NATION MEDIA PUBLICATION

Real estate.|

Neighbourhood malls are winning retail war in EA

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The economy is recalibrating, and data from Uganda Registration Services Bureau (URSB) suggest the change is happening on multiple fronts.

The Neighbourhood malls are winning the retail war in East Africa

East Africa's retail landscape is undergoing a structural transformation. For more than a decade, mega malls symbolised modern consumer growth across Kampala, Nairobi, and Dar es Salaam.

Today, however, data in the Knight Frank East African Retail Market Landscape - H2 2025, a biannual review of East Africa's retail market performance, shows that neighbourhood and convenience malls are increasingly shaping the future of retail in the region.

Across Uganda, Tanzania, and Kenya, performance indicators reveal a consistent shift toward proximity-driven retail. Occupancy rates, rental premiums, delivery growth, and investor yields all point in the same direction. The retail war in East Africa is no longer being fought solely in landmark destination centres. It is being won closer to where people live.



Knight Frank's East Africa managed portfolio shows the strongest occupancy in Kampala, followed by Tanzania, with Nairobi slightly trailing. Data also shows good performance of neighbourhood malls across the three cities. PHOTO / EDGAR R BATTE

The shift

Large destination malls remain important anchors. In Kampala, prime retail occupancy stands at 92 percent within the Knight Frank-managed portfolios. In Nairobi, The Junction Mall, Sarit Centre, and Village Market continue to maintain occupancy rates above 90 percent.

These figures confirm that prime retail space remains resilient.

Yet beneath this strength lies a structural change. Neighbourhood malls and community retail centres are expanding across residential nodes, reflecting evolving consumer behaviour.

Shoppers are prioritising convenience and accessibility over long commutes to large regional complexes. Developers are responding by embedding smaller centres within growing suburbs and high-density catchments.

In Uganda, this transition is also accelerating the shift from informal to formal retail, as organised centres replace fragmented trading environments.

The result is a more structured and data-driven retail ecosystem aligned with modern urban growth.

Smaller spaces commanding premiums

Across both Uganda and Tanzania, smaller units command higher rents per square metre than larger formats. In Tanzania, prime rents range from approximately $30 per square metre for units under 10 square metres, declining to about $18 per square metre for units exceeding 1,000 square metres.

Kampala exhibits a similar pattern, with small-format ground-floor spaces achieving the strongest premiums.

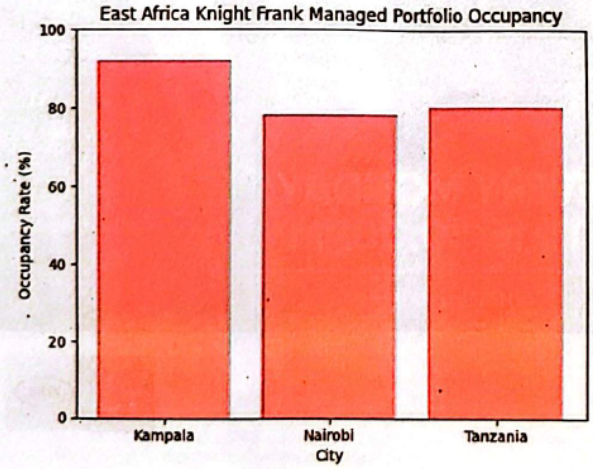
This pricing structure reflects economic efficiency. Smaller units reduce entry barriers for tenants, maximise visibility, and generate stronger turnover per square metre.

They are particularly suited to food service, beauty, fashion accessories, and convenience retail sectors that thrive on frequent visits rather than occasional destination shopping.

Delivery is redefining the mall

Kenya provides a clear illustration of how operational models are evolving. Simbisa Kenya recorded 12 percent revenue growth in the 2025 financial year despite a 6 percent decline in footfall. The difference was driven by a 22 percent rise in deliveries. This divergence highlights a major shift. Physical presence remains essential, but malls are increasingly functioning as logistical nodes that support last-mile fulfilment.

Neighbourhood centres, located within residential catchments, reduce delivery times and operating costs while sustaining brand visibility. The model of in-store engagement combined with delivery integration is defining tenant strategies for the coming more frequent, more digitally enabled.



Key figures

8.5%

Knight Frank says average retail yield in Ugansa is between 7.5 and 8.5 percent.

$30

In Tanzania, average prime retail rents range from $30 to $18.

22%

In Nairobi, Knight Frank reported a 22 percent rise in deliveries, despite a 6 percent decline in footfall.

Yields too tell a story

From an investor perspective, ... rica's retail sector remains ... Uganda's retail yields average ... 7.5 and 8.5 percent, while ... fers yields of around 10 per... tioning it among the higher-... tail markets in the region.

Such returns compare ... with many global markets. ... capital allocation is becoming ... selective. Investors are increas... vouring well-located commu... tres with proven catchment ... than speculative mega develop...

Tanzania demonstrates ... dence and expansion. Occu... mains around 80 percent d... supply, while the $100m expa... Mlimani City Mall and the pr... Kunduchi Mall signal continu... term optimism.

Large-scale retail is not disap... but it is increasingly complem... decentralised formats.

Kenya's supply discipline

Kenya has taken a more cau... proach to new development. ... significant retail completions ... corded in 2025: Promenade ... OUR Mall. This limited supply ... market adjusting to reduced ... purchasing power and recent ... sures on consumers.

Nevertheless, prime assets ... silient. Across a 1.36 million sq ... aged portfolio, occupancy stands ... percent, strengthened by major ... including Global Mart's large-... space at Crystal Rivers Mall.

International brands continue ... pand within strategic locations ... ion, food, and cinema operat... maintaining or growing their ... prints, while diversifying into sub... centres that offer proximity and ... tional flexibility. Brand confidence ... gests that retail demand is not ... ing, but redistributing.

The future of retail in East Afr...

Knight Frank's data that exa... Uganda, Kenya, and Tanzania ... markets carries critical evidence ... ing to decentralisation.

Uganda shows strong occupanc... accelerating formalisation. Tan... combines high yields with expa... confidence. Kenya reflects delibe... adaptation and supply discipli... each case, neighbourhood retail ... ing structural importance.

Mega malls will remain critical ... tertainment, flagship stores, and ... al identity. But growth momen... increasingly rooted in accessibili... ty and integration with daily life.

In East Africa's evolving retail ... scape, scale alone is no longer de... Proximity, efficiency, and adapta... now define competitive advantag... region's neighbourhood malls ar... just complementing traditional ce... They are steadily winning the reta...

operationalise the Joint Border Operations Committee (JBOC) under OSBP, ... members. ... dressed by both countries. ... tionals effective January 2021.