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Export-led growth is reshaping real estate investment decisions

Real estate. |

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Uganda has experienced one of the most solid growth periods in over five years since the Covid-19 episodes.

The country entered 2026 on the back of strong macro fundamentals in 2025, which the economy grew by 6.3 percent, inflation eased to 3.1 percent, and \$2.37b balance of payments surplus, the highest in over 15 years.

During the period, the shilling appreciated by 2.4 percent, while private sector credit expanded by 11 percent to Shs25.3 trillion from Shs22.8 trillion.

This environment provides stability, and the real estate sector is cherry-picking the fruits of what is beginning to be a largely predictable sector.

But within the property market, capital is no longer rewarded equally across all sectors. Data from the Kampala Property Market Performance Review for the second half of 2025 indicates that the cycle is being shaped by trade, logistics, and consumer behaviour, not prestige development.

The strongest-performing asset class during the period, the Knight Frank report shows, was industrial real estate, with occupancy levels consistently above 80 percent, attributed to an expanding export economy, in which coffee exports rose to 8.4 million bags valued at \$2.4b.

This has generated direct demand for 1,000–2,500 square metre climate-controlled warehouses, while at the same time, oil production, targeted for the second half of 2026, has seen oil contractors requiring 1,500–5,000 square metre logistics facilities on long-term leases.

Knight Frank also notes that warehouse rents remain firm at \$4.5-7 per square metre in the traditional industrial areas and \$3-5 per square metre in Namanve.

Exports, oil logistics, and suburban demand are reshaping the property market, redirecting capital toward industrial, small-unit residential, and convenience retail. PHOTO / FILE

Key data

80%

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Even after 50,000 square metres of new supply in the second half of 2025, occupancy has held above 80 percent.

Thus, the activity in the industrial property market makes it the clearest bet in 2026 for capital deployment.

Yield over luxury

The report further shows that prime residential properties experienced rental softening, with two-bedroom rents declining by 10 percent and three-bedroom by 9 percent, but occupancy remained stable at 83 percent.

Increased supply and shifting expatriate demand weighed on high-end units. However, a different segment thrived. Studio and one-bedroom apartments priced between \$80,000 and \$170,000 achieved up to 50 percent off-plan sales.

These purchases were largely investment-driven, targeting the short-let market. Secondary suburbs such as Kyanja, Ntinda, Naalya, and Kigo are showing stronger occupancy stability than traditional prime neighbourhoods. Demand is shifting toward affordability, flexibility, and rental yield.

Thus, in 2026 and onwards, smaller units aligned to diaspora traffic and short-let demand could offer a better income bet than luxury apartments dependent on expatriate tenants.

Shift in the retail sector

The Knight Frank report shows that the retail property market performance remained resilient, with footfall increasing by 15 percent. However, spending per visit declined, reflecting cautious consumer behaviour.

Prime malls are approaching saturation, with occupancy growth of only 1 percent, as the growth story is now suburban. Fuel stations are integrating 500–1,000 square metre convenience retail components, with food and beverage brands expanding along commuter corridors.

Neighbourhood malls are replacing informal trading formats.

Retail rents remain stable, with small-format spaces under 50 square metres averaging \$52 per square metre and larger spaces above 500 square metres averaging \$22 per square metre. Demand is strongest for accessible, convenience-driven formats rather than large CBD expansions.

Retail in 2026 onwards could be driven by proximity, experience, and daily-use consumption, not prestige mall development.

Proceed with caution

The office sector has transitioned into a tenant-driven cycle. The Knight Frank report indicates that approximately 50,000 square metres were delivered in the second half of 2025, with more than 200,000 square metres in the pipeline.

Grade A occupancy softened to 84 percent and Grade AB to 80 percent, while rents declined by 3 percent.

Leasing activity is largely relocation-driven rather than expansion-driven. Supply continues to outpace new demand.

Office investment requires pricing discipline and selective positioning. It is not the growth story of this cycle.