government securities in April, coupled with the continued accommodative monetary policy stance.

On the other hand, foreign currency denominated lending rates increased from a weighted average of 5.97% in March, to 6.11% in April.

Reduction in lending rates occurred in the Transport and Communication, Mortgages, Construction and Real Estate, among others. This is associated with the current economic uncertainties.



Source: Bank of Uganda, 2022

The increase in Central Bank Rate to 9.0% in August which will influence the commercial banks to increase their lending rates and tighten the criteria for loan application.

In the end, this will lower investment in the real estate sector particularly the construction of new buildings. Furthermore;

- Higher interest rates will translate into higher mortgage loan costs.
- Rising rates make homes more expensive for buyers, thereby reducing the demand for home purchases.
- Reduced demand also hurts sellers, as they need to reduce the prices of their homes in order to attract buyers.

Moreover, as interest rates rise, fewer real estate transactions will take place since lending standards will be tighter. Thus, more people will need rental properties until they can afford a mortgage to construct their own buildings.

Most importantly, finding the right mortgage depends on receiving the right advice from an expert who understands how the mortgage rates work in the current economy.

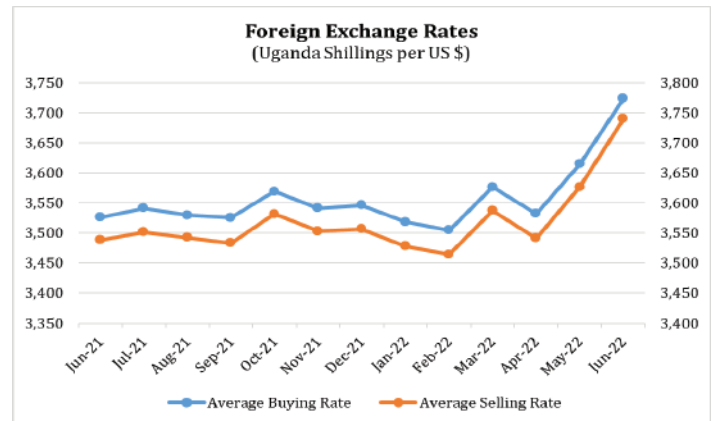
uncertainties.

## Exchange Rates



The Ugandan Shilling weakened by 2.6% against the US Dollar in May 2022 from an average rate of USD 3,542 in April to /USD 3,633.

This was mainly driven by an increase in the demand for the dollar from importers, and inter-bank trade, which outweighed supply. In addition to global uncertainties, the tightening global monetary policy stance led to the exiting of some offshore investors in the Government securities market thus exacerbating pressure on demand for the US Dollar.



However, the depreciation of the shilling against the dollar has a negative impact on the economy in terms of increased inflation. This may induce the central bank to raise the interest rates higher to counteract the rising inflation, as well as to ensure currency stability and prevent it from plunging sharply.

## Real Estate Sector Growth



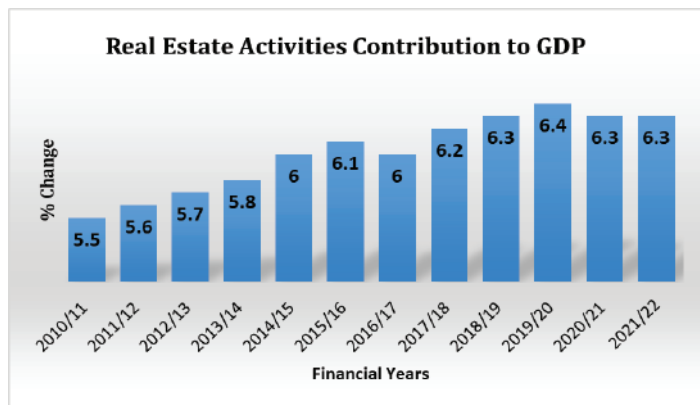
According to UBOS, the June 2022 preliminary GDP estimates indicate that the economy grew by 4.6% during the FY2021/22 compared to the 3.5% of FY2020/21. This growth was driven largely by private investment mainly in the industry and service sectors. Economic growth is still projected in the range of 4.5-5.0% in 2022 and rising slightly to 5.0-5.5% in 2023.

The services sector inclusive of real estate activities is expected to grow by 3.8% up from 2.8% growth in the FY2021/22 and is projected to contribute 41.5% to GDP in the FY 2022/23.

The industry sector which includes construction activities is expected to grow by 5.4% up from 3.5% growth in the last financial year projected to contribute 26.8% to the GDP in the financial year 2022/23 . Amidst the economic uncertainties, there is forecasted growth in the real estate sector, which has an overall economic impact.

## THE REAL ESTATE SECTOR

The Real Estate Sector has been continuously progressing with different developments taking place overtime. According to the Uganda Bureau of Statistics, the Real Estate Sector contributed 6.3% to Uganda’s GDP in the FY 2020/21.



Source: Uganda Bureau of Statistics, 2022

## Current Housing Deficit



The country’s housing deficit, which is estimated at about 2.4 million units, continues to widen, with the problem dominant in urban areas. Kampala, the prime urban centre, is experiencing a housing deficit of 200 000 units, with this figure projected to increase as the metropolitan area continues to grow.

With the current housing deficit, investment in housing yields higher returns due to the ever-increasing demand for decent housing.

## Technology



The outbreak of the covid19 pandemic enhanced the adoption of property technology with real estate agents transferring their physical paper work to virtual spaces.

Real estate individuals /entities (companies) started acquiring smartphones and others advancing to virtual reality and the reliance on drones during property inspection. This has increased efficiency in service delivery, as clients are able to reach out to real-estate firms and be served in real time without any physical contact.

## Building Technology Methods

Traditionally the Construction process has been dominated by use of bricks and mortar to erect buildings of every nature and style.

Construction technologies are evolving overtime with a longer life span compared to the already existing ones. Currently in Uganda, technological advancement is shaping the construction industry.

For instance, Precast Flat Panel Modules such as Dubbed BAAJ apartments on Mutungo Hill. Other ancient construction techniques are being revamped such as the rammed earth construction technique.

The property market is continuously advancing with the adoption of Industry 4.0.which influence it in one way or the other.



## Current Legal Frameworks in the Real Estate Sector



The Real Estate Sector has gained accelerators in its development pattern due to the enactment of different government policies and statutes.

- The Tenant and Landlord Act, 2022 which regulates the relationship of the landlord and the tenant.
- The Uganda Retirement Benefits Regulations (URBRA), which allow individuals to access mortgages from banks using retirement benefits as security.
- The Succession Amendment Act, 2022 which highlights on the distribution percentage of the estate of an intestate where the spouse receives 20%, the dependent - 4%, the lineal descendants - 75% and the customary heir - 1% of the whole of property of the deceased spouse.
- The Physical Planning Amendment Act 2020 that emphasizes orderly development in the whole country. When implemented, these legal frameworks will set a sustainable development pace in the real estate sector.

***However, the Real Estate Sector is not regulated which makes the public vulnerable to fraud practices. The Real Estate Agents Bill is expected to be table in the 11th Parliament. When enacted, it intends to regulate the work of real estate agents and enhance professionalism in the real estate sector.***

## REAL ESTATE PROPERTY MARKET

Myrtle Concepts, Your Real Estate Adviser of choice, provides the latest information and services on letting/buying/selling of property.

### Kampala Commercial Property Market



Space to let on Mount Olive Mall - Kiwatule

The commercial property in the city is vibrant with high demand for retail business space on the lower floors, which attract various clients.

According to the market survey carried out by Myrtle Concepts in May 2022, Properties in the Prime Kampala have a higher occupancy rate above 75% on average. The spaces on lower floors have a higher occupancy rate compared to the upper floors.

Lower floors attract retail activities such as Supermarkets, Restaurants, Forex Bureaus, Boutiques, Cafes, Dry-Cleaning, Pharmacies etc. whereas the higher floors have attracted Offices, Consultancy Firms among others.

***Table for Commercial Rental Rate in the Prime Kampala City Centre***

Prime Kampala Area Median Rental Rates	
Description	Rent per square meter (UGX)
Lower Floors	60,000 – 75,000
Upper Floors	45000 - 55,000

Source: Myrtle Concepts and Properties Ltd

### Observations to Note

- Parking in Kampala City Centre on designated parking spaces on average is UGX 2,000 per day.
- There is high demand for spaces less than 100sqm especially on Lower Floors for retail activities.

## Kampala Residential Property Market



Apartments and Rental Units define the Formal Residential Property Market. There is higher demand for decent residential lettable spaces. This is attributed to the dominant working class in the Kampala CBD.

- The higher demand for lettable residential spaces is usually for unfurnished buildings with rental fees between UGX 350,000- UGX 1,500,000 ranging from one-bedroom to three-bedroom residential houses/Apartments.

The rental prices vary depending on the facilities attached to the property and their location. Proximity to the city centre is an influential factor in setting the rental fees. Diplomats', Government Officials and other multinational residents reside close to the city in areas of Kololo, Nakasero thus dictating a higher rental fee.

Majority of the tenants are medium working class in the city centre commuting from the residential suburbs of Namugongo, Kawempe, Nansana, Kira, Seguku, Lubowa and Gayaza.

- The market demand is very high for unfurnished Apartments compared to furnished Apartments. That is why the property market is dominated by unfurnished apartments.

## Greater Kampala Metropolitan Rental Rates

### Unfurnished Apartments Monthly Rental Rates

Location	Median Apartment Monthly Rental Rates (UGX)		
	1-Bedroom	2-Bedroom	3-Bedroom
Zanna	800,000	1,200,000	1,700,000
Seguku	900,000	1,400,000	1,800,000
Ntinda	650,000	1,000,000	1,500,000
Kisasi	500,000	900,000	1,300,000
Namugongo	450,000	700,000	1,100,000
Mukono Town	400,000	600,000	1,000,000

### Furnished Apartments Monthly Rental Rates

Location	Median Apartment Monthly Rental Rates (USD)		
	1-Bedroom	2-Bedroom	3-Bedroom
Zanna	500	700	1,000
Seguku	600	1,000	1,200
Ntinda	900	1,500	1,600
Nalya	500	1,500	1,500
Namugongo	800	1,000	1,400
Mukono Town	300	400	600

## Kampala Land Market

The land market in Kampala is dynamic with various transactions taking place. Prime land in the city center and close to the city centre is very expensive. Individuals and entities opt to buy Land in the suburbs and on the fringes of the city where prices are relatively lower.

### Land Selling Rates in the City Suburbs

Median Land Selling Rates(UGX)		
Location	50*100	100*100
Zanna	230,000,000	350,000,000
Seguku	160,000,000	270,000,000
Kajjansi	190,000,000	300,000,000

Source: Myrtle Concepts and Properties Ltd



## Land Selling Rates on the City

### Fringes

The land market in the residential suburbs such as Lubowa, Bwebajja, Seguku that are close to the city are quite expensive compared to the Land market on the city fringes. Land market prices are presented below;

Median Land Selling Rates(UGX)		
Location	Distance from the City Centre(Km)	Price Per Acre(Millions)
Kiwenda-Along Gayaza Road	20km	100M
Kyampisi-Along Hoima Road	47km	50M
Matuga-Along Bombo Road.	21Km	50M
Wobulenzi-Along Bombo Road	42Km	35M
Ntenjeru Along Mukono-Katosi Road	30Km	30M
Nazigo Seeta-Along Jinja Road	17KM	45M

## Land Rental Rates in the city



1.2 Acres of Land to Let in Namanve

Land rented in Kampala is always in close proximity to the road to enable its functionality. The activity for the rented land in Kampala city is proportional to the number of years.

Short-term rental rates for instance 5 years call for activities such as parking, washing bay and other temporary activities, which can be shifted when the rental period is due.

Land with longer rental periods such as 20-50 years are put for long-term investments such as commercial building, residential apartments, and petrol stations among others. Such investments are usually accessible and attract a large number of people to such places.

### Median Land Rental Rates in Kampala Selected Neighborhoods.

Land Rental Rates(UGX)		
Location	50*100	100*100
Zanna	3,000,000	5,000,000
Seguku	3,500,000	5,000,000
Ntinda	2,000,000	3,000,000
Kisasi	1,000,000	2,500,000
Kiwatule	1,000,000	2,500,000
Bweyogerere	1,500,000	2,000,000

#### Points to Note:

- With the Current Economic Inflation, property prices continue to rise on the market.
- Furthermore, Land at the fringes of the city, which is predominately vacant, is attracting many real estate firms.

## Land Selling Rates in Lubowa

Land Selling Rates(UGX)	
Location	Lubowa
100*100	450M-300M
50*100	250M-160M



Houses for sale in Kyambogo



Houses for Sale in Kulambiro

## Property Market in Lubowa

Lubowa is a residential suburb located approximately 11.5km by road south of Kampala city, on the Kampala-Entebbe Road. The key landmarks in Lubowa are the Roofing Steel Factory along Entebbe road, NSSF housing Estate etc. that define the residential suburb.

Lubowa is an exclusive neighborhood featuring high quality properties accessible on tarmac roads and a serene- secure neighborhood. A planned self-contained neighborhood with international schools, Lubowa quality supermarket and prime shopping mall, Mildred hospital and a magnificent view of the Victoria.

High-end property establishments that is bungalow houses, semi-detached properties, furnished and unfurnished apartments, which have attracted high-end clients in terms of buyers and tenants.

### Apartment Rental Rates in Lubowa

Apartment Rental Rates (UGX)		
Location	Lubowa	
	Unfurnished	Fully Furnished
1- Bedroom	UGX 1M	USD-800
2 Bedroom	UGX 1.5M	USD-1200
3 Bedroom	UGX 2M	USD-1500

Source: Myrtle Concepts and Properties Ltd

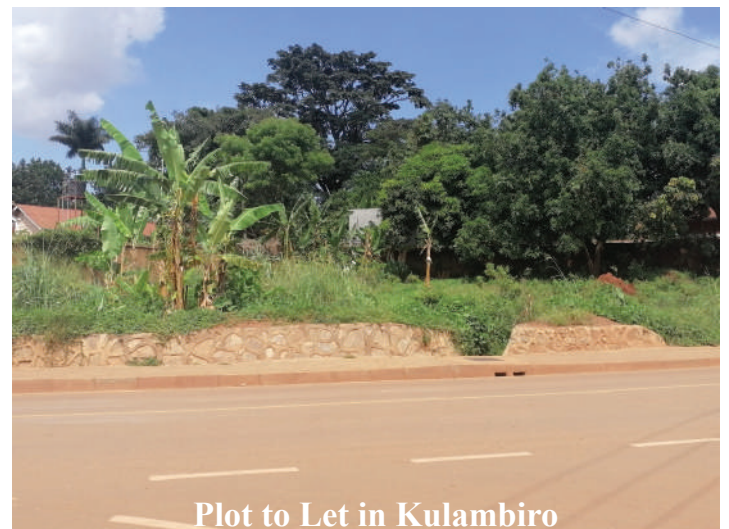
Most of the already established properties are fully occupied with a few that still having vacant units an indicator of existence of high demand for residential properties in the area. The area is characterized by many construction sites an indicator of the residential housing demand, which presents a big housing opportunity to tap; this activity is anticipated to attract better road networks, which in turn shall contribute to the increase of property value.

### Condominium Property Selling Rates in Lubowa

Median Condominium Property Selling Rates(USD)		
Type	Apartments	Condominium Bungalows
2-Bedroom	140,000	-----
3-Bedroom	180,000	300,000
4-Bedroom	-----	350,000



Plot to Let in Kiwatule



Plot to Let in Kulambiro





**Mr. Dave Khayangayanga**  
*Ag. Director,  
Directorate of Housing,  
Ministry of Lands, Housing and Urban  
Development*

## **TOPIC : THE LANDLORD AND TENANT ACT, 2022**

*The government enacted the Landlord and Tenant Act, 2022 in April this Year. Today, we discuss about this act and how it will affect the existing relationships of landlords and tenants.*

### **Why was it important to enact this act?**

The Landlord and tenant is a relationship where you have landlords on one side and tenants on the other side. What brings them together – Rental properties, which could be both residential or commercial, and to some extent, it could be industrial but majorly it is usually residential/commercial. The two parties have not been having a comprehensive law to regulate and guide their relationship.

During the covid19 period of 2020/21, there were various challenges arising between landlords and tenants which needed attention; Tenants were chased out of the houses and their properties confiscated by landlords.

Tenants were running away from rental properties before rent payment

So, the landlord and tenant act was enacted to address that vacuum and harmonize the relationship for landlords and tenants.

### **What are the pertinent issues one should look out for in this act?**

There are quite a number of issues but I can mention a few.

#### **A contract/agreement**



Before entering any property, it is very important to sign an agreement between the landlord and the tenant. The agreement must be detailed providing the rights and responsibilities of each person. This will act as a binding factor and it will create a smooth relationship between the two parties.

#### **Property Maintenance**



The new law indicates the responsibility of each party in as far as property maintenance is concerned. There are responsibilities that are put on the landlord for instance if the roof of the rentable property leaks, the landlord should fix it. If the compound is littered according to the agreement signed, the tenant is responsible.

## Payment of Rent



When should a tenant pay rent and for how many months/weeks. The tenant is responsible to pay rent on time when occupying rental premises. The contract should clearly indicate when to pay rent and how much.

There are many aspects under various clauses, which you can look out. The idea is to harmonize the relationship, which in any case, must be enforced by the contract signed when occupying the rental property.

### **Uganda is a liberalized economy but, Why does the new law intervene in the market economy?**

Even liberalized economies are guided and when there are issues, the citizens run to parliament. When tenants and landlords called out for their leaders/politicians during the covid19 period and on other several occasions, something had to be done. That is why the landlord and tenant act was enacted.

### **Why does the new law cap rental increment to 10%?**

The selection of the 10% was based on the economic analysis of the inflationary trends over the past 10 years. The inflation in the past 10 years has been around 6-7% but less than 10%.

Additionally, the whole issue is that we were looking at a rational and reasonable rent increases. The 10% was put in this act for purposes of guidance but it does not mean that every year the landlord should increase rent.

In the past years, we had landlords who increased rent abruptly thus they disorganized the tenants which in turn destabilized the economy in the long run.

There were a lot of considerations and discussions that evolved into 10% indicated in the act. We discussed with different stakeholders that is the tenants, landlords, the Uganda Tenants' Association in order to formulate this act.

### **Why restrict the mode of rent into Ugandan Shillings?**

Uganda is a sovereign country with a legal tender as a Ugandan shilling. Therefore, if we are to promote the Ugandan economy and fight the inflation that is affecting the economy, let us make the Ugandan shilling the legal tender in which we operate.

If we simply allow anyone to dictate the currency in which to pay, we shall be undermining the sovereignty of Uganda as a nation.

However, the law still provides that the two parties can agree on another currency, in their initial contract.

### **The Law provides for property agents; however, there is no law that guides their operations. What is government doing in this regard?**

We have provided for property agents because sometimes we have absentee landlords, tenants who may not necessary negotiate and work on their own. The government is also first tracking the Real Estate Agents Bill, which has all provisions guiding the works of the property agents.

Above all, the government is formulating the Landlord and Tenant Regulations to operationalize the Landlord and Tenant Act.

### **What strategies has government put in place to ensure that this recent law is implemented?**

Majorly, the government is going to carry out massive sensitizations across the country and in the diaspora to ensure that every person is informed about the Landlord and Tenant Act. This will harmonize the relationship and work flow between the two parties involved.

### **Any other remarks that you would want to highlight for Ugandans in regards to this act?**

Ugandans need to understand the Landlord and Tenant Act because it is here to help us to live in harmony and avoid the chaos, which has been happening when there was no comprehensive law to intervene. Now, we have an opportunity, the law has been formulated, let us obey it and live in peace.





Office Space to Let on Tirupati Mazima Mall - Kansanga



Myrtle Concepts and Properties Limited is one of Uganda's leading real estate firm that provides an end2end service in the real estate space.

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Next Issue Features:

1. The Real Estate Agents Bill
2. Property market in Kira – Wakiso District