

Bullet Points for the Real Estate Stakeholder Meeting on Thursday 22nd October, 2020 at 8:30am at Imperial Royale Hotel

- **Statistical outlook on real estate;** According to **Uganda Bureau of Statistics (Ubos)**, Uganda currently has a deficit of 2.1 million housing units and is expected to reach three million by 2030. The deficit, data shows, will further expand to eight million units, of which 2.5 million will be in urban centres in two decades. Part of the explanation for this is the country's fast-growing population. At **3.3 per cent per year**, Uganda's population will stand at **75 million** in the next 20 years according to **a report (2017) by the United Nations Population Fund**. Additionally, more than 70 per cent of the population is under the age of 30. According to the World Bank's collection of development indicators of 2018, Uganda's urban population will stand at around 20 million in 2040, from just over 10 million people (24.4 per cent) in 2018.
- All of this might present serious challenges and immense pressure on the country's resources but it also presents immense opportunities. The real estate sector is one of those areas where opportunities to innovate and advance in business are hidden in plain sight. Opportunities for developers, particularly in the affordable urban housing segment are immense.
- **Rental Housing Potential;** However, the rental market in 2019 continued being profitable as has been the case for over two decades. It would take a catastrophe of Biblical proportions to change the trends. The country's rental market is huge. Most people, especially in the urban centres, can neither afford to build a house of their own nor afford to buy property. The only option is to rent, whether it is residential or business spaces.
- **Low-cost housing shortage;** Towards the end of 2019, the **Association of Real Estate Agents Uganda (AREA)** convened a three-day conference at Speke Resort Munyoyo. One of the main topics that kept coming up in the discussions was the shortage of low-cost housing. There is a big gap in the low-cost housing segment. There are so many factors hindering players in the sector to fill the gap, and government is doing nothing about it. The taxes are high, investors in the sector are not given free land by government the same way they give land to manufacturers, and so on. To deliver affordable homes, government must create incentives or subsidise materials in order for the private sector to move and deliver. Also,

young professionals must get conducive mortgages so they can buy cheap homes.

- **Demand for low-cost housing;** continues to grow at a much higher rate than high-end housing. Focus has shifted to building houses for the upper-middle class, leaving the poor working class to fend for themselves. The result has been slums all over the Kampala metropolitan area. For instance, exhibiting at the AREA conference last year, the developer with the most affordable housing unit priced it at Shs48m. In comparison, this was "cheap" because other companies with the same kind of house had priced it at Shs85m, and some at Shs95m. Most two- and three-bedroom houses range between Shs130m and Shs200m. The high mortgage rates in addition to very high demand for housing and the ever-increasing cost of land are some the reasons the property players gave for the highly priced houses. To even start scratching the surface of this shortage of low-cost housing, mortgage rates must come down and land must be subsidised for investors.
- **Upsurge in mortgage market;** The credit advanced to the real estate sector, be it building, mortgage and construction, increased 12.8 per cent year on year to Shs3.19 trillion. According to Bank of Uganda, the total amount of mortgages outstanding rose by 11 per cent to Shs1.34 trillion in September 2019. The lending rate for mortgage loans in Uganda shilling was dropped to 21.4 per cent down from 22.6 per cent in 2018, according to the Bank of Uganda. None the less, properties in the country continued to predominantly trade in cash, and only rarely sold by mortgage. Most people continued to choose to build their own houses other than buying as it is believed to be a cheaper and more flexible option.
- **Landlord-tenant Act;** this was a long-awaited legislation that finally got passed. In the Act, Parliament overwhelmingly agreed that the currency of transaction between landlord and tenants shall be the Uganda Shilling. The Act streamlined eviction of bad tenants and made it mandatory for a landlord to issue a legal notice of six months to a tenant to vacate the premises when there is breach of the tenancy agreement. Failure to follow that would amount to unlawful eviction and the landlord faces a custodial sentence of one year or a fine equivalent to three months payable of rent or both. The new law was designed to regulate collection of utility bill payments from tenants outside the monthly rent. A new clause was introduced to provide that

the landlord shall install prepaid electricity and water meters for all tenants to avoid exploitation.

- **2020 Outlook;** According to Bank of Uganda's monetary policy committee statement issued in December 2019, Uganda's GDP is projected to grow in the range of 5-6 per cent in 2020 because of the accommodative monetary and fiscal stimulus (lowering of lending rate to 9 per cent).
- **Emergence of COVID-19;** The real estate market is getting a digital makeover due to the emergence of the Corona virus and for the past several weeks, the term proptech has become a buzz word. The acronym is the collective term used to describe the wave of technology innovations that have already started to disrupt real estate markets. It refers to the implementation of technology in real estate to streamline processes, enable transactions, planning, building and management among others. Digitalizing the sector will give competitive advantage and inspire innovation.
- **The current crisis;** has pushed what started as a trickle with the introduction of online search portals into a viable alternative way of doing business in the real estate sector. Proptech is taking front position in the way we work now. Many companies have caught on and are able to give virtual tours of both residential and commercial properties. Some companies have activated chatbots that are available round the clock to give clients information they need at any time they need it.
- The most used proptech in Uganda is property portals and marketplaces that are ultimately changing the way people buy, sell, and rent a property. We will begin to see an even quicker rate of innovation during the next few years and it is therefore imperative that property professionals begin to familiarize themselves with these concepts as those who learn to adapt to the rapid changes will have a significant advantage over those that don't. Globally, there are now more than 6,000 proptech businesses and, last year, more than \$4.6 billion (about Shs17.4 trillion) of investment was invested into their growth.
- **Virtual tours;** Other digital strategies in real estate include platforms that connect tenants and landlords, augmented virtual home tours, which are far from a novelty, but are becoming far more accessible

these days and building information modelling platforms (BIM). With the “**stay home, stay safe**” campaign currently ongoing, this is a very viable cost effective option and one that moves the new trend of the new normal.

- **Millennial effect;** With or without the coronavirus crisis, digitalization in real estate was bound to catch up for a number of reasons but the biggest being a maturing millennial market. These millennials find anything that cannot be found on their mobile devices inconvenient. A shrewd business model would therefore include the use of technology to access this market. The technology revolution has disrupted all industries and from past experiences, early adopters often get the biggest opportunities.
- **Investment in condominiums;** Real estate experts have implored Least Developed Countries (LDCs) like Uganda to build up a strong condominium housing sector that will create affordable housing and bridge the deficit in the country. Condominium is a form of housing tenure system where part of a piece of real estate, usually of an apartment house is individually owned. Under the **Condominium Property Act of 2012**, a real estate development company can build apartments and sell them as is and give the buyer a title deed for his property the same way you would sell a house on a plot of land. Governments should work with the private sector and create regulations and incentives for firms in the real estate sector.