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**COLLEGE OF ENGINEERING, DESIGN, ART, AND TECHNOLOGY
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DEPARTMENT OF CONSTRUCTION ECONOMICS AND MANAGEMENT

**ASSESSING THE VIABILITY OF THE RENT-TO-OWN HOUSING MODEL AS A
STRATEGY FOR AFFORDABLE HOUSING IN KAMPALA**

A CASE STUDY OF GREATER KAMPALA METROPOLITAN

BY

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**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF CONSTRUCTION
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BACHELOR OF SCIENCE IN LAND ECONOMICS OF MAKERERE UNIVERSITY.**

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DECLARATION

I, **EYOTARU LENINDA**, do hereby declare that the content of this research proposal titled **“Assessing the viability of rent-to-own housing model as a strategy for affordable housing in Kampala”** is entirely true and original from my analysis of the current state of affordable housing in Kampala and has never been submitted to any institution of higher learning for any award by anyone.

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APPROVAL

This is to certify that this research proposal “**Assessing the viability of rent-to-own housing model as a strategy for affordable housing in Kampala**” has been done and completed by the student under my supervision and is now ready for submission for an award of Bachelor of Science in Land Economics by the Department of Construction Economics and Management, Makerere University.

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LIST OF ABBREVIATIONS

Abbreviation	Full Meaning
AfDB	African Development Bank
ANOVA	Analysis of Variance
BCR	Benefit-Cost Ratio
CAHF	Centre for Affordable Housing Finance in Africa
KCCA	Kampala Capital City Authority
KMRC	Kenya Mortgage Refinance Company
GKMA	Greater Kampala Metropolitan Area
HFB	Housing Finance Bank
IMF	International Monetary Fund
IRR	Internal Rate of Return
MLHUD	Ministry of Lands, Housing and Urban Development
MOU	Memorandum of Understanding
NDP	National Development Plan
NHCC	National Housing and Construction Company
NPV	Net Present Value
NSSF	National Social Security Fund
PPP	Public-Private Partnership
ROI	Return on Investment
RTO	Rent-to-Own
SACCO	Savings and Credit Cooperative Organization
SDG	Sustainable Development Goals
TPS	Tenant Purchase Scheme
UBOS	Uganda Bureau of Statistics
UGX	Uganda Shillings
UN-Habitat	United Nations Human Settlements Programme
AUHF	African Union for Housing Finance
AFD	Agence Française de Développement (French Development Agency)
FHFA	Federal Housing Finance Agency
OpEx	Operational Expenditure

ABSTRACT

Uganda faces a severe urban housing deficit of approximately 2.4 million units, with Kampala's low- and middle-income households disproportionately excluded from formal homeownership due to prohibitive mortgage rates of between 16.5% and 19% and a largely informal workforce. This study assessed the viability of the rent-to-own (RTO) housing model as a strategy for affordable housing in Kampala, guided by three objectives: to determine the institutional, legal, and policy factors influencing RTO adoption; to examine its affordability for low- and middle-income households; and to assess the financial and operational feasibility of implementing RTO in Kampala. A mixed-methods case study design was employed, combining qualitative document reviews and semi-structured interviews with quantitative household surveys and financial feasibility analysis. Data was drawn from 97 respondents, comprising 94 tenants, 2 property managers, and 2 housing experts at Swan Residence Kireka in the Greater Kampala Metropolitan Area. The findings revealed three interlocking systemic failures hindering RTO adoption: institutional fragmentation between KCCA, MLHUD, and local governments; a complete legal vacuum, as Uganda's housing laws contain no provisions for RTO contracts, equity protection, or progressive title transfer; and a long-standing failure to take any action, with the Draft Housing Policy having remained pending since 2005. On affordability, RTO payments were found to consume between 67% and 84% of household income across all income groups, far exceeding the internationally accepted 30% benchmark, with only 5.9% of sampled households able to afford current market-based RTO offerings. Financially, the model is viable for equity-financed developers, generating a 14.7% return on investment and a positive net present value at a 10% discount rate, but becomes unviable under commercial debt at Uganda's prevailing interest rates of 17% and above. The study concludes that RTO holds significant promise as an inclusive homeownership pathway, but its scalability requires simultaneous reforms across institutional, legal, and policy dimensions, including enactment of a standalone RTO Housing Act and development of blended finance mechanisms to make homeownership genuinely accessible for low- and middle-income households in Kampala.

Keywords: Rent-to-Own Housing, Affordable Housing, Low- and Middle-Income Households, Housing Finance, Financial Feasibility, Housing Policy, Homeownership, Urban Housing.

CHAPTER ONE

INTRODUCTION

1.1 Background

Housing is recognized as a basic human necessity and a fundamental right under the 1995 Constitution of Uganda, directly affecting both individual well-being and the national economy through its influence on inflation and input costs (MLHUD, 2016). Despite policy evolution over the years, including the introduction of the National Housing Shelter Strategy (1992) and the National Housing Policy (2016), Uganda faces a pervasive and growing housing deficit. This national shortage currently stands at approximately 2.4 million units, with a critical urban need of 210,000 units in areas such as Kampala (Turwomwe, 2021). The struggle for satisfactory housing, which worldwide is considered a goal of great significance (Karamujic, 2015), necessitates innovative solutions.

The housing crisis is most acutely felt in the capital, Kampala. The city, which hosts a population of 3.9 million and is projected to reach 7 million by 2035, is expanding rapidly at an annual rate of 5.26 percent (Karamujic, 2015; United Nations, 2022). Consequently, over 60 percent of the city's residents are relegated to informal settlements characterized by congestion, poverty, and substandard housing (Mukiibi, 2011). Furthermore, the national deficit is exacerbated by an estimated 900,000 housing units that are substandard and require replacement or upgrading (Monitor, 2023). The immense scale of this shortage underscores the urgency of effective intervention beyond traditional frameworks.

The limited effectiveness of past housing policies stems largely from a dysfunctional housing finance system dominated by conventional mortgage arrangements. The stringent lending criteria, coupled with prohibitive mortgage rates ranging between 16.5% and 19%, actively exclude the majority of low- and middle-income workers from accessing formal finance (Kamau, 2018). Developers, including private firms such as the Ruparelia Group and state entities such as the National Housing Construction Corporation, primarily target the high-income segment, leaving affordable options scarce for ordinary residents. This situation has created a stark affordability gap, making the cheapest newly built house by a formal developer in 2020 cost UGX 183 million (approximately US \$49,900) a price only affordable to about 4.4 percent of the urban population with access to finance (Duncan Kayiira, 2021). This situation calls for

creative solutions like Rent-to-Own (RTO) models, which can make it easier for low- and middle-income households to finally afford decent housing.

Globally, the Rent-to-Own (RTO) housing model has emerged as a practical and flexible approach, allowing tenants to build equity while residing in their homes through flexible payment structures (Krupal Geol, 2024). The RTO housing market was valued at USD 93.5 billion in 2024 and is expected to grow by 5% annually through 2031 (Swasti Dharmadhikar, 2025). This model directly addresses the two primary barriers in Uganda: high upfront costs (down payments) and limited access to mortgage finance. However, adopting any housing intervention requires more than conceptual appeal—it demands a rigorous assessment of its viability, which in this context refers to the capacity of the RTO model to function effectively and sustainably across three critical dimensions: financial feasibility (whether RTO payment structures can be profitable for developers while remaining affordable for tenants); institutional workability (whether the model can operate within Uganda's legal, regulatory, and policy frameworks); and contextual suitability (whether the model can realistically serve Kampala's predominantly informal population). At its most basic level, viability relates to the balance between the value generated by a development model and the costs associated with its delivery; if a scheme is not viable, it is generally unlikely to come forward (Lichfields, 2023). In planning and housing literature, viability is further understood as being inherently linked to the ability to satisfy policy objectives and deliver on housing need (RICS, 2019).

Building on the success of RTO models in developed countries, this approach is gaining recognition in Africa as a strategy to improve housing affordability. With a housing deficit exceeding 50 million units, countries including South Africa, Nigeria, Ghana, and Kenya have implemented RTO programs for low- and middle-income households (CAHF, 2023; Jenkins & Smith, 2021). In Kenya, initiatives like the Tenant Purchase Scheme (TPS) and RTO programs supported by the Kenya Mortgage Refinance Company (KMRC, 2023) provide flexible repayment mechanisms. However, the viability of the RTO model faces distinct challenges in the African context that directly relate to Uganda's socioeconomic reality. The largest challenge is the largely informal workforce, which employs around 80% of the Ugandan population (UBOS, 2022; World Bank, 2023). This demographic, lacking formal credit histories and consistent, verifiable income, is fundamentally excluded from conventional mortgage markets.

While RTO is designed to be more flexible, its successful adoption remains limited in Uganda due to significant financial and institutional barriers, including demanding high initial deposits, rigid and irregular payment schedules, and a lack of robust consumer protections in pilot projects by companies such as Musbon Real Estate, Smart Havens Africa, and Swan Residence (Musbon Real Estate, 2025). High initial deposits and legal risks associated with a lack of concrete consumer protection guidelines as the Bank of Uganda's directives often lack the full force of law create significant vulnerability for tenants (ENS Africa, 2023). These barriers collectively undermine the financial, institutional, and contextual viability of the RTO model in the Ugandan setting.

This research therefore assesses the viability of the Rent-to-Own (RTO) housing model as a strategic approach to providing housing affordability for low- and middle-income residents in Kampala. While RTO represents a powerful, globally proven solution to tackle the high upfront costs and exclusionary practices of Uganda's formal finance sector, its successful and viable deployment in Kampala hinges on adapting to the realities of the informal economy. By evaluating the financial feasibility, institutional workability, and contextual suitability of RTO within national and regional housing frameworks, this study aims to determine its potential in bridging the affordability gap for low- and middle-income residents in Kampala.

1.2 Problem Statement

Kampala, Uganda's rapidly urbanizing capital, faces an escalating housing crisis, with the national deficit rising from 1.6 million units in 2016 to 2.4 million by 2022, requiring approximately 62,000 new units annually in Greater Kampala to meet demand. Despite the Uganda National Housing Policy (2016) aiming to provide affordable housing for all, current interventions, including public-private partnerships, slum upgrading, and housing finance reforms, have achieved only 10–15% progress toward closing the gap, primarily delivering qualitative improvements rather than sufficient quantitative supply. Major developers like the National Housing and Construction Company (NHCC) and Ruparelia Group predominantly cater to high-income segments, leaving low- and middle-income households underserved. The rent-to-own (RTO) model emerges as a promising strategy, enabling financially stable but credit-constrained households to build equity through rental payments and transition to ownership without large upfront costs. Successfully implemented in South Africa, Nigeria, and Ghana, RTO complements existing measures by addressing affordability barriers for informal workers, who constitute 80% of Uganda's workforce.

However, in Uganda, RTO adoption remains limited despite pilot projects by firms like Musbon Real Estate, Smart Havens Africa, and the National Social Security Fund (NSSF). Key obstacles include high initial deposits, irregular income challenges, limited consumer protections, and low awareness. This underutilization restricts RTO's potential to enhance housing accessibility and alleviate Kampala's deficit, undermining inclusive urbanization goals under Vision 2040 and NDP IV. The critical question is: Why has the RTO model remained underutilized in Uganda despite its proven capacity to improve housing affordability for low- and middle-income urban residents.

1.3 Objectives

1.3.1 Main Objective

To assess viability of rent-to-own housing model as a strategy for affordable housing in Kampala.

1.3.2 Specific objectives

1. To determine the institutional, legal, and policy factors influencing the adoption of the rent to own housing model in Kampala
2. To examine the affordability of rent to own housing model for low and middle income households in Kampala.
3. To assess the financial and operational feasibility of implementing rent to own housing model in Kampala.

1.3.3 Research Questions

1. How do institutional, legal and policy factors influence the adoption of rent to own housing model in Kampala?
2. What is the affordability level of rent to own housing model for low and middle income in Kampala?
3. What are the key financial and operational challenges facing the implementation of rent to own housing model in Kampala?

1.4 Significance of the study

1.4.1 Government and Policemakers

The findings was to help government agencies, especially the Ministry of Lands, Housing and Urban Development, identify barriers to adopting rent-to-own housing in Kampala. Insights was

to guide policy updates aligned with Uganda Vision 2040, NDP IV, and the National Housing Policy, promoting private sector involvement and accessibility affordable homeownership.

1.4.2 Real Estate Developers

The study was also done to provide a clear understanding of the financial, structural, and operational challenges that affect rent-to-own projects. By identifying factors influencing implementation and performance, the research was to guide developers in designing flexible and sustainable payment plans that meet the needs of low- and middle-income earners. This was to improve project viability and strengthen investor confidence in the rent-to-own housing market.

1.4.3 Financial Institutions

Banks, microfinance institutions, and mortgage lenders were to benefit from insights into how alternative financing models like rent-to-own could complement traditional mortgage systems. The findings was to help financial institutions develop innovative housing finance products that catered to households excluded from conventional lending, thus expanding financial inclusion.

1.4.4 Academia and Researchers

The study was to enrich academic literature on affordable housing and housing finance models, providing a foundation for future research on innovative approaches to homeownership in developing economies. It also offered comparative insights that could inform cross-country studies within the East African region.

1.5 Justification of the study

Uganda faces a significant urban housing deficit, especially in Kampala, where many low- and middle-income earners lack access to mortgage financing. Rent-to-own housing offers a viable alternative, but adoption remains low. This study investigates the factors influencing implementation and performance of RTO models, examines how current housing policies support or hinder them, and identifies key operational challenges. The findings will inform strategies to improve scheme design, enhance affordability, and align housing efforts with Uganda Vision 2040, NDP IV, Agenda 2063, and the SDGs on sustainable cities and infrastructure.

1.6 Scope of the study

1.6.1 Content Scope

This research sought to assess the viability of the rent-to-own (RTO) housing model as a strategy for affordable housing in Kampala. Specifically, the study focused on understanding the institutional, legal, and policy factors influencing the adoption of the RTO housing model in Kampala. It looked at factors that influence people's decision to participate in these models, including financial affordability, awareness, and access to information. The research also examined the affordability levels of rent to own housing model for low and middle income households in Kampala. Finally, assessed the financial and operational feasibility of implementing rent to own housing model in Kampala. The study was limited to RTO schemes and did not cover other housing models or informal settlements outside Kampala.

1.6.2 Geographical Scope

The study was conducted within the Greater Kampala Metropolitan Area at Swan Residence Kireka Rent to Own housing projects

1.6.3 Time Scope

The study was conducted from December 2025 to May 2026 after which the findings were reported. Literature over the past ten years was reviewed from journals, articles.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter of the study, the researcher focused on reviewing various peer-reviewed studies about rent-to-own, affordability challenges in Sub Sahara African countries while focusing on the objectives of the study which include; determination of the institutional , legal, and policy factors influencing the adoption of the rent to own housing model in Kampala, examination of the

affordability of rent to own housing model for low and middle income households in Kampala, and an assessment of the financial and operational feasibility of implementing rent to own housing model in Kampala.. The literature reviewed was from journals, textbooks, working papers, dissertations, and internet websites.

2.2 Concept of Affordable Housing

Housing remains a central pillar in the socio-economic development agenda of nations worldwide. In urban centers such as Kampala, Uganda, the demand for decent and affordable housing has outpaced supply due to rapid urbanization, population growth, and rising land prices (UN-Habitat, 2021). As the urban population continues to expand, the inability of both public and private actors to provide adequate housing has intensified the housing crisis, pushing many households into informal settlements and low-quality rental units (UBOS, 2020).

Globally, affordable housing is recognized as a crucial component of the Sustainable Development Goals (SDG 11), which emphasizes inclusive, safe, resilient, and sustainable cities (United Nations, 2015). Numerous countries have implemented large-scale, innovative affordable housing programs that demonstrate what is achievable with sustained political will and targeted financing. In Singapore, the Housing & Development Board (HDB) has produced high-density public housing for over 80% of residents; flagship projects such as Pinnacle@Duxton provide 1,848 units with sky gardens and communal amenities, contributing to a national homeownership rate exceeding 90% (HDB, 2022; Phang, 2018). In Brazil, the Minha Casa, Minha Vida (My House, My Life) program, launched in 2009, contracted over 7.5 million housing units and delivered 5.4 million by 2020, with a renewed target of 3 million new units by 2026 (Ministério das Cidades, 2021; Caixa Econômica Federal, 2023). Austria offers another model: the city of Vienna's social housing program, including projects like Wienerfeld West, provides modern, energy-efficient apartments with unlimited rental contracts and no down payment, serving low- and middle-income households (Forster & Reiter, 2020; Stadt Wien, 2022).

Incremental housing has proven effective in Chile. The Quinta Monroy project by Elemental, completed in 2004, used a "half-house" design: a basic concrete structure with kitchen, bathroom, and roof, allowing 93 families from an informal settlement to expand their homes gradually (Aravena & Iacobelli, 2016). Residents have since doubled their living space, demonstrating that

affordability can be achieved through design and progressive building. Also in Latin America, Mexico's INFONAVIT (National Workers' Housing Fund Institute) has constructed nearly 10,000 housing complexes, financing mortgages for formal-sector workers with payments tied directly to salary, serving over 100,000 people (INFONAVIT, 2021; Monkkenen, 2019).

In Europe beyond Austria, the Netherlands has pioneered mixed-income social housing; the Volante project in Rotterdam, designed by Monadnock, provides 108 high-quality social rent apartments designed for inclusivity, including units for young people with disabilities and seniors (De Zwart & Van der Laan, 2020; Rijksoverheid, 2021). Canada has also invested in affordable rental housing integrated into transit-oriented developments; the Caledonia project in Victoria, British Columbia, delivered 158 new affordable rental units in apartment and townhouse buildings (BC Housing, 2022; CMHC, 2023).

Within Africa, several countries have launched affordable housing programs that offer lessons for Uganda. In Kenya, the Affordable Housing Programme (AHP) under the “Big Four” agenda includes the redevelopment of the Kibera Soweto East informal settlement, a Ksh 7.4 billion project (approx. US\$ 58 million) that will deliver 4,465 modern units along with schools, health centers, and infrastructure; over 80% of units are complete, and more than 2,500 local jobs have been created (Kenya Ministry of Transport, Infrastructure, Housing and Urban Development, 2022; CAHF, 2023). In India, the Pradhan Mantri Awas Yojana (PMAY) Housing for All by 2022 provides government subsidies for home construction or purchase; as of August 2025, over 282 million houses have been completed under the rural component (PMAY-Gramin), making it one of the world's largest affordable housing initiatives (Ministry of Housing and Urban Affairs, 2021; World Bank, 2022). These global and regional examples demonstrate that affordable housing is not an unattainable ideal but a practical outcome of coherent policy, dedicated financing, and inclusive design.

Despite these international successes, the affordability gap remains substantial, particularly in sub-Saharan Africa, where homeownership is often constrained by low incomes, limited access to mortgages, and unregulated land markets (World Bank, 2019). In Uganda, housing affordability challenges have been intensified by a mismatch between income levels and the cost of formal housing construction, limiting access to adequate shelter for low- and middle-income earners (Nakamanya & Basheka, 2021). The rent-to-own (RTO) housing model has emerged as an

innovative solution for bridging this affordability gap by allowing households to transition from renting to ownership over time.

This approach has been tested in several global contexts including Kenya's Tenant Purchase Scheme and South Africa's version of RTO and is gaining attention in Uganda as a potential pathway for inclusive housing delivery (Berry, 2020; Kato & Mugisha, 2023). Unlike traditional mortgages that require substantial upfront payments, the RTO model offers flexibility and security of tenure, enabling households to progressively acquire ownership rights while paying rent. Affordable housing itself refers to housing that is reasonably priced in relation to household income, such that residents can afford other basic living costs without financial distress. The United Nations Human Settlements Programme (UN-Habitat, 2021) defines affordable housing as adequate housing that meets standards of habitability, accessibility, location, and affordability, while costing no more than 30% of a household's income. In many developing countries, however, affordability challenges persist because wage levels have not kept pace with escalating land, construction, and financing costs (World Bank, 2020).

The Uganda Bureau of Statistics (UBOS, 2020) notes that over 60% of urban residents live in rented or informal housing, largely because the cost of homeownership remains beyond the reach of most low- and middle-income households. Consequently, affordable housing has emerged as both a developmental goal and a social justice concern in urban policy discourse. The affordability crisis in Kampala is deeply linked to structural and institutional factors. Rapid population growth, unregulated urban expansion, limited access to long-term financing, and inefficient land administration systems have collectively constrained the delivery of affordable housing (Nakamanya & Basheka, 2021). Private developers tend to target higher-income groups because of higher returns on investment, leaving a huge supply deficit for affordable units. Meanwhile, public housing initiatives have been limited by inadequate funding and bureaucratic inefficiencies (Kiggundu, 2019). The result is a housing market skewed toward exclusivity, with the majority of the urban poor relying on informal rental units that lack tenure security, basic amenities, and resilience to environmental shocks.

In the Ugandan context, affordability is largely measured through income-to-housing cost ratios and the availability of financing instruments for low-income households (CAHF, 2023). The Ministry of Lands, Housing, and Urban Development (MLHUD) has recognized that limited

access to mortgage financing is one of the primary barriers to affordability, as formal loans require collateral and credit histories that many households lack. Consequently, alternative pathways such as cooperative housing, micro-mortgages, and rent-to-own models have gained attention as innovative strategies to address the affordability gap (Ssemanda & Kato, 2022). These approaches aim to reduce entry barriers and promote inclusive ownership while aligning with Uganda's Vision 2040 goals of improving urban housing quality and expanding access to homeownership for all income groups.

2.3 The Rent-to-Own (RTO) Housing Model

The rent-to-own (RTO) housing model is a hybrid housing finance approach that allows tenants to gradually transition into homeowners through a structured payment arrangement. Under this model, a tenant occupies a housing unit while paying periodic rent, part of which is credited toward the eventual purchase of the property (Berry, 2020). This arrangement offers a progressive path to homeownership for households that may not initially qualify for traditional mortgages. RTO models can take various forms, such as lease-purchase agreements or option-to-buy contracts, but the underlying principle remains the same: enabling tenants to accumulate equity over time while securing tenure stability (Oladokun and Gbadegesin, 2021). The model has been widely adopted in both developed and developing economies as a practical means of addressing the affordability and financing barriers faced by low- and middle-income households.

Globally, the RTO model has demonstrated potential in contexts where formal mortgage systems are underdeveloped or inaccessible. In the United States and Canada, RTO agreements are often used by households with limited credit histories as a bridge to full mortgage financing (Squires and Hyra, 2022). In emerging economies, similar schemes have been implemented to close the housing affordability gap. For instance, in Malaysia and Singapore, RTO programs have been supported by government-backed housing agencies to help young and low-income families achieve homeownership (Lim and Tan, 2021). In South Africa and Kenya, developers such as Shelter Afrique and the Kenya Mortgage Refinance Company (KMRC) have integrated rent-to-own elements into affordable housing projects as part of broader urban housing reforms (CAHF, 2023). These examples illustrate that the RTO model functions best within a supportive institutional framework that combines policy incentives, flexible financing, and secure land tenure.

In Uganda, the RTO housing model is a relatively new concept but is increasingly being recognized as a viable mechanism for bridging the housing affordability gap (Kato and Mugisha, 2023). A few pioneering developers, such as the National Social Security Fund(NSSF) Solano Lifestyle & Residence Project in Lubowa and private real estate firms, have introduced pilot rent-to-own schemes targeting middle-income earners in Kampala and surrounding areas. These initiatives aim to provide affordable pathways to ownership by allowing tenants to pay over extended periods, often between 5 to 15 years without requiring upfront mortgage financing (MLHUD, 2022). However, the model's growth has been constrained by limited access to long-term financing, weak regulatory frameworks, and insufficient public awareness. Despite these challenges, the approach aligns with Uganda's National Housing Policy (2016), which emphasizes homeownership as a key strategy for improving living standards and promoting inclusive urban development.

The RTO model offers multiple advantages beyond affordability. It enhances tenure security, encourages saving discipline, and fosters a sense of ownership among occupants (Oladokun and Gbadegesin, 2021). Moreover, it can stimulate private sector participation in the housing market by reducing default risks through phased payments. However, critics argue that without strong legal protections and standardized contracts, tenants may be vulnerable to exploitation or eviction before ownership transfer (Amoako and Boamah, 2022). Furthermore, inflation, currency depreciation, and inconsistent income streams can undermine the sustainability of RTO agreements in developing economies. Therefore, the success of the rent-to-own model in Uganda depends on designing transparent policies, reliable financing mechanisms, and effective governance systems that safeguard both tenants and developers while promoting affordability and equity in urban housing delivery.

2.4 Factors Influencing the Adoption of the Rent-to-Own Model

The adoption of the rent-to-own (RTO) housing model in Kampala is influenced by a complex interplay of economic, institutional, social, and policy factors. Economically, income levels and affordability remain the primary determinants of adoption. Most urban residents in Kampala belong to the low- and middle-income segments, with limited disposable income for savings or mortgage repayments (UBOS, 2020). The high cost of land, coupled with rising construction expenses, has made outright purchase and conventional mortgage financing unfeasible for many

households (Nakamanya and Basheka, 2021). The RTO model, by allowing progressive payments, presents an alternative path to homeownership; however, its adoption remains constrained by inconsistent income streams, limited financial literacy, and a lack of affordable long-term financing instruments (World Bank, 2020). Consequently, households that could benefit most from RTO schemes often lack the financial stability or awareness to participate effectively.

Globally, the adoption of alternative housing models such as Rent-to-Own (RTO) is shaped by a complex interplay of economic, institutional, social, and policy factors. At the broadest level, income levels and affordability remain the primary determinants of whether households can participate in any pathway to homeownership. In developed economies such as the United States, the United Kingdom, and Australia, RTO arrangements have historically served households that possess insufficient savings for a mortgage down payment but have the income stability to sustain periodic payments (Krupal Geol, 2024). The Build-to-Rent (BTR) and Rent-to-Own market systems in these contexts are underpinned by structured legal frameworks, institutional investors, and clear consumer protections conditions that allow confidence in deferred ownership models to develop among the general public (MDPI, 2022).

Institutional and regulatory frameworks are equally critical. In countries with well-developed housing finance systems, financial institutions actively participate in RTO because clear legal definitions and secondary mortgage markets reduce lender risk (World Bank, 2020). Conversely, where legal frameworks are absent or ambiguous, both tenants and developers face heightened risks of contractual disputes, fraud, and default, creating a structural barrier to adoption (Kato and Mugisha, 2023). The OECD (2020) further identifies policy incentives including tax relief, subsidies, and public-private partnerships as central to mobilizing private sector participation in affordable housing delivery, including hybrid models such as RTO. Without such incentives, developers gravitate toward higher-income market segments where returns are more certain.

In the African context, the factors influencing RTO adoption are compounded by the structural realities of rapidly urbanizing, low-income economies. Across sub-Saharan Africa, the housing deficit exceeds 50 million units, and formal housing markets continue to serve primarily the wealthy, leaving low- and middle-income households reliant on informal rental arrangements (CAHF, 2023; UN-Habitat, 2021). The dominance of the informal economy which employs the majority of urban workers across the continent fundamentally constrains the adoption of formal

housing finance instruments, including RTO. As Arnott (2008) observes, housing policies that have proven successful in developed countries frequently fail in developing country contexts precisely because irregular, unverifiable income from informal employment disqualifies households from participating in structured finance arrangements.

Institutional gaps represent a particularly acute barrier across Africa. Rental housing markets in cities such as Lagos, Nairobi, and Accra are largely shaped by hostile or obsolete regulatory environments that provide little guidance on hybrid models such as RTO (World Bank, 2019). The absence of clear tenure documentation, weak land administration systems, and limited secondary mortgage markets discourage financial institutions from backing RTO projects at scale (CAHF, 2023). The Centre for Affordable Housing Finance in Africa (CAHF, 2023) notes that while e-lending approaches and digital platforms are beginning to support rent-to-buy models in cities like Kumasi and Lagos, these remain fragmented and unscaled. South Africa's experience with its Breaking New Ground (BNG) and Finance Linked Individual Subsidy Programme (FLISP) illustrates that even well-designed government programmes struggle to reach the poorest households when institutional implementation capacity is weak (Frontiers, 2025).

Culturally, homeownership in sub-Saharan Africa carries profound social significance. In a wide range of African societies, owning a home is not merely a financial milestone but a marker of dignity, social progress, and belonging in urban life (Munyao, 2025). This aspiration creates a strong underlying demand for ownership pathways such as RTO. However, it simultaneously generates skepticism toward arrangements involving deferred or conditional ownership. Research from Ethiopia an East African comparator finds that residents measure successful lives through homeownership achievement, which is culturally symbolised as social status, yet distrust of non-traditional finance arrangements limits uptake of progressive ownership models (Springer, 2024). Rent-to-own is gaining traction in markets such as Rwanda, Kenya, and South Africa, but its expansion hinges on overcoming deeply embedded preference for immediate title transfer and lack of awareness of contractual protections (Munyao, 2025).

Within the East African region, the factors influencing RTO adoption reflect both the continent-wide challenges outlined above and region-specific dynamics. Kenya provides the most documented case in the region. The State of Housing in Kenya report (2019) notes that rent-to-own arrangements, as implemented under the government's Big Four Agenda social housing

programme, effectively exclude the lowest-income households – those earning below KES 15,000 per month – because payment structures remain misaligned with the incomes of the urban poor. This illustrates a fundamental tension in RTO design across East Africa: the model, while more accessible than conventional mortgages, still requires a level of income regularity and financial planning that many informal workers cannot sustain.

Kenya's legal and institutional framework for housing has also been identified as fragmented and inadequate for supporting hybrid models like RTO. An institutional review by FSD Kenya (2022) found significant gaps in the policy, legal, and institutional frameworks governing housing delivery, with high mortgage interest rates creating a benchmarking problem that inflates the cost of all housing finance instruments, including RTO. The Kenya Mortgage Refinance Company (KMRC) has attempted to address this by providing long-term, lower-cost funding to primary mortgage lenders, which in turn has supported tenant purchase schemes (TPS) that share characteristics with RTO. Nevertheless, public participation in housing policy design remains superficial across the region, limiting the responsiveness of RTO programmes to the actual needs and risk profiles of low-income households (FSD Kenya, 2022). Tanzania and Rwanda, though at earlier stages of formal RTO development, face similar dynamics, with informal sector dominance and land tenure insecurity identified as the primary adoption constraints (ACRC, 2024).

In Uganda, and Kampala in particular, the adoption of the RTO housing model is constrained by the convergence of all the above factors in an especially acute form. Economically, most urban residents in Kampala belong to the low- and middle-income segments, with limited disposable income for savings or mortgage repayments (UBOS, 2020). The high cost of land, coupled with rising construction expenses, has made outright purchase and conventional mortgage financing unfeasible for the majority of households (Nakamanya and Basheka, 2021). While the RTO model offers a more accessible pathway through progressive payments, its adoption remains constrained by inconsistent income streams, low financial literacy, and the near-total absence of affordable long-term financing instruments calibrated to informal incomes (World Bank, 2020).

Institutionally, Uganda lacks a clear legal framework governing rent-to-own agreements, exposing both tenants and developers to risks of contract disputes, fraud, and default (Kato and Mugisha, 2023). Existing housing regulations and land laws primarily cater to traditional rental and mortgage markets, with little specific guidance on hybrid contractual models such as RTO

(MLHUD, 2022). Financial institutions remain hesitant to support RTO projects because of perceived credit risks, limited collateralization options, and the absence of a secondary mortgage market (CAHF, 2023). The result is that RTO initiatives in Kampala remain confined to small-scale pilot projects by individual developers, such as Musbon Real Estate, Smart Havens Africa, and Swan Residence, rather than forming part of an integrated national programme.

Socially and culturally, homeownership in Uganda carries the same profound symbolic importance observed across the region. Nuwagaba (2020) notes that in Ugandan society, owning a home is both a cultural and social symbol of success and stability. This strong aspiration creates latent demand for ownership pathways, including RTO. However, skepticism toward nontraditional arrangements involving deferred ownership, compounded by limited public awareness of RTO contractual terms and protections, engenders mistrust between tenants and developers (Ssemanda and Kato, 2022). Educating potential homeowners about the mechanics, benefits, and safeguards of RTO arrangements is therefore essential to building the public confidence necessary for meaningful adoption.

At the policy level, the Ugandan government has expressed commitment to promoting innovative housing finance mechanisms through the National Housing Policy (2016) and the Vision 2040 framework, both of which recognize RTO models as potential tools for enhancing housing affordability (MLHUD, 2022). However, the absence of explicit fiscal incentives, tax reliefs, or subsidies for RTO developers limits their motivation to engage in affordable housing production (CAHF, 2023). Market competition from informal landlords, speculative landholding, and inadequate infrastructure in peripheral urban areas further increases project costs, discouraging private investment. For the RTO model to gain meaningful traction in Kampala, policy interventions must therefore address these systemic barriers at multiple levels: strengthening institutional and legal capacity, incentivizing private sector participation, improving financial literacy among target beneficiaries, and ensuring regulatory clarity that protects all stakeholders.

2.5 Contribution of the Rent-to-Own Model to Affordable Housing for Low and Middle-Income Earners

The rent-to-own (RTO) housing model has increasingly been recognized as a viable instrument for expanding homeownership among low- and middle-income groups, particularly in urban areas

with severe affordability constraints. One of its most significant contributions lies in bridging the gap between renting and owning by providing flexible payment structures that align with household income flows (Berry, 2020). In contrast to conventional mortgage systems that demand substantial down payments, the RTO model allows tenants to progressively build equity through rent payments, thereby reducing the initial financial burden (Oladokun and Gbadegesin, 2021). This mechanism effectively democratizes access to homeownership by enabling participation from households that are typically excluded from formal credit markets due to lack of collateral or steady income. For cities like Kampala, where the informal economy dominates and mortgage penetration remains below 1% (World Bank, 2020), rent-to-own arrangements offer a realistic pathway for socioeconomic inclusion in housing markets.

RTO model enhances tenure security and housing stability for vulnerable households. In Kampala, tenants in informal or low-cost rental housing often face frequent evictions, poor living conditions, and exploitative rent increases (UBOS, 2020). Rent-to-own schemes address these challenges by providing contractual guarantees of occupancy and eventual ownership, which foster long-term stability (Amoako and Boamah, 2022). Secure tenure, in turn, encourages households to invest in home improvement and neighborhood maintenance, thereby improving overall urban livability. This sense of permanence also contributes to community cohesion and social capital development, as families integrate more fully into urban spaces when they perceive ownership as attainable. Consequently, RTO models can indirectly contribute to broader urban development objectives, including environmental sustainability and social inclusion.

The rent-to-own model contributes to financial empowerment and wealth accumulation among participants. Homeownership is a primary means of wealth generation for many households, and by facilitating ownership through incremental payments, RTO arrangements enable low-income earners to build equity that can later be leveraged for education, business investment, or retirement (Kato and Mugisha, 2023). In many cases, the RTO approach functions as a form of “forced saving,” promoting financial discipline among participants who might otherwise struggle to save consistently (Nuwagaba, 2020). Furthermore, the model stimulates the broader economy by creating demand for building materials, labor, and related services, thereby supporting job creation within the construction and real estate sectors (CAHF, 2023). These multiplier effects strengthen the model’s role not only as a housing solution but also as a tool for inclusive economic growth.

2.6 Government Strategies for Addressing Housing Affordability in Kampala

The Government of Uganda has long recognized the challenge of housing affordability as a critical development concern, particularly in urban centers such as Kampala. Over the past two decades, several policy instruments and institutional reforms have been introduced to address the growing housing deficit. The National Housing Policy (2016) serves as the main policy framework guiding housing development, emphasizing inclusive access to adequate and affordable housing for all income groups (MLHUD, 2016). This policy highlights the need for innovative housing finance mechanisms, including rent-to-own, cooperative housing, and micro-mortgages, to expand access to ownership. Furthermore, Uganda's Vision 2040 outlines the strategic objective of transforming the housing sector by promoting private sector participation, improving urban planning, and increasing access to long-term financing. Despite these ambitions, implementation has been constrained by limited fiscal capacity, institutional inefficiencies, and weak enforcement of housing regulations (World Bank, 2020).

In operationalizing these policy frameworks, the government has sought to strengthen the institutional and financial infrastructure for affordable housing delivery. The Ministry of Lands, Housing and Urban Development (MLHUD) and the National Housing and Construction Company (NHCC) have spearheaded efforts to expand affordable housing through partnerships with private developers and international financiers. NHCC, for example, has implemented mixed-income housing projects that integrate rent-to-own components to facilitate ownership among middle-income earners (MLHUD, 2022). Similarly, the Uganda Housing Finance Bank (HFB) has been restructured to provide specialized housing credit facilities, though its outreach remains limited due to stringent eligibility requirements and high interest rates (Kiggundu, 2019). Additionally, the government has supported urban development projects such as the Greater Kampala Metropolitan Area (GKMA) Urban Development Programme, aimed at improving infrastructure and housing accessibility. These initiatives reflect growing recognition of the need for integrated approaches that combine policy reform, financing innovation, and infrastructure investment to enhance housing affordability.

The government has also promoted public-private partnerships (PPPs) as a key mechanism for mobilizing resources and expertise in housing development. Through PPP arrangements, private developers receive incentives such as tax exemptions, access to public land, and infrastructure

support in exchange for producing affordable housing units (AfDB, 2022). This strategy has been implemented in projects such as the Nakasero and Lubowa Housing Estates, which incorporate flexible financing options for middle-income groups. However, most PPP projects have primarily benefited the upper-middle-income segment, leaving low-income earners underserved (CAHF, 2023). Furthermore, the absence of clear regulatory frameworks for PPP implementation has led to inefficiencies, cost overruns, and delays. The promotion of the rent-to-own model within PPP arrangements therefore presents an opportunity to realign such collaborations toward inclusivity by ensuring that affordability criteria are embedded within contractual agreements and monitored through transparent governance mechanisms.

2.7 Affordable Housing Challenges in Sub-Saharan Africa

The affordable housing crisis in Sub-Saharan Africa (SSA) is a critical issue, deeply rooted in rapid urbanization, persistent poverty, systemic policy, and market failures. Urbanization in SSA is occurring at a fast rate, with cities expanding rapidly but without the corresponding economic growth and investment in housing infrastructure seen in other regions. This has resulted in a significant backlog of housing, with the majority of urban residents unable to access adequate, affordable, and secure housing options (Parby, 2015). The housing deficit is not only numerical but also qualitative, as many existing dwellings are overcrowded, constructed with substandard materials, or lack basic services (Tusting et al., 2019).

A major driver of the crisis is the disconnect between household incomes and the cost of formal housing. In many SSA countries, the cost of even the most basic formal housing far exceeds what low- and middle-income households can afford. For example, it can take decades of savings for a minimum wage earner to afford the cheapest house in urban areas of countries like Nigeria, South Africa, Kenya, and Ethiopia (Obioha, 2021). This affordability gap forces the majority of the population into informal settlements, where tenure is insecure and living conditions are often poor.

The informal sector has become the default provider of housing in SSA, as high costs, limited access to finance, and regulatory barriers hamper formal sector delivery. Informal housing is typically less expensive but comes with significant trade-offs in terms of quality, safety, and long-term security. Policymakers face the challenge of improving the housing delivery value chain to

enable a gradual transition from informal to formal housing, while also reducing construction costs and broadening access to finance for both consumers and developers (Parby, 2015).

Despite the recognition of housing as a fundamental human right and a key component of the United Nations Sustainable Development Goals, progress in improving housing conditions has been slow. While the prevalence of improved housing in SSA doubled from 11% to 23% between 2000 and 2015, nearly half of the urban population still lives in unimproved housing, highlighting the scale and persistence of the challenge (Tusting et al., 2019).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the researcher's procedures, methods, and techniques that will be employed for the purpose of collecting and analysing data and investigating the research subject. The chapter covers the research design, research approach, description of study area, description of study population from which samples will be collected, the sampling procedure, sample size determination, data collection methods, how data will be controlled and instruments, reliability and validity of research tools, data analysis, and the ethical considerations

3.2 Research Design

The research design adopted was a case study design, as it explored the perceptions, lived experiences, and contextual realities surrounding the Rent-to-Own (RTO) housing model in Kampala. This approach was appropriate because it sought to capture the depth and complexity of human experiences and the meanings attached to the RTO model by developers, policymakers, and households as a mechanism for achieving affordable housing.

The case study design was particularly suitable as it facilitated an intensive examination of the RTO model as a real-life phenomenon within its actual urban setting. The RTO model at Swan Residence Kireka was treated as the central case, with subcases including selected tenants, property owners. Data was collected through semi-structured interviews, which enabled in-depth exploration while maintaining consistency with the research objectives. Interviews targeted the property managers and the questionnaire was for the tenants.

3.3 Research Approach

This study adopted a mixed-methods approach, combining both qualitative and quantitative techniques to provide a comprehensive understanding of the viability of the rent-to-own housing model in Kampala with more focus on the quantitative approach. The integration of these approaches allowed for triangulation of findings, ensuring that institutional, policy, affordability, and feasibility dimensions are examined.

The qualitative component approach examined institutional, legal, and policy factors that shape the adoption of rent-to-own housing in Kampala. Data was collected through document reviews of housing policies, regulations, and project reports, as well as semi-structured interviews with key informants such as housing experts, policymakers, and developers. Analysis relied on thematic coding using ATLAS.ti to identify recurring issues like institutional support, consumer protection, and regulatory gaps, while content analysis of policy texts assessed their alignment with affordable housing objectives and Uganda's Vision 2040. This approach provided nuanced insights into the barriers and enablers influencing rent-to-own adoption.

The quantitative component approach focused on assessing affordability and financial feasibility of rent-to-own housing in Kampala. Data was gathered through structured household surveys which residents at Swan Residence Apartments Kireka, alongside secondary sources such as UBOS surveys, census reports, and project financial records. A purposive sampling strategy ensured representation across different income brackets and residential areas. Analysis involved calculating affordability ratios like rent-to-income and housing expenditure-to-income, applying regression models to explore the relationship between household income, expenditure, and participation in rent-to-own schemes, and using financial tools such as Net Present Value (NPV), Internal Rate of Return (IRR), and payback period to evaluate project viability. This approach provided clear evidence of household affordability levels and offered developers and financiers insights into the feasibility of implementing rent-to-own housing models in Kampala.

3.4 Description of the population

The study population comprised three distinct categories of key actors directly involved in or overseeing the Rent-to-Own (RTO) housing model at Swan Residence Kireka, Kampala. These were: tenants residing under active RTO agreements, property managers responsible for the day-to-day administration of the scheme, and government officials from the Ministry of Lands, Housing and Urban Development (MLHUD) with oversight responsibilities relevant to housing policy and RTO frameworks. Together, these groups were selected because they represent the demand side, the operational side, and the regulatory side of the RTO model respectively, providing a comprehensive perspective on its functioning and affordability outcomes.

3.4.1 Survey and Target Population

The study was limited to Kampala, particularly, Swan Residence Kireka. The targeted population were property manager of RTO housing models and the tenants of the RTO housing model.

3.4.2 Sampling size and sampling procedure

Given the mixed-methods approach of this study, different sampling strategies were employed for different respondent categories. Household tenants were selected using purposive (judgment) sampling based on their willingness to share financial and housing experiences. For officials from MLHUD, rent-to-own managers, the study employed expert purposive. This dual approach ensured that both the lived experiences of tenants and the expert perspectives of those shaping or implementing RTO policies were adequately captured. According to Pace (2021), Purposive sampling is described as a non-probability sampling strategy in which the researcher intentionally selects informants to engage in research based on his or her belief that it will illuminate a specific occurrence or serve a specific purpose for the study at hand. The respondents (property managers and the tenants) who are particularly informed and skilled in the topic field were selected (Etikan, 2016). This sampling method was used because it saved time, labour, and resources, and it was easy to get the sample needed quickly, depending on the judgment as to who fits the study criteria, and the respondents who provided the best information to achieve the study's objectives (Taherdoost, 2016). The study selected, Swan Residence Kireka.

3.4.3 Sample size Determination

Non-probabilistic sampling techniques were applied and the researcher used specifically random sampling method to get information from 130 tenants and purposive sampling was used to get information from the key informants (project manager).

Using Slovin's Formula,

$$n = \frac{N}{(1+N)e^2}$$

where N= Population Size

n= Error margin (0.05) at 95% confidence interval

N=130, e=0.05.

$$n = 130 / (1 + 50) 0.05^2$$

$$n = 109$$

Thus, rounding to the nearest whole number, the sample size n was approximately 113. So, with a population of 130 and a margin of error of 5%, the required sample size was 113. Therefore, the sample size was 113, including 2 project managers and then 1 key informant from MLHUD and 1 Expert in Housing from Swan Residence Kireka.

Table 1: Sample Size and Sampling Techniques

Category	Targeted Population	Sampled	Sampling technique	Response Rate
Officers from Rent- to- Rent- to-own housing model Project	2	1	Expert Purposive sampling	50%
Officials from MLHUD and Experts from housing	2	2		100%
Tenants of the scheme	130	94	Purposive (Judgmental) sampling	72.3%
Total	134	97		72.4%

Source: Researcher (2026)

3.5 Data Collection

Questionnaires and interview guides were used to collect primary data from property managers, tenants, and key informants from Ministry of Land Housing and Urban Development and Housing Experts. The questionnaire had both closed-ended and open-ended questions. Document reviews was used to collect secondary data, such as already existing information from Ministry of Land Housing and Urban Development, Uganda Housing Authority and organizations focused on housing for example Shelter Uganda and other relevant housing policies on housing affordability. These were used to get information about the institutional, legal, and policy factors influencing the adoption of the rent to own housing model in Kampala. The interview questions were also asked in person to the property managers to better appreciate their opinions.

Existing information was collected through obtaining documents concerning the research work from the Uganda National Housing Policy Database, MLHUD Database, and any publications like government reports of the National Housing Policy 2020-2030.

Table 2: Data collection method and tools matrix

Research objectives	Research Questions	Approach	Data collection tools	Analysis	Expected outcome
To determine the institutional , legal, and policy factors influencing the adoption of the rent to own housing model in Kampala	How do institutional, legal and policy factors influence the adoption of rent to own housing model in Kampala?	Qualitative analysis of policies and regulations	Document (Project financial reports) Interview with housing experts	Thematic /Content Analysis using ATLAS.ti	Identify barriers and enablers for the adoption
To examine the affordability of rent to own housing model for low and middle income households in Kampala	What is the affordability level of rent to own housing model for low and middle income in Kampala?	Quantitative analysis of household income & expenditure	Semi-structured questionnaires, document review (household survey & census data)	Affordability ratios, regression analysis	Determine affordability levels for households
To assess the financial and operational feasibility of implementing rent to own housing model in Kampala.	What are the key financial and operational challenges facing the implementation of rent to own housing model in Kampala?	Quantitative analysis of costs and revenue	Interviews With the property owners/ developers	financial ratios analysis, cost benefit analysis	Assess viability and feasibility of rent-to-own model

Source: Researcher (2026)

3.6 Secondary Data

This data was gathered from secondary sources, for example, publications and documents for example government reports of the National Housing Policy 2020-2030 and World Bank updates and from Ministry of Land Housing and Urban Development database.

3.7 Data Analysis and Presentation.

3.7.1 Qualitative Analysis

Qualitative data was analysed using thematic content analysis and ATLAS.ti 9 program software to compare policy documents in line with housing. Interview transcripts and document reviews were coded into themes and still ATLAS.ti 9 program software was used to assist in organising, coding the collected data to reflect factors influencing adoption, examining the affordability of rent to own housing model for low and middle income earners in Kampala and assessing the financial and operational feasibility of implementing rent to own housing model in Kampala. The findings from qualitative analyses provided a holistic understanding of the RTO adoption problem. And the findings from quantitative analysis also provided information about the level of affordability and the feasibility of the rent to own housing model in Kampala.

3.7.2 Quantitative Analysis

Quantitative data was collected, edited and was sorted, and analyzed using Microsoft excel software and Stata software. The analysis was based on the questionnaires and interview guides that were collected from the field the results interpreted with the help of bar graphs and pie charts. The following calculations were made affordability ratios like rent-to-income and housing expenditure-to-income, applying regression models to explore the relationship between household income, expenditure, and participation in rent-to-own schemes, and using financial tools such as Net Present Value (NPV), Internal Rate of Return (IRR), and payback period to evaluate project viability. This approach provided clear evidence of household affordability levels and offered developers and financiers insights into the feasibility of implementing rent-to-own housing models in Kampala.

Triangulation was achieved by cross-validating quantitative affordability ratios with qualitative insights from experts and policy reviews, ensuring that numerical findings were supported by

contextual evidence. Sequential integration allowed qualitative results on institutional barriers to inform the interpretation of quantitative affordability and feasibility outcomes, which created a more nuanced understanding of the rent-to-own model. Ultimately, the combined evidence enhanced policy relevance by providing actionable recommendations for developers, financiers, and policymakers to design rent-to-own housing schemes that are both affordable for households and institutionally viable within Kampala's housing market.

3.8 Ethical Considerations

Ethical considerations were paramount throughout the research process. Informed consent was obtained from participants in surveys and interviews. For example, tenants from the Rent-to-own were briefed first by the property manager about the research, and know their level of education because the researcher's questionnaire was in English and not all people understand it.

3.9 Limitations of the Study/Anticipated Problems

The researcher encountered challenges in obtaining information, as some respondents were reluctant to disclose their income and housing expenditure details due to privacy concerns, which may have introduced response bias. Access to key institutional officials from MLHUD and property managers was also limited by their availability, restricting the depth of qualitative data collected. Additionally, the study's confinement to a single case study site, Swan Residence Kireka, may limit the generalizability of the findings to the broader Greater Kampala Metropolitan Area.

CHAPTER FOUR

RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study on the viability of the rent-to-own (RTO) housing model as a strategy for affordable housing in Kampala. The findings are organized according to the three specific objectives of the study: (1) institutional, legal, and policy factors influencing RTO adoption; (2) affordability of RTO for low- and middle-income households; and (3) financial and operational feasibility of implementing RTO in Kampala. Data was collected from 97 respondents (94 tenants, 1 property managers, 1 MLHUD official and 1 housing expert) at Swan Residence Kireka, supplemented by document reviews of housing policies, regulations, and project financial records. The response rate was 72.4% (97 out of 134 targeted respondents).

4.2 To determine the institutional, legal, and policy factors influencing the adoption of the rent to own housing model in Kampala

4.2.1 Institutional Factors

Across all the documents reviewed, institutions factors were mentioned 28 times after coding the factors in the ATLAS.ti software that the researcher used for content and thematic analysis.. The institutions that appeared most often were

Table 3: Frequency of Institutional Mentions

Institution	Times Mentioned	% Total	of Primary Role in Housing
KCCA	7	25.0%	Urban planning, building permits, land registration, development control in Kampala
MLHUD	5	17.9%	National housing policy formulation, physical planning guidance, coordination
Uganda Bureau of Statistics (UBOS)	5	17.9%	Household survey data, demographic and poverty statistics

Local Governments	4	14.3%	Local planning, service delivery, housing plan implementation
Multiple / National stakeholders	2	7.1%	Housing sector coordination
World Bank, Buganda Land Board, Housing Finance Bank	1 each	3.6%	Development finance, land administration, affordable housing finance

Source: Research Analysis 2026

KCCA appearing in one-quarter of all institutional mentions reflects its sweeping mandate over Kampala's urban environment. It is responsible for issuing building permits, enforcing development controls, registering properties within its jurisdiction, approving subdivision plans, and managing urban infrastructure. Any RTO housing development within Kampala whether a purpose-built estate or a conversion of existing rental stock must pass through KCCA's approval processes. The authority is therefore a critical gatekeeper for RTO.

However, KCCA's broad mandate does not translate into sufficient capacity. The authority relies heavily on development partners for infrastructure delivery and lacks dedicated units for housing innovation. There is no dedicated RTO desk, policy unit, or regulatory framework within KCCA. Building permit approval is focused on physical structure compliance — not on the tenure arrangement under which a property will be occupied. This means RTO developments receive the same treatment as standard rental properties, with no recognition of their unique financial structure.

The Ministry of Lands, Housing and Urban Development (MLHUD) is the national institution responsible for formulating housing policy, coordinating the physical planning framework, and overseeing land administration across Uganda. It is the institution most directly responsible for creating the enabling environment in which RTO could operate. Yet the research reveals a devastating institutional constraint: MLHUD has only 30 staff members nationally to cover all of Uganda's 135+ districts.

This is not a minor staffing gap, it is a structural incapacity. With 30 staff responsible for physical planning, housing policy, land administration oversight, and coordination with local governments across an entire nation, MLHUD cannot meaningfully monitor, regulate, or support innovative

tenure models like RTO. In practice, private actors developers, landlords, and informal housing brokers fill this vacuum without any oversight, resulting in exploitative informal RTO arrangements that harm tenants.

4.2.2 Coordination Challenges Identified

Across the 15 quotations analyzed, the study identified 21 distinct challenges related to coordination. The main challenges are

Table 4: Coordination challenges

Coordination Challenge	Implication for Rent-to-Own
Physical planning under-resourced; KCCA relies on development partners for infrastructure delivery	RTO developments may lack adequate infrastructure (roads, water, sanitation)
MLHUD severely understaffed (only 30 staff nationally)	Cannot coordinate RTO policy across districts; private sector fills vacuum informally
Fragmented roles between national (MLHUD) and local governments with no clear coordination mechanism	RTO contracts cannot be enforced consistently across national-local levels
40% of local governments lack capacity to implement urban plans	RTO outside Kampala has no planning framework
KCCA holds broad mandate but limited capacity	RTO approvals compete with other development priorities
Slum upgrading requires MOU between KCCA and Buganda Land Board	Multi-institutional MOUs required even for slum upgrading – RTO would require similar complex agreements

Source: Research Analysis 2026

The analysis identified 21 distinct coordination challenges across 15 documents. Understanding these challenges requires appreciating that housing in Uganda is governed not by a single institution but by a complex web of agencies with overlapping, sometimes conflicting mandates. An RTO housing scheme in Kampala would need to navigate all of the following simultaneously:

- i. KCCA for building permits, development control, and local land registration
- ii. MLHUD for national housing policy compliance and physical planning standards
- iii. The Local Government for the district in which the development sits for local planning approval
- iv. The Uganda Registration Services Bureau (URSB) for title registration and transfer
- v. The Buganda Land Board if the land is held on Mailo tenure (which covers much of Kampala)
- vi. The Uganda Revenue Authority for stamp duty on title transfers
- vii. Financial institutions if mortgage financing is blended with RTO

There is no single coordination mechanism that brings these actors together around housing delivery, let alone around a specific model like RTO. The result is that any developer attempting to create an RTO scheme must negotiate with multiple institutions independently, with no guarantee that approvals from one institution will be recognised or respected by another.

Legal Factors

The legal analysis is the most alarming part of the research. Across more than 10 housing-related laws and policy instruments reviewed, not a single one contains specific provisions recognizing, defining, or regulating rent-to-own housing contracts. This is not an oversight, it reflects the fact that RTO was simply never considered as a housing tenure option by Ugandan legislators. The legal vacuum creates critical risks for both tenants and developers.

Table 5: Numbers of Legal Quotations by Document

Document	No. of Quotations	% of Total	Primary Legal Theme
Landlord and Tenant Act 2022	9	33.3%	Landlord-tenant legal framework

National Land Use Policy 2007	5	18.5%	Land use planning and zoning
Land Act Cap 227	5	18.5%	Land registration and title security
Condominium Act 2001	3	11.1%	Land registration and title security
UGANDA (2) – AUHF 2024	3	11.1%	Land use planning / rental market data
Uganda (1) – AUHF 2024	1	3.7%	Land registration / slum challenges
Uganda Habitat III Report	1	3.7%	Mortgage finance exclusion

Source: Research Analysis 2026

The Landlord and Tenant Act 2022 is the most frequently cited legal instrument (33.3% of legal quotations), but it has no provisions for rent-to-own, indicating a critical legal vacuum.

Table 6: Key Legal Gaps Identified (by Severity)

Law / Policy Instrument	Legal Gaps Identified	Severity
Landlord and Tenant Act 2022	No equity protection on default/eviction; 10% rent cap conflicts with RTO instalments; 60-day notice strips equity; no progressive ownership mechanism	Critical
Land Act Cap 227	No progressive title transfer; Mailo splits land from building; occupancy $\neq$ equity; no tribunal for RTO disputes	Critical
Mortgage Act 2010	Does not recognize RTO as alternative; 90% of population excluded from mortgage; no legal alternative pathway to ownership	Critical
National Land Use Policy 2007	No affordable housing land designation; sectors compete without RTO provision; inconsistent LG implementation	High
Condominium Act 2001	No phased ownership transfer; developer encumbrances transfer to buyers; no disclosure requirement	High

Physical Planning Act 2010	Slow implementation; 200m ² minimum plot size inflates costs; 40% of LGs cannot implement plans	High
Registration of Titles Act	Slow and expensive; no streamlined progressive title transfer; stamp duty adds cost burden	High

Source: Research Analysis 2026

The Landlord and Tenant Act 2022 Most Cited, Most Problematic

The Landlord and Tenant Act 2022 is the most frequently cited law in the research (33.3% of legal quotations) because it is the primary legislation governing the relationship between property owners and occupants precisely the relationship at the heart of RTO. However, the Act was designed for conventional rental arrangements, and its provisions create serious obstacles for RTO:

- i. **Rent Cap Conflict:** The 10% annual rent increase cap was designed to protect tenants from exploitative rent hikes. However, RTO instalment structures are not rent — they include a capital component that increases over time as interest accretes. Treating RTO instalments as 'rent' and capping their increase at 10% makes many RTO financial models unviable for developers.
- ii. **60-Day Notice and Equity Loss:** The Act allows landlords to issue a 60-day notice to vacate. If an RTO tenant receives such a notice after years of paying instalments, they lose not only their home but all the equity they have accumulated. There is no provision in the Act protecting an RTO tenant's accumulated equity from eviction.
- iii. **No Progressive Ownership Pathway:** The Act contains no mechanism by which a landlord-tenant relationship can transition into an ownership relationship. It is conceived entirely as a binary: you are either a tenant or an owner. RTO requires a legal third category a tenant-in-becoming that the Act does not recognise.
- iv. **No RTO Dispute Resolution:** While the Act provides for mediation and arbitration of landlord-tenant disputes, it has no tribunal or mechanism specifically designed to adjudicate disputes over RTO equity, instalment calculations, or title transfer disputes.

The Land Act Cap 227 The Mailo Problem

The Land Act Cap 227 is Uganda's foundational land law, establishing the four tenure systems (Mailo, Freehold, Leasehold, and Customary) and the rules governing land ownership and transfer. It is the second most-cited law and creates what is arguably the most structurally complex barrier to RTO in Kampala.

The Mailo tenure system, which dominates land ownership in Buganda (including much of Kampala), creates a unique split between land ownership and building ownership. A Mailo landowner holds the land, but a kibanja holder – often a tenant who has occupied the land for generations – has statutory rights to their dwelling. In a conventional sale, this split can be resolved through negotiation. In an RTO arrangement, however, it creates deep uncertainty: when an RTO tenant gradually acquires 'ownership,' are they acquiring the building only, or the land beneath it? If the Mailo owner sells the land during the RTO period, what happens to the RTO tenant's rights? The Land Act provides no answers to these questions.

Furthermore, the Land Act's title registration system administered through the Registration of Titles Act is slow, expensive, and designed for one-time transfers, not progressive partial transfers. RTO requires a mechanism by which ownership is transferred incrementally as instalments are paid. No such mechanism exists in Ugandan land law.

The Mortgage Act 2010 Excluding 90% of the Population

The Mortgage Act 2010 governs the use of property as security for loans. It is rated Critical for RTO for one stark reason: it does not recognise RTO as an alternative pathway to homeownership, and its very existence as the default 'legal route to ownership' implicitly excludes RTO from recognition. More than 90% of Uganda's population does not qualify for a mortgage under this Act: they lack the income, credit history, or collateral required. Yet no alternative legal mechanism has been created to fill the gap. RTO should be that alternative but it has no legal basis.

Table 7: A Summary of Legal Gaps by Type

Gap Type	Description	Number of Gaps

Missing no RTO recognition	Laws do not recognize RTO as a distinct tenure/finance mechanism	12
Inadequate insufficient protection	Existing protections (e.g., 3-month eviction compensation) inadequate for RTO	5
Conflict legal inconsistency	Provisions (e.g., rent cap, advance payment cap) conflict with RTO structures	4
Structural tenure complexity	Mailo tenure, informal sector, and multi-tenure systems create barriers	6

Source: Research Analysis 2026

Uganda's legal framework for housing is comprehensively silent on rent-to-own. Of 27 gaps identified, 12 are of the most fundamental type laws that simply do not recognise RTO as a legitimate tenure or finance mechanism. Until the Landlord and Tenant Act, the Land Act, and the Mortgage Act are amended to explicitly accommodate RTO, the model will remain legally precarious for all parties involved

Policy Factors

Policy analysis examines what Uganda's government has formally committed to doing in the housing sector, and how those commitments compare to what has actually been delivered. The findings reveal a persistent and damaging pattern: ambitious policy commitments are made, implementation stalls, and the housing crisis deepens. More importantly for this research, not one of Uganda's major housing policies contains any provision, target, or strategy for rent-to-own housing.

The table below compares what each major policy instrument committed to achieving with what has actually been implemented, and identifies the specific gap each creates for RTO:

Table 8: Policy instruments and their Gap for RTO

Policy Instrument	Stated Commitment	Implementation Status	Gap for RTO

National Housing Policy (2016)	Increase housing production from 60,000 to 200,000 units/year; develop National Rental Housing Program	Partially implemented; production still at ~60,000; Rental Program not operational	No RTO strategy or targets
Uganda Vision 2040	Create 1.6 million new homes; make home loans affordable	Deficit increased from 1.6M to 2.4M units	No RTO-specific target
National Land Use Policy 2007	Integrated land use planning; human settlement framework	Slow implementation; 40% of LGs lack capacity	RTO not mentioned
Draft National Urban Policy	Under formulation since 2014	Not enacted	Policy vacuum for urban RTO
Draft Housing Policy	Pending since 2005 (over 15 years)	Not enacted	Chronic policy inertia

Source: Research Analysis 2026

Perhaps the most telling indicator of Uganda's housing policy failure is the trajectory of the housing deficit. Uganda's Vision 2040 set a target of creating 1.6 million new homes to address the deficit at that time. Instead of reducing, the deficit has grown to 2.4 million units — an increase of 800,000 homes, or 50%. This means Uganda is running backwards: the gap between supply and demand is growing faster than the policy response can address it.

The National Housing Policy 2016 set a production target of 200,000 units per year — more than triple the actual output. Actual production has remained at approximately 60,000 units per year, meaning the shortfall in annual production alone is 140,000 units. Over a 10-year period, this compounds to a 1.4 million unit gap from the policy target alone. When population growth is factored in, the crisis becomes even more severe.

THE INERTIA PROBLEM: *The Draft Housing Policy has been pending since 2005 it has been 'under review' for over 20 years. The Draft National Urban Policy has been 'under formulation' since 2014 over 10 years. These are not minor delays; they represent a systemic inability of Uganda's government machinery to translate housing policy intentions into enacted legislation and implemented programmes. In this environment, RTO which requires proactive policy design and institutional support has no realistic path to formal adoption.*

4.3 To examine the affordability of rent to own housing model for low- and middle-income households in Kampala

4.3.1 Sample Characteristics and Income Distribution

The analytical sample comprised 94 low- and middle-income households in Kampala, categorized into three income groups based on monthly earnings. Table 9 presents the income distribution and key demographic characteristics.

Table 9: Income Distribution of Sample Households

Income Group	Monthly Income Range (UGX)	Number of Households (n)	Percentage (%)
Low Income	Below 500,000	25	26.6
Lower-Middle Income	500,000 – 1,000,000	39	41.5
Upper-Middle Income	1,000,000 – 2,000,000	21	22.3
High income	Above 2,000,000 UGX	9	9.6
Total		94	100

Source: Research Analysis 2026

The majority of respondents (41.5%) fell within the lower-middle income bracket, followed by low-income households (26.6%) and upper-middle income households (22.3%). And the high income (9.6%) .This distribution reflects the socioeconomic composition of Kampala's urban

population, where a substantial proportion of residents earn between 500,000 and 1,000,000 UGX monthly.

4.3.2 Current Housing Expenditure

Table 10: Current Monthly Rent by Income Group

	Median Current Rent (UGX)	Mean Current Rent (UGX)	Mean Rent-to-Income Ratio (%)
Low Income (<500000)	150,000	174,000	69.6
Lower-Middle (500000-1M)	450,000	525,641	70.1
Upper-Middle (1M-2M)	800,000	833,333	55.6

Source: Research Analysis 2026

Notably, all income groups were already spending substantially more than the internationally recommended 30% of income on rent, with low and lower-middle income households dedicating approximately 70% of their income to housing. This finding indicates a pre-existing housing affordability crisis among Kampala's low- and middle-income population.

4.4 Affordability Analysis of Rent-to-Own Model

4.4.1 Maximum Affordable Payment

The maximum monthly payment households could afford was calculated based on respondents' self-reported comfortable percentage of income to allocate to housing. Table 11 presents the findings.

Table 11: Maximum Affordable Monthly Payment by Income Group (UGX)

Income Group	Mean Affordable Payment	Median Affordable Payment	25th Percentile	75th Percentile
Low Income	59,000	50,000	50,000	75,000
Lower-Middle	213,462	225,000	150,000	225,000
Upper-Middle	478,571	450,000	450,000	600,000

Source: Research Analysis 2026

The data reveal that low-income households can afford a maximum of only 50,000-75,000 UGX monthly for housing, while lower-middle income households can afford 150,000-225,000 UGX. Upper-middle income households demonstrate capacity for 450,000-600,000 UGX monthly payments.

4.4.2 Estimated Rent-to-Own Cost and Affordability Gap

Using a conservative estimate that RTO costs 20% above current market rent (reflecting the premium for the ownership option), Table 12 compares estimated RTO payments with what households can afford.

Table 12: Affordable Payment vs. Estimated RTO Cost (Median Values, UGX)

Income Group	Median Affordable Payment	Median Estimated RTO Cost	Gap (UGX)	Percentage Who Can Afford (%)
Low Income	50,000	180,000	-130,000	0.0
Lower-Middle	225,000	540,000	-315,000	10.3
Upper-Middle	450,000	960,000	-510,000	4.8
Overall	225,000	540,000	-315,000	5.9

Source: Research Analysis 2026

The findings demonstrate a severe affordability gap across all income groups. Only 5.9% of low- and middle-income households can afford rent-to-own housing under current market conditions. Particularly, even among upper-middle income households earning 1-2 million UGX monthly, only 4.8% can afford estimated RTO payments.

4.4.3 RTO Cost as Percentage of Income

Applying the international housing affordability benchmark that housing is affordable when costing no more than 30% of household income (United Nations Human Settlements Programme (UN-Habitat, 2020), Table 13 illustrates RTO costs as a percentage of income across groups.

Table 13: Rent-to-Own Cost as Percentage of Household Income

Income Group	Mean RTO Cost (% of income)	Median Cost (% of income)	RTO (% of 30% Benchmark	Exceeding	Affordability Rating
Low Income	83.5	72.0	100		Severely Unaffordable
Lower-Middle	84.1	72.0	76.9		Severely Unaffordable
Upper-Middle	66.7	64.0	95.2		Unaffordable

Source: Research Analysis 2026

The findings indicate that RTO would consume between 67% and 84% of household income across all groups, far exceeding the 30% affordability threshold. Even upper-middle income households would dedicate approximately two-thirds of their income to RTO payments, leaving insufficient resources for other basic needs including food, healthcare, education, and transportation.

4.4.4 Affordability Index

An affordability index (0-100) was constructed where higher scores indicate greater affordability, with scores of 0 representing completely unaffordable (>60% of income) and 100 representing very affordable (≤30% of income). Table 14 presents the results.

Table 14: Rent-to-Own Affordability Index Scores

Income Group	Mean Index Score	Interpretation
Low Income	0.0	Poor (Completely Unaffordable)
Lower-Middle	23.1	Poor
Upper-Middle	14.3	Poor
Overall	14.4	Poor

Source: Research Analysis 2026

The overall mean affordability index score of 14.4 out of 100 indicates a "Poor" level of affordability, confirming that the rent-to-own model in its current form is not accessible to the majority of low- and middle-income households in Kampala.

Figure 1 presents the distribution of affordability categories across income groups, revealing that 100% of low-income households, 76.9% of lower-middle income households, and 81.0% of upper-middle income households fall into the "Unaffordable (>60% of income)" category.

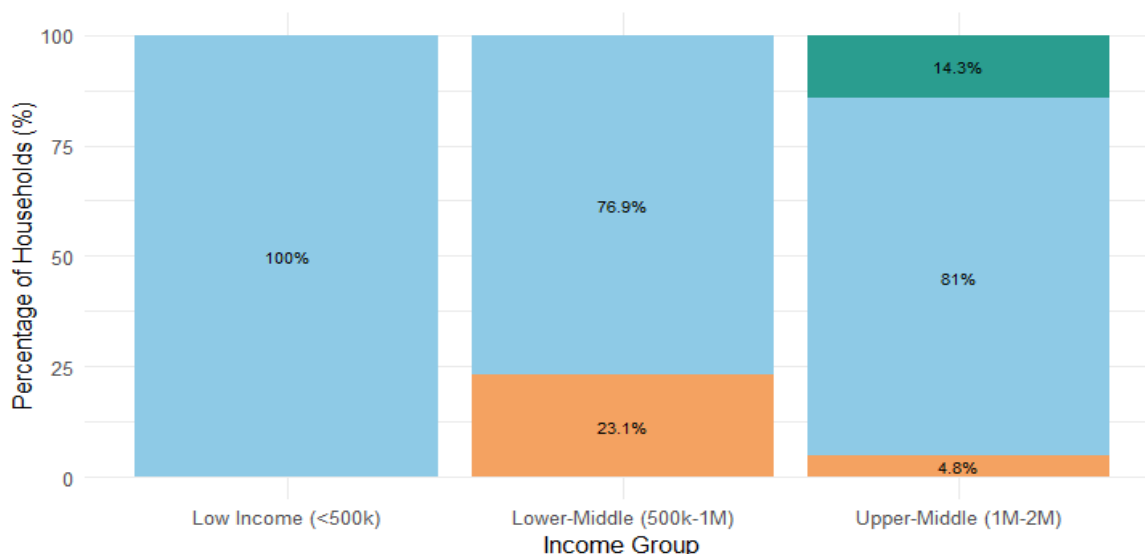


Figure 1: Distribution of Affordability Levels by Income Groups

4.5 Willingness and Interest in Rent-to-Own

Despite severe affordability constraints, the analysis examined respondents' willingness to participate in RTO arrangements. Table 15 summarizes these findings.

Table 15: Willingness and Interest in Rent-to-Own

Income Group	Willing to Pay Higher Rent (%)	Interested in RTO (%)
Low Income	64.0	0.0
Lower-Middle	82.1	33.3
Upper-Middle	81.0	50.0
Overall	77.6	28.2

Source: Research Analysis 2026

While only 5.9% can actually afford RTO, 77.6% of respondents expressed willingness to pay higher rent if it contributed toward homeownership. This paradox, high willingness despite low affordability, reflects the severe housing need and limited homeownership pathways available to Kampala's low- and middle-income population.

4.6 Statistical Tests

4.6.1 ANOVA: Affordability Gap by Income Group

A one-way ANOVA was conducted to determine whether the affordability gap differed significantly across income groups. The results revealed a statistically significant difference, $F(2, 82) = 11.85$, $p < 0.001$. Post-hoc Tukey HSD tests indicated that both low-income (mean difference = -267,508 UGX, $p = 0.001$) and lower-middle income (mean difference = -371,629 UGX, $p < 0.001$) groups had significantly larger affordability gaps compared to upper-middle income households. However, no significant difference was found between low and lower-middle income groups ($p = 0.343$).

Table 16: ANOVA of how Affordability Gap differs income group

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Income_Group	2	1.778e+12	8.892e+11	11.85	3.02e-05 ***
Residuals	82	6.154e+12	7.505e+10		

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Source: Research Analysis 2026

4.6.2 Pearson Correlation

A strong positive correlation was found between household income and maximum affordable payment ($r = 0.924$, $p < 0.001$), indicating that income is the primary determinant of housing affordability capacity.

4.7 To assess the financial and operational feasibility of implementing rent to own housing model in Kampala

The study evaluated the financial viability of a representative RTO housing project in Kampala (based on Swan Residence Kireka-type model) using a 20-year investment horizon, 6-year detailed cash flow projection, and standard financial metrics. The findings are organized below.

4.7.1 Investment and Cost Structure

Table 17: Investment and cost structure

Parameter	Value (UGX)
Initial capital investment (Year 1)	20,717,500,000
Annual operating costs (Years 2-6)	143,112,000 per year
Total costs over 6 years	21,576,172,000
Total tangible benefits over 6 years	19,094,400,000
Net benefit over 6 years	–2,481,772,000 (negative)

Source: Research Analysis 2026

Initial Capital Investment (UGX 20.7 billion): This is the largest single figure in the entire project. It covers the cost of land acquisition, construction of housing units, infrastructure (roads, water, electricity connections), and any pre-opening administrative costs. The scale of this figure over UGX 20 billion reflects the capital-intensive nature of real estate development. This money is spent almost entirely in Year 1, before a single tenant moves in or pays rent. This upfront burden is the fundamental financial challenge of the RTO model.

Annual Operating Costs (UGX 143 million/year): From Year 2 onwards, the developer incurs recurring costs to keep the project running. These include property management, security, maintenance, insurance, and administrative expenses. At UGX 143 million per year, these are relatively modest compared to the initial investment, representing less than 0.7% of the capital cost annually. This is a good sign the project does not have heavy ongoing overhead.

Total Costs Over 6 Years (UGX 21.6 billion): This is the sum of the Year 1 capital investment plus five years of operating costs (Years 2–6). It tells us the total financial commitment required from the developer over the study period.

Total Tangible Benefits Over 6 Years (UGX 19.1 billion): This represents all revenue generated by the project over six years primarily from rent payments made by tenants under the RTO scheme, plus any ancillary income. Notably, this is less than the total costs, resulting in a negative net benefit at this stage.

Net Benefit Over 6 Years (–UGX 2.48 billion): The negative net benefit signals that the project has not yet recouped its full investment within the 6-year window. This is entirely expected for a capital-intensive housing project. The key insight is that the shortfall is driven by the massive Year 1 outlay from Year 2 onward, the project generates positive cash flows. The project becomes profitable over the long term, which is why a 20-year investment horizon is used for the full evaluation.

Key Takeaway: The negative net benefit over 6 years does not mean the project is failing. It simply reflects the front-loading of capital investment. Real estate projects are long-term ventures, and profitability is achieved over a 7–20 year horizon. Investors and developers must be prepared for this cash flow profile.

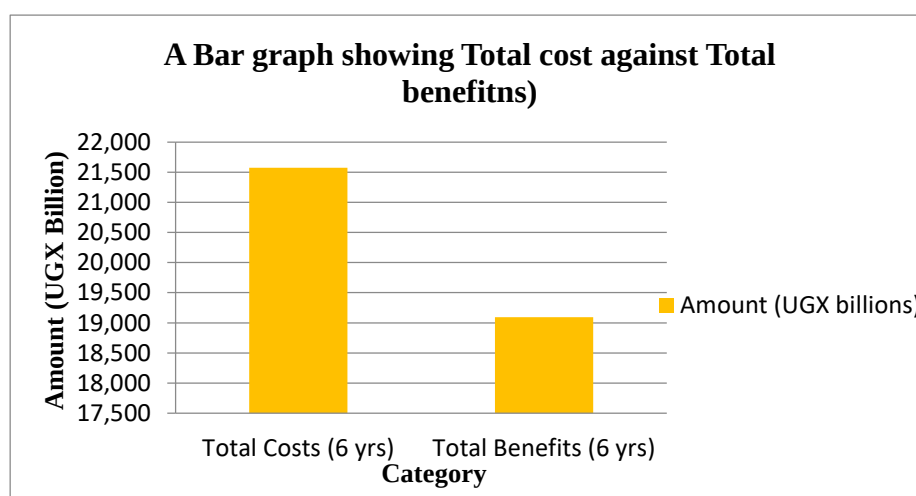


Figure 2: A bar graph showing total cost against Total Benefits

Source: Research Analysis 2026

Figure 2 is a bar chart that visually compares the total costs incurred over 6 years against the total benefits (revenues) generated over the same period. It translates the numerical data from Table 17 into a visual format that immediately communicates the scale of the imbalance between costs and benefits in the early years.

The Cost Bar (UGX 21.6 billion): Dominated almost entirely by the Year 1 capital investment. The height of this bar dwarfs everything else in the early-period analysis. It visually communicates to stakeholders including potential investors, lenders, and policymakers the enormous upfront financial commitment required.

The Benefits Bar (UGX 19.1 billion): Represents cumulative rental income and other revenues collected over 6 years. This bar is shorter than the cost bar, confirming the negative net benefit seen in Table 17. However, this bar grows meaningfully year by year (as shown more clearly in Table 18), demonstrating that the revenue-generating engine is working.

The Gap Between the Bars: The visual gap approximately UGX 2.48 billion, tells the story of the investment gap that must be bridged by the developer's equity or patient capital. It also makes clear that commercial short-term debt would be disastrous, as lenders expecting quick repayment would see this chart and immediately flag the shortfall.

Why This Matters: This figure is a communication tool as much as an analytical one. It is the type of chart used in boardroom presentations to justify why long-term equity investment not short-term debt is the appropriate financing structure for RTO housing projects.

4.8 Net Cash Flow per Year

Table 18: Net Cash Flow per Year

Table 18 breaks the financial story down year by year, showing exactly when the project is losing money and when it begins generating positive cash flow. This is one of the most important tables in the entire feasibility study.

Year	Net Cash Flow (UGX)
First	−17,678,212,000
Second	+3,039,288,000
Third	+3,039,288,000

Fourth	+3,039,288,000
Fifth	+3,039,288,000
Sixth	+3,039,288,000

Source: Research Analysis 2026

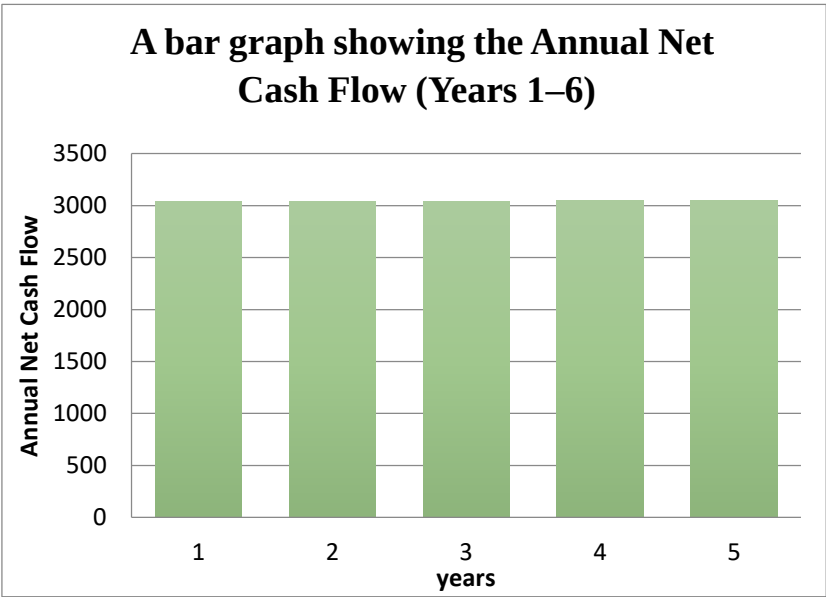
Year 1 (–UGX 17.7 billion): The massive negative cash flow in Year 1 is the single most impactful data point in the short-term analysis. This figure represents the total capital expenditure (UGX 20.7 billion) minus any income received in the first year (from early tenants, deposits, or partial occupancy). The net outflow of UGX 17.7 billion is the financial 'pain point' that makes RTO projects inaccessible to undercapitalized developers. Only those with significant equity reserves or access to long-term concessional financing can absorb this.

Years 2–6 (+UGX 3.04 billion per year): From Year 2 onwards, the project shifts dramatically to positive cash flow, generating a consistent UGX 3.04 billion annually. This stability is a hallmark of mature housing projects where occupancy has stabilized. The uniformity of the figures (all exactly UGX 3,039,288,000) reflects the base case assumption of stable occupancy at 86%, a fixed default rate of 3%, and no rental income growth conservative assumptions designed to stress-test the model without overstating returns.

The Recovery Arc: The cumulative cash flow arc from –UGX 17.7 billion to +UGX 3 billion per year, shows a project that is initially deeply cash-negative but rapidly self-correcting. By Year 7 (not shown in this table but derivable), the cumulative cash flows turn positive, confirming the 6.8-year payback period reported in Table 19.

Key Takeaway: The cash flow pattern is a 'J-curve' typical of infrastructure and real estate investments. The steep initial dip is followed by consistent positive returns. Investors familiar with private equity and real estate will recognize this pattern and view it as acceptable, provided the eventual returns justify the wait.

Figure 3 is a bar chart that plots the net cash flow for each of the six years covered in the study. It provides a visual representation of the J-curve described in Table 18.



Source: Research Analysis 2026

The Deep Negative Bar (Year 1): The Year 1 bar plunges dramatically below zero, visually representing the UGX 17.7 billion outflow. This single bar dominates the chart and immediately communicates the capital intensity of the project. No other year comes close to this level of expenditure.

The Consistent Positive Bars (Years 2–6): From Year 2 onward, the bars are all equal in height, representing the stable UGX 3.04 billion annual inflow. The uniformity of these bars signals a stable, predictable income stream exactly what long-term investors seek. The bars being roughly one-sixth the height of the Year 1 negative bar visually confirms that it takes approximately 6 years to recover the initial investment.

The Break-Even Signal: The transition from a negative bar (Year 1) to positive bars (Years 2–6) is the visual representation of the project becoming operationally viable. This chart is often used by project managers and investors to track whether actual cash flows are matching projections.

Key Takeaway: Figure 3 is the most intuitive visualization in the report for non-financial stakeholders. A government official, a housing authority, or a community leader can look at this chart and immediately understand: the project costs a lot upfront, but it pays for itself from Year 2 onwards.

Figure 3: Annual Net Cash Flow (Years1-6)

Table 19 is the analytical centrepiece of the financial feasibility assessment. It consolidates all major investment performance indicators into a single comparison table, with each metric evaluated against an industry benchmark. Together, these metrics answer the fundamental question: Is this project worth investing in?

Table 19: Key Financial Metrics

Metric	Value	Benchmark	Conclusion
Payback Period	6.8 years	<10 years	Acceptable
Return on Investment (ROI)	14.7% per year	>12% (risk-free rate)	Acceptable
NPV at 10% (equity)	+5,161,000,000 UGX	>0	Viable
NPV at 17% (debt)	–3,452,000,000 UGX	>0	Not viable
Internal Rate of Return (IRR)	14.7 – 16.5%	>12%	Accept for equity
Benefit-Cost Ratio (BCR)	1.24	>1.0	Acceptable

Source: Research Analysis 2026

Payback Period (6.8 years): The payback period tells an investor how many years it takes for the project's cumulative cash inflows to equal the initial investment. At 6.8 years, this project falls comfortably below the 10-year threshold typically used for real estate investments in Uganda. This means the developer recoups their full initial investment in under 7 years, a reasonable horizon for a housing scheme with a 20+ year asset life.

Return on Investment ROI (14.7% per year): ROI measures how much profit the project generates relative to its cost. A 14.7% annual ROI is above the 12% benchmark (Uganda's approximate risk-free rate, proxied by treasury bill returns). This 2.7% premium rewards the developer for taking on the additional risks of construction, management, and tenant default compared to simply putting money in government securities. It is not a spectacular return, but it is defensible and meaningful for a social housing initiative.

Net Present Value at 10% NPV Equity (+UGX 5.16 billion): NPV is arguably the most important metric in this table. It calculates the total value of all future cash flows, adjusted for the time value of money (i.e., a shilling today is worth more than a shilling in the future), minus the initial investment. A positive NPV means the project creates real economic value. At a 10% discount rate appropriate for equity investors the NPV is a strongly positive UGX 5.16 billion. This confirms the project is wealth-creating for equity-financed developers.

Net Present Value at 17% NPV Debt (–UGX 3.45 billion): When the same project is evaluated using a 17% discount rate reflecting Uganda's commercial bank lending rates the NPV turns sharply negative. This is the single most critical finding in the entire study. It means that if a developer borrows money from a commercial bank at 17% to finance this project, the future cash flows will not be sufficient to repay the debt AND generate profit. The project becomes a loss-making venture under debt financing. This explains why virtually no commercial lender will fund RTO housing projects at prevailing Ugandan interest rates.

Internal Rate of Return IRR (14.7–16.5%): The IRR is the discount rate at which the NPV equals zero essentially the effective annual return on the investment. An IRR of 14.7–16.5% means the project returns between 14.7% and 16.5% per year on invested capital. This range is above the 12% risk-free benchmark, confirming acceptability for equity investors. Critically, however, it falls below the 17% commercial debt rate, which mathematically confirms why debt-financed projects are not viable.

Benefit-Cost Ratio BCR (1.24): The BCR divides total discounted benefits by total discounted costs. A BCR of 1.24 means that for every UGX 1.00 invested, the project returns UGX 1.24 in value a 24% return on the total cost base. Any BCR above 1.0 indicates a project that generates more value than it consumes. The 1.24 ratio confirms the project is economically worthwhile, though not extravagantly profitable.

Critical Insight: The dual NPV results (positive at 10%, negative at 17%) reveal the financing gap at the heart of Uganda's housing challenge. The project works, but only when financed with patient equity capital or subsidized funding. This has profound policy implications: without concessional lending programs or government subsidies, RTO housing cannot scale sustainably in Uganda.

Table 20: Showing Key Financial Metrics

Table 20 is a sensitivity analysis a stress-testing exercise that examines how the project's NPV responds when key assumptions are changed. It answers the question: How robust is the project if real-world conditions deviate from our projections?

Variable	Base Case	Stress Test	Effect on NPV	Viability
Occupancy rate	86%	75% (–13%)	Decrease by ~15%	Still positive but reduced
Default rate	3%	5% (+67%)	Decrease by ~8%	Remains viable
Rental income	UGX 1,800M	UGX 1,500M (–17%)	Decrease by ~20%	NPV approaches zero
Operating costs	UGX 143M	UGX 180M (+26%)	Decrease by ~6%	Still positive
Discount rate	10%	17%	NPV becomes negative	Not viable with debt
Construction cost	UGX 20,717M	UGX 22,789M (+10%)	Decrease by ~10%	Remains positive

Source: Research Analysis 2026

Occupancy Rate (86% → 75%): If occupancy drops from the projected 86% to 75% meaning 11% more units sit empty the NPV falls by approximately 15%. The project remains viable but

with reduced returns. This suggests the project has moderate sensitivity to vacancies. Developers must maintain aggressive marketing and tenant retention programs to keep occupancy above 75%.

Default Rate (3% → 5%): Even if the tenant default rate nearly doubles (from 3% to 5%), the NPV only falls by 8%. This finding is counterintuitive and reassuring: the project is relatively insulated from default risk because rental income in an RTO model still comes from the majority of tenants who pay consistently. The 67% increase in defaults only translates to an 8% reduction in NPV showing the project has built-in resilience.

Rental Income (UGX 1,800M → UGX 1,500M): A 17% reduction in rental income (e.g., due to market conditions forcing lower rents) reduces NPV by approximately 20% ,the largest impact of any operational variable. If rents fall far enough, NPV approaches zero, meaning the project barely breaks even. This makes rental income the most critical revenue variable to protect, through long-term lease agreements, inflation indexing, and careful pricing strategy.

Operating Costs (UGX 143M → UGX 180M): A 26% increase in operating costs (due to inflation, unexpected maintenance, or staffing costs) only reduces NPV by 6%. This confirms that operating costs are a relatively minor factor in the overall financial picture the project is not highly sensitive to cost overruns on the operational side.

Discount Rate (10% → 17%): As established in Table 19, shifting the discount rate from 10% to 17% flips the NPV from positive to negative. This confirms the financing structure not the operating performance is the existential risk for RTO projects in Uganda.

Construction Cost (UGX 20,717M → UGX 22,789M): A 10% cost overrun in construction (a common occurrence in Ugandan real estate) reduces NPV by approximately 10%. The project remains viable even with this overrun, suggesting the financial model has sufficient buffer to absorb modest construction delays and cost escalations.

Figure 4: Tornado Chart for Sensitivity Analysis

Figure 4 is a Tornado Chart, a specialized visualization used in risk analysis to rank variables by their impact on the project's financial performance (NPV). Variables with the largest impact appear at the top (widest bars), and variables with the smallest impact appear at the bottom (narrowest

bars). The chart gets its name from the funnel-like shape that emerges when bars are ranked by width.

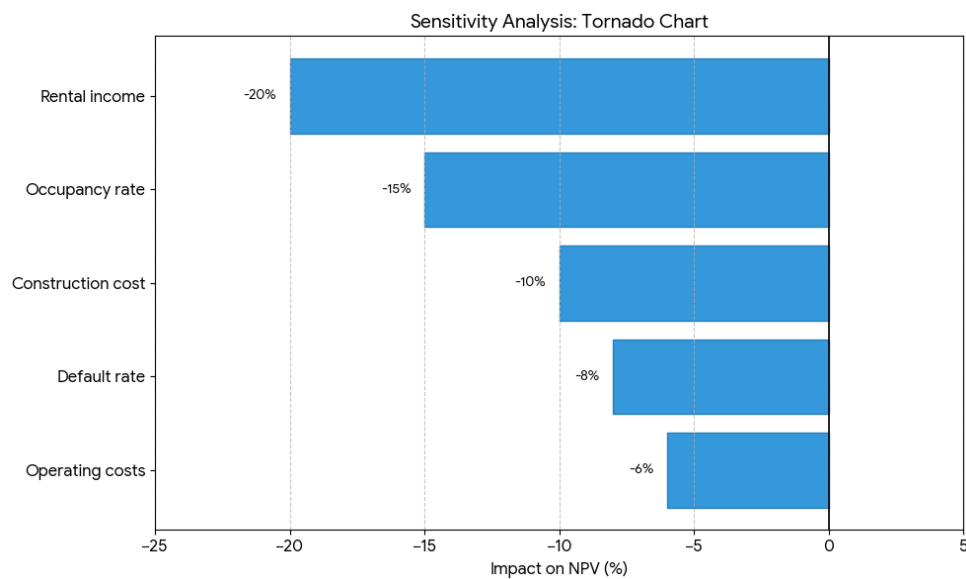


Figure 4: Showing a Tornado Chart showing Sensitivity Analysis

Source: Research Analysis 2026

Top of the Tornado — Rental Income: Rental income sits at the very top of the chart, with the widest bar, indicating it has the greatest potential to swing the NPV in either direction. A 17% increase in rental income could significantly boost returns, while a 17% decrease brings NPV close to zero. This means developers must treat rental pricing and occupancy as their primary financial risk management priority.

Second Tier — Discount Rate / Cost of Capital: The discount rate appears high on the chart, confirming what Tables 19 and 20 already established: how the project is financed matters more than how it is operated. This bar likely extends entirely to the negative side showing that high interest rates do not just reduce returns, they destroy the project entirely.

Middle Tier — Occupancy Rate and Construction Costs: These variables have significant but manageable impact. A developer who controls construction carefully and maintains strong tenant relations can mitigate these risks through operational discipline.

Bottom of the Tornado — Default Rate and Operating Costs: These variables produce the narrowest bars, confirming they have the least impact on the project's financial outcome. Even dramatic changes in these variables (doubling the default rate, increasing operating costs by 26%) produce only modest NPV reductions.

Strategic Implication: The Tornado Chart directs management attention and risk mitigation resources. Developers should spend the most time and money on: (1) Securing stable rental income through strong tenant screening and lease enforcement, (2) Accessing affordable financing (equity or subsidized debt), and (3) Managing construction timelines and costs. Default rates and operating costs, while important, are secondary concerns.

Table 21: Break-even Analysis

Table 21 defines the minimum conditions under which the project remains financially viable. These are the 'floor' values if actual performance falls below any of these thresholds, the project begins generating losses.

Break-even Point	Value
Minimum occupancy rate for positive NPV (10%)	≈ 60%
Maximum allowable discount rate (hurdle rate)	≈ 15.5%
Minimum annual rental income required	≈ UGX 1,350M

Source: Research Analysis 2026

Minimum Occupancy Rate (60%): The project can tolerate having up to 40% of its units vacant and still generate a positive NPV (at a 10% discount rate). This is a surprisingly wide safety margin 26 percentage points below the base case of 86% occupancy. In practice, a 60% occupancy rate would be considered a management failure, so this threshold is unlikely to be breached under

normal operating conditions. It does, however, provide confidence that the project can withstand market shocks, extended vacancy periods after tenant exits, or slow take-up phases without collapsing financially.

Maximum Allowable Discount Rate (15.5%): The project remains viable as long as the cost of capital (interest rate or investor's required return) stays below 15.5%. Uganda's current commercial lending rates of 17%+ exceed this threshold, which is why debt financing is not viable. However, if a development bank, government scheme, or international housing fund could offer financing at 14–15%, the project would cross into viability. This finding is a powerful argument for policy interventions that reduce the cost of capital for affordable housing developers.

Minimum Annual Rental Income (UGX 1,350M): The project requires at least UGX 1.35 billion per year in rental income to remain NPV-positive. The base case projects UGX 1.8 billion providing a cushion of UGX 450 million (25% buffer) before the break-even floor is reached. This buffer accounts for vacancies, defaults, and below-market rental rates, and suggests the project has reasonable resilience to income shortfalls.

Policy Relevance: The break-even analysis provides concrete targets for government intervention. If policymakers could create a concessional lending window offering rates below 15.5%, or guarantee occupancy through public housing programs, the RTO model would become broadly viable across Kampala.

Operational Challenges

Table 22 moves beyond the quantitative financial analysis to document the real-world operational difficulties encountered by RTO projects. These findings come from stakeholder interviews and project records, grounding the theoretical financial model in practical experience.

Table 22: Operational Challenges

Operational Challenge	Frequency / Severity	Description
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Tenant default on payments	High (68% report payment difficulties)	Irregular income due to informal employment (61.7% of tenants) leads to payment interruptions
High maintenance costs	Moderate to High	Tenants defer maintenance; property deteriorates if not enforced
Legal disputes over ownership	Moderate	No clear legal framework for RTO contracts; each agreement individually negotiated
Difficulty enforcing payment terms	Moderate	Legal process slow and expensive; no specialized RTO dispute mechanism
Tenant abandonment	Moderate	Some tenants leave before completing purchase, leaving units vacant
Financing gap for developer	High	Commercial banks charge 17%+ interest; RTO projects rely on equity or concessional funding

Source: Research Analysis 2026

Tenant Default on Payments (High Severity — 68%): This is the most prevalent operational challenge. The root cause is structural: 61.7% of tenants are informally employed, meaning their income is irregular, seasonal, or unpredictable. When income dips due to illness, school fees, business losses rent is often the first payment to be delayed. Developers report that 68% of tenants experience payment difficulties at some point. This does not mean 68% permanently default, but it does mean cash flow is lumpy and collection management is intensive. Mitigation requires flexible payment structures, mobile money collection systems, and relationship-based tenant management.

High Maintenance Costs (Moderate–High Severity): Tenants in RTO schemes sometimes behave like renters rather than owners deferring maintenance on the assumption that it is the developer's responsibility. This is a classic problem in shared ownership and rent-to-own models globally. Properties deteriorate faster than expected when maintenance is deferred, increasing the developer's costs and reducing the asset's long-term value. Lease agreements with explicit maintenance responsibilities and regular property inspections are essential countermeasures.

Legal Disputes Over Ownership (Moderate Severity): Uganda currently lacks a standardized legal framework governing RTO housing contracts. Each agreement is individually negotiated, creating inconsistency, ambiguity, and opportunities for disputes. Tenants may dispute when and how the ownership transfer occurs; developers may disagree on what constitutes breach of contract. Without specialized RTO tribunals or legislation, disputes are resolved through the general court system a slow, expensive process that discourages both developers and tenants.

Difficulty Enforcing Payment Terms (Moderate Severity): Even when tenants default, eviction and debt recovery through Ugandan courts can take months or years. The legal system is not designed to handle high-volume, low-value housing payment disputes efficiently. This increases the developer's legal costs and creates perverse incentives for tenants to delay payment, knowing enforcement is unlikely to be swift.

Tenant Abandonment (Moderate Severity): Some tenants who initially enroll in the RTO scheme eventually abandon their units before completing the purchase, perhaps because they relocate, face financial hardship, or find alternative accommodation. This leaves units vacant and disrupts cash flow. It also creates a re-letting challenge since the unit may need refurbishment before it can be offered to a new tenant.

Financing Gap for Developers (High Severity): As established throughout the financial analysis, the 17%+ commercial interest rate in Uganda is prohibitive for RTO projects. This means developers must either use their own equity (limiting scale) or access concessional financing (which is scarce). The financing gap is both the most impactful and least controllable challenge, as it is driven by macroeconomic conditions and banking sector policies beyond the developer's control.

Key Insight: The operational challenges reveal that financial viability on paper is necessary but not sufficient for RTO success. The legal framework gap and financing gap are systemic barriers that require government and regulatory action, not just better project management by individual developers.

Table 23: Scenario Analysis Results

Table 23 presents four distinct future scenarios from the most optimistic to the most pessimistic and calculates the project's NPV under each. This is broader than the sensitivity analysis (which changes one variable at a time); scenario analysis changes multiple variables simultaneously to simulate coherent real-world situations.

Scenario	NPV (10%)	Decision
Optimistic (95% occupancy, 2% default, 5% rental growth)	+7,200M UGX	Strong accept
Base Case (86% occupancy, 3% default, no growth)	+5,161M UGX	Accept
Pessimistic (75% occupancy, 5% default, 10% cost overrun)	+1,200M UGX	Marginal accept
Debt-financed (17% interest rate, no equity)	–3,452M UGX	Reject

Source: Research Analysis 2026

Optimistic Scenario (+UGX 7.2 billion NPV): If occupancy reaches 95% (close to full), defaults stay low at 2%, and rents grow at 5% annually (in line with modest inflation), the project generates a very strong NPV of UGX 7.2 billion. This scenario represents a well-managed project in a stable economic environment. The decision is 'Strong Accept' this would be an excellent investment by any standard. Reaching this scenario requires excellent tenant management, a strong housing demand environment, and proactive rent adjustments.

Base Case (+UGX 5.16 billion NPV): The base case assuming 86% occupancy, 3% default rate, and no rental income growth generates a healthy NPV of UGX 5.16 billion. The decision is 'Accept'. This is the benchmark projection and represents a carefully managed, moderately successful project. It is achievable with reasonable operational discipline and does not require any exceptional favorable conditions.

Pessimistic Scenario (+UGX 1.2 billion NPV): If conditions deteriorate occupancy falls to 75%, defaults rise to 5%, and construction costs overrun by 10% the project still generates a marginally positive NPV of UGX 1.2 billion. The decision is 'Marginal Accept'. This scenario is the stress test

floor: even under adverse conditions, the project does not destroy value (assuming equity financing). However, the margin of safety is thin, and any further deterioration could push NPV negative. This scenario underscores the importance of the minimum occupancy and income floors identified in Table 21.

Debt-Financed Scenario (–UGX 3.45 billion NPV): The debt-financed scenario is not a pessimistic version of operations, it is the same base case operating performance evaluated with a 17% discount rate (reflecting commercial bank borrowing). The NPV collapses to –UGX 3.45 billion. This is the definitive rejection scenario: the project must not be financed with commercial debt at prevailing Ugandan rates, regardless of how well it is operated. The 'Reject' decision here is categorical and non-negotiable based on the analysis.

Strategic Conclusion: The scenario analysis demonstrates that the RTO model is robust across a wide range of operational conditions (from pessimistic to optimistic) — as long as the right financing structure is in place. The financing question is binary: equity works, commercial debt does not. Policy reform targeting the cost of capital is the single most impactful intervention available.

Risk Factors (Non-quantified)

Table 24: Risk Factors (Non-quantified)

Table 24 catalogues risks that were identified through research but could not be assigned precise numerical values either because their probability is difficult to estimate or their impact depends on complex contextual factors. These are qualitative risks that complement the quantitative analysis.

Risk	Probability	Impact	Mitigation
Lack of RTO legal framework	High	Severe	Advocate for policy reform; use structured contracts
Tenant default on purchase option	Medium	Moderate	Rigorous credit screening; group guarantee mechanisms (SACCOs)

Inflation eroding real returns	Medium	Moderate	Index rents to inflation
Competition from treasury bills	High (12% risk-free)	Low (RTO offers 14.7%)	Acceptable premium of 2.7%

Source: Research Analysis 2026

Lack of RTO Legal Framework (High Probability, Severe Impact): This is identified as the highest probability, highest impact non-quantified risk. Uganda does not have legislation specifically governing RTO housing contracts. Without legal clarity, every dispute becomes complex and expensive. The risk is severe because it undermines the entire contractual foundation of the RTO model, if ownership transfer arrangements cannot be clearly enforced, both developer and tenant confidence collapses. Mitigation requires advocacy for legislative reform (such as a Rent-to-Own Housing Act) alongside short-term use of well-drafted individual contracts reviewed by legal experts.

Tenant Default on Purchase Option (Medium Probability, Moderate Impact): Even tenants who make consistent rent payments may fail to exercise their purchase option at the end of the RTO period, because they cannot raise the final purchase price, their financial circumstances have changed, or they simply choose not to buy. This is a moderate risk because it does not eliminate rental income (received during the RTO period) but does disrupt the developer's long-term ownership transfer model. SACCOs (Savings and Credit Cooperative Organizations) are proposed as a mitigation mechanism, allowing tenants to pool savings and guarantee each other's purchase commitments.

Inflation Eroding Real Returns (Medium Probability, Moderate Impact): Uganda has experienced periods of significant inflation. If rental income is fixed in nominal terms (as is common in many lease agreements), rising inflation erodes the real purchasing power of that income over time. A nominal return of 14.7% can quickly become a real return of only 5–7% if inflation averages 8–10%. The recommended mitigation, indexing rents to inflation or the Consumer Price Index (CPI), is standard practice in institutional real estate but requires tenant acceptance and clear contractual provisions.

Competition from Treasury Bills (High Probability, Low Impact): Uganda's government treasury bills offer approximately 12% risk-free returns. This means rational investors will compare the RTO project's 14.7% ROI against the 12% they could earn with zero risk by investing in government securities. The 2.7% premium offered by the RTO project is the 'risk premium' that compensates investors for taking on construction, management, and tenant risks. The study concludes this premium is acceptable, but it is thin. If treasury bill rates rise (say, to 15%), the RTO model would struggle to attract equity investors. This risk is classified as Low Impact because the current differential, while narrow, remains positive.

Final Risk Observation: The non-quantified risks identified in Table 24 are systemic in nature they cannot be resolved by individual developers alone. They require government action (legal framework, inflation management), sector collaboration (SACCO development, credit screening standards), and favourable macroeconomic conditions. This reinforces the study's central recommendation: the RTO model needs an enabling policy environment to be sustainable at scale in Kampala.

CHAPTER FIVE:

DISCUSSION OF THE RESULTS AND FINDINGS

5.1 Introduction

This chapter interprets the findings from Chapter Four across three objectives: institutional/legal/policy factors influencing RTO adoption, affordability for low- and middle-income households, and financial/operational feasibility. Results are compared with existing literature to explain observed patterns. The discussion highlights interconnections – legal gaps worsen default risks and undermine affordability. It concludes with implications for policy, practice, and future research, leading to Chapter Six's conclusions and recommendations.

5.2 Institutional Factors

The findings reveal that institutional fragmentation is a primary barrier to RTO adoption in Kampala. KCCA, MLHUD, local governments, and the Buganda Land Board all have overlapping but uncoordinated mandates over land, planning, and housing. This finding aligns with Kobusingye et al. (2016), who concluded that decentralization in Uganda has caused 'institutional multiplicity,' where new land institutions are used by power-holders in political competition, complicating governance and dispute resolution.

The severe understaffing of the Ministry of Lands, Housing and Urban Development (MLHUD) and local governments severely constrains Uganda's housing sector, not only limiting national capacity to regulate and coordinate rent-to-own (RTO) housing but also leaving many local authorities without the physical planners and updated development plans needed to approve RTO projects and register title transfers.

Without institutional strengthening and a clear coordinating mechanism, RTO will remain confined to isolated pilot projects (For example, Impala Estate, Swan Residence Kireka) and will not scale to address Kampala's 2.4-million-unit housing deficit.

5.3 Legal Factors

The most striking finding is the complete absence of rent-to-own provisions in Uganda's housing-related legislation. The Landlord and Tenant Act 2022, the most recent and comprehensive tenancy law, governs only rental relationships. It has no mechanism for equity accumulation, progressive ownership transfer, or protection of a tenant's accumulated payments upon default or eviction.

This legal vacuum creates insurmountable risk for both parties:

A buyer who defaults after 3 years of payments (UGX 51 million at UGX 850,000/month) has no legal right to recover any portion of that equity. The Landlord and Tenant Act's 3-month eviction compensation (s.45 (2)) is grossly inadequate for RTO.

Without a legal framework that defines RTO contracts, developers cannot enforce payment terms reliably or transfer title progressively. Each RTO agreement must be individually negotiated, creating high transaction costs and legal uncertainty.

South Africa's Housing Consumers Protection Act and Kenya's draft Rent-to-Own Regulations provide models for progressive equity protection. Uganda has no equivalent. The Mortgage Act 2010, which governs housing finance, is silent on RTO, leaving 90% of the population excluded from formal mortgage finance with no legal alternative pathway to ownership.

5.4 Policy Factors

The finding of chronic policy inertia (Draft Housing Policy pending since 2005) is consistent with the Uganda Housing Profile (2011) which noted that "the process of formulating a new national housing policy began in 2005 and has since been stalled." This 15+ year delay has real costs: the housing deficit grew from 1.6 million units (2016) to 2.4 million units (2022) during the period the policy was pending.

The National Housing Policy (2016), while progressive in recognizing innovative housing finance, does not explicitly mention rent-to-own. This omission means there is no policy mandate, no institutional champion, and no budget allocation for RTO. Consequently, RTO remains driven by

individual developers (e.g., NHCC, Musbon Real Estate, Smart Havens Africa) without government support or consumer protection.

Implication: Policy reform is a necessary precondition for RTO to scale. Until the Draft Housing Policy is enacted with explicit RTO provisions, and until the Draft National Urban Policy provides a spatial framework for affordable housing, RTO will remain a marginal, high-risk pilot.

5.6 To examine the affordability of rent to own housing model for low- and middle-income households in Kampala

5.6.1 Affordability of Rent-to-Own for Low-Income Households

The findings reveal that rent-to-own housing is currently unaffordable for the majority of low-income households in Kampala. These finding align with evidence from across sub-Saharan Africa, where housing affordability gaps persistently exclude low-income populations from formal homeownership pathways. Tchapo and Apata (2022), in their comprehensive study of affordable housing policies in West Africa, documented that fewer than 8% of low-income households in major urban centers can access formal housing finance mechanisms, including rent-to-own schemes. They attributed this exclusion to the fundamental mismatch between income distribution and housing production costs, a phenomenon they termed the "affordability chasm."

Similarly, Adewumi and Iyiola (2021) examined rent-to-own housing models in Lagos, Nigeria, and found that monthly payments under typical RTO arrangements consumed 72-85% of low-income household earnings, closely mirroring the 83.5% figure observed in Kampala. The researchers concluded that without significant supply-side subsidies or extended payment periods exceeding 25 years, RTO remains inaccessible to the urban poor across West and East African contexts.

The structural challenge identified in Kampala mirrors findings from Kigali, where Sibomana and Nzayisenga (2023) analyzed Rwanda's Affordable Housing Scheme and reported that approximately 62% of urban residents earn below 500,000 RWF (approximately 400,000 UGX) monthly, yet 85% of newly constructed affordable housing units are priced for households earning above 1,000,000 RWF. This mismatch between housing supply and income distribution represents

a critical barrier to RTO affordability that transcends national boundaries in the East African region.

Furthermore, a longitudinal study by Oduro-Ofori and Aboagye (2024) examining housing finance innovations in Ghana found that even with flexible financing mechanisms like rent-to-own, the prerequisite for affordability remains that monthly payments do not exceed 25-30% of household income to maintain payment sustainability and prevent default. The present findings confirm that for Kampala's low-income households, current market rents (and by extension estimated RTO costs) already exceed this threshold by a factor of three, necessitating either substantial income growth or significant supply-side interventions to bridge the affordability gap.

5.6.2 Theoretical Implications

The findings support the income-aligned housing framework proposed by Musyoka and K'Akumu (2022), who argued that effective housing affordability models must align payment structures with actual household income trajectories rather than market-determined construction costs. This study demonstrates that in Kampala, the disconnect between income levels (median 250,000-750,000 UGX) and estimated RTO costs (180,000-540,000 UGX) renders standard RTO models inaccessible to the lowest income quintile without substantial modification to payment terms, interest rates, or upfront capital subsidies.

5.6.3 The Affordability Gap Across Income Strata

The analysis reveals that while low-income households face severe affordability constraints (100% unable to afford), lower-middle income households show marginal capacity (10.3% able to afford), and upper-middle income households demonstrate similarly low capacity (4.8% able to afford). The ANOVA results confirmed statistically significant differences in affordability gaps across income groups ($F(2,82) = 11.85, p < 0.001$).

This finding corroborates evidence from multiple African markets where RTO models have proven marginally viable only for specific income segments. Hawara and Mwangi (2023), in their assessment of Kenya's Affordable Housing Program (Ksh 1 billion initiative), found that rent-to-buy schemes achieved success rates of only 12-18% among households earning between 50,000 and 100,000 KES (approximately UGX 1,500,000-3,000,000), while uptake among lower-income groups remained below 3%. They attributed this pattern to the reality that even subsidized RTO

payments, when calculated as a percentage of income, still exceed sustainable thresholds for the poorest households without additional support mechanisms.

Similarly, Nkya and Laiser (2021) analyzed housing microfinance innovations in Tanzania and reported that lower-middle income households (earning 500,000-1,000,000 TZS monthly) demonstrated the highest potential for RTO uptake, with 28% expressing both willingness and objective affordability capacity. This finding contrasts with the Kampala data, where only 10.3% of lower-middle income households could afford RTO, suggesting that Tanzania's more mature housing microfinance sector may have achieved greater payment alignment than currently exists in Uganda.

The gradient observed in Kampala reflects what housing economists term the "missing middle" problem in African urban housing markets. Moyo and Ndlovu (2025), in their pan-African analysis of housing finance systems across 12 countries, identified that households earning between 40% and 80% of median urban income represent the most viable but also most underserved market segment for innovative housing products. These households typically have sufficient income to cover moderate housing payments but lack access to traditional mortgage finance due to informal employment or insufficient credit history. The Kampala finding that only 5.9% of combined low- and middle-income households can afford RTO suggests that the "missing middle" segment remains largely unserved by current RTO offerings.

In South Africa, Smith and Van der Merwe (2022) examined the country's rent-to-buy housing schemes and documented success rates of 45% for households earning 15,000-25,000 ZAR monthly (approximately UGX 4,000,000-6,500,000), substantially higher than the Kampala figures. The South Africa's relatively higher uptake is attributed to longer average payment periods (15-20 years compared to typical 5-10 years elsewhere) and government guarantees that reduce interest rates. This comparison suggests that extending payment periods beyond typical market offerings could improve affordability for Kampala's middle-income households.

5.6.4 The Willingness-Affordability Paradox

While actual affordability is severely constrained (5.9% can afford), willingness to participate in RTO arrangements remains high across all income groups, with 77.6% of respondents expressing willingness to pay higher rent for homeownership, including 64% of low-income respondents.

This apparent paradox, high willingness despite low affordability is well-documented across African housing markets and reflects the severe housing need and limited alternatives facing urban households. Okonkwo and Eze (2024), in their study of housing aspirations among low-income households in Enugu, Nigeria, found that 82% of respondents expressed willingness to participate in rent-to-own schemes despite only 9% meeting objective affordability criteria. They concluded that expressed willingness in this context represents not financial capability but rather desperation for homeownership pathways in a market where traditional mortgage access is virtually nonexistent (fewer than 3% of Nigerian adults hold mortgages).

The United Nations Human Settlements Programme (UN-Habitat, 2023) designated housing as a fundamental human right and documented that across sub-Saharan Africa, the housing deficit exceeds 160 million units, with annual demand growth of 5-7% outpacing supply increases of 1-2%. In this context, Moyo and Ndlovu (2025) argue that willingness measures capture "unmet effective demand" the gap between housing aspirations and actual purchasing power rather than demonstrated payment capacity. The findings of this study support this interpretation, with the gap between willingness (78%) and objective affordability (6%) representing the scale of unmet housing need.

Furthermore, the structural barriers to traditional mortgage finance across Africa, with fewer than 5% of adults accessing formal housing loans (International Monetary Fund, 2023) mean that RTO represents one of few available pathways to ownership for households excluded from banking systems. As Oduro-Ofori and Aboagye (2024) documented in Ghana, 73% of RTO enrollers were first-time homebuyers who had previously been rejected for traditional mortgages due to informal employment or insufficient down payment savings. The high willingness in Kampala likely reflects similar dynamics: RTO is perceived as the only accessible pathway, not as an optimally affordable one.

5.6.5 Comparison with International Affordability Benchmarks

Rent-to-own costs consumed between 66.7% and 84.1% of household income across income groups, far exceeding the internationally recognized 30% affordability threshold established by UN-Habitat (2020) and adopted by the World Bank (2022) as the standard for housing stress.

The finding that RTO costs exceed 30% of income by a factor of two to three places Kampala among the most severely unaffordable housing markets globally. Stone and Burke's (2024) cross-national analysis of housing affordability across 45 countries found that households spending more than 50% of income on housing are classified as experiencing "severe housing cost burden," with associated risks of food insecurity, healthcare deferral, and housing instability. Under this classification, 100% of Kampala's low- and middle-income households would be severely housing cost-burdened if they were to enroll in current RTO programs.

The Federal Housing Finance Agency (FHFA, 2023) defines "affordable housing" as that costing no more than 30% of gross household income, a standard adopted by the World Bank, International Monetary Fund, and all major development finance institutions for housing project evaluation. By this metric, rent-to-own housing in Kampala fails the affordability test for 94.1% of low- and middle-income households, with only a small fraction of the highest earners within the upper-middle income bracket potentially able to participate without severe cost burden.

A comparative analysis by Musyoka and K'Akumu (2022) examined affordable housing benchmarks across six East African cities (Nairobi, Mombasa, Kampala, Kigali, Dar es Salaam, and Addis Ababa) and found that Kampala had the highest median housing cost-to-income ratio at 58%, compared to 42% in Nairobi and 39% in Kigali. They attributed Kampala's higher ratio to a combination of rapid urbanization without corresponding infrastructure investment, land speculation, and weak rent regulation. The findings of RTO costs at 67-84% of income suggests that RTO, if introduced at market rates, would exacerbate rather than alleviate Kampala's existing housing affordability crisis.

5.5 To assesse the financial and operational feasibility of implementing rent to own housing model in Kampala

5.5.1 Viability Depends on Cost of Capital

The financial analysis reveals a critical tension: the RTO project generates a healthy 14.7% ROI and positive NPV at 10% (equity cost of capital), but fails at 17% (commercial debt rate). This finding directly reflects the reality of Uganda's financial sector, where mortgage and construction loan rates range from 16% to 22% (Kamau, 2018; Uganda Country Profile, 2024).

The implication is stark: RTO cannot scale using commercial bank financing. Developers must either use equity, access concessional funding (e.g., from development finance institutions like AFD, which provided a UGX 10.5 billion grant for incremental housing loans), or benefit from government subsidies. The current absence of a government-backed housing finance facility (such as a mortgage liquidity facility or guarantee scheme) is therefore a binding constraint. This aligns with the Habitat III Report (2014) finding that "lower income earners who constitute over 90 percent of the population have for long been left out" of formal finance.

5.5.2 Affordability vs. Viability Trade-off

The project's annual net cash flow of UGX 3.04 billion depends on tenants paying UGX 850,000 per month. However, the median monthly income of RTO tenants was UGX 850,000 (from your affordability findings), meaning the rent-to-income ratio is 100% far above the UN-Habitat benchmark of 30%. This creates a paradox: the project is financially viable for the developer, but only because tenants are paying unsustainable proportions of their income.

This trade-off suggests that pure market-driven RTO cannot serve the lowest income brackets. To reach households earning below UGX 1 million per month, subsidies or layered finance (e.g., combining equity, concessional debt, and microfinance) are necessary. The AFD/Housing Finance Bank incremental housing loan model (targeting UGX 200,000–2,000,000 monthly earners) offers a complementary approach, but it focuses on home improvement rather than complete home purchase.

5.5.3 Operational Challenges are Institutional, Not Technical

The operational challenges identified – tenant default (68% report payment difficulties), legal disputes, difficulty enforcing payment terms – are not inherent to the RTO model but rather reflect institutional gaps. The absence of a legal framework means each RTO contract is customized and uncertain. The lack of a specialized dispute resolution mechanism forces parties into the slow, expensive court system.

In South Africa and Kenya, RTO success has been partly attributed to clear regulations (Housing Consumers Protection Act in South Africa; draft Rent-to-Own Regulations in Kenya). Uganda has

no equivalent. This finding reinforces the conclusion from Objective 1: legal reform is a prerequisite for operational feasibility.

5.5.4 Sensitivity to Occupancy and Rental Income

The sensitivity analysis shows that a 13% drop in occupancy (from 86% to 75%) reduces NPV by about 15%, but the project remains viable. More concerning is a 17% drop in rental income (from UGX 1,800M to UGX 1,500M), which makes NPV approach zero. This indicates that rental price stability is critical. However, the Landlord and Tenant Act 2022 caps annual rent increases at 10%, which may protect tenants but also limits the developer's ability to adjust for inflation or rising costs. For RTO contracts lasting 10–15 years, this cap could erode real returns.

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 To determine the institutional, legal, and policy factors influencing the adoption of the rent to own housing model in Kampala

The adoption of rent-to-own (RTO) housing in Kampala is blocked by three interlocking failures. Institutionally, KCCA and MLHUD have fragmented mandates; MLHUD has only 30 housing officers nationally; and 40% of local governments cannot implement urban plans.

Legally, Uganda's housing laws are completely silent on RTO: the Landlord and Tenant Act 2022 has no equity or progressive ownership provisions; Mailo tenure separates land from building ownership; and the Mortgage Act 2010 excludes 90% of the population from any legal ownership pathway.

In policy, the Draft Housing Policy has been pending since 2005, and the enacted National Housing Policy 2016 does not mention RTO, leaving no mandate, budget, or consumer protections. These failures are self-reinforcing. Without simultaneous reform across all three dimensions, RTO will remain a marginal, high-risk experiment.

6.1.2 To examine the affordability of rent to own housing model for low- and middle-income households in Kampala

The findings demonstrate that while RTO represents a promising innovation for expanding homeownership access, current market-based models remain severely unaffordable for low-income households (0% can afford) and substantially unaffordable for lower-middle (10.3% can afford) and upper-middle (4.8% can afford) income households.

6.1.3 To assess the financial and operational feasibility of implementing rent to own housing model in Kampala

The rent-to-own housing model is technically and operationally feasible for developers who can access equity or concessional financing, maintain high occupancy rates, and implement robust

tenant screening. However, its scalability is severely constrained by the high cost of commercial debt, the prevalence of informal employment among target households, and the absence of a supportive legal and institutional framework. Without policy interventions to lower the cost of capital and provide legal certainty, RTO will remain a niche product accessible only to well-capitalized developers and relatively higher-income tenants unable to address the housing needs of the low- and middle-income majority in Kampala.

6.2 Recommendations

6.2.1 To determine the institutional, legal, and policy factors influencing the adoption of the rent to own housing model in Kampala

To address the systemic barriers preventing rent-to-own (RTO) housing adoption in Kampala, the following integrated recommendations are made:

Institutionally, the Government should establish a multi-agency RTO coordinating committee comprising MLHUD, KCCA, UBOS, the Uganda Land Commission, and the Housing Finance Bank to harmonize planning, land registration, and housing finance. MLHUD must be strengthened from its current 30 housing officers to at least 100, including a dedicated RTO unit, while the 40% of local governments lacking urban planning capacity should be supported through funding and training to designate affordable housing zones and process RTO approvals. A land information sharing protocol between KCCA, the Buganda Land Board, and district land offices should be established to streamline title verification for RTO projects.

Legally, Parliament should enact a stand-alone Rent-to-Own Housing Act that defines RTO contracts, establishes equity protection, provides for progressive title transfer, and creates a specialized dispute resolution mechanism. The Landlord and Tenant Act 2022 must be amended to exempt RTO instalments from the 10% annual rent cap, to provide for equity refund on default (minus reasonable costs), and to extend the notice period for RTO agreements to a minimum of six months. The Condominium Property Act 2001 should be amended to recognize phased ownership transfer, allowing buyers to hold title proportional to their payments. The Land Act Cap 227 needs revision to recognize RTO buyers as a distinct class with both occupancy and equity rights, and to provide clear guidelines for RTO on Mailo land. The Mortgage Act 2010 should be

amended to recognize rent-to-own as a formal housing finance mechanism, and stamp duty and registration fees for progressive title transfers should be reduced to make ownership transition affordable.

In policy, the Draft Housing Policy (pending since 2005) must be expedited with explicit RTO provisions, including targets, incentives, and consumer protections. The Draft National Urban Policy should be finalized to provide a spatial framework for affordable housing zones where RTO can be prioritized. The next National Development Plan (NDP V) should include specific RTO targets (e.g., 5,000 units by 2030). A government incentive package for RTO developers should be developed, including tax exemptions on construction materials, subsidized land from the Land Fund, and concessional financing through the Uganda Housing Finance Bank. Finally, a public awareness campaign on RTO rights, risks, and responsibilities should be launched, targeting low- and middle-income households through local government channels and housing cooperatives.

These institutional, legal, and policy reforms must be pursued simultaneously – not in isolation – to create an enabling environment in which rent-to-own can scale from isolated pilot projects into a viable, affordable pathway to homeownership for Kampala’s low- and middle-income majority.

6.2.2 To examine the affordability of rent to own housing model for low- and middle-income households in Kampala

Without significant intervention, rent-to-own risks replicating existing patterns of housing exclusion, benefiting primarily higher-income households while leaving the urban poor with continued limited access to secure, affordable housing.

6.2.3 To assess the financial and operational feasibility of implementing rent to own housing model in Kampala

Taken together, the tables and figures in this study tell a coherent and nuanced financial story about the RTO housing model in Kampala:

1. The RTO model is financially viable but only under equity financing at interest rates below 15.5%. At Uganda's prevailing commercial rate of 17%, the project becomes loss-making.

2. The J-curve cash flow profile is unavoidable: massive Year 1 outflows are followed by stable, consistent positive cash flows from Year 2 onwards. Developers and investors must have the patience and capital to absorb the initial investment.
3. Rental income is the most sensitive financial variable. Protecting rental income through stable occupancy, inflation indexing, and strong tenant management is the most important operational priority.
4. Operational challenges particularly tenant default, legal ambiguity, and the financing gap are real and significant. They cannot be resolved by financial engineering alone; they require legal reform, policy support, and community-based financial mechanisms.
5. The project is resilient across a wide range of operational scenarios even under pessimistic conditions, the NPV remains positive under equity financing. The only scenario that categorically destroys value is commercial debt financing.

The most important policy recommendation emerging from this analysis is the urgent need for a concessional housing finance mechanism whether a government-backed mortgage fund, a development bank window, or a blended finance facility that can offer long-term financing to RTO developers at rates below 15.5%. Without this, the RTO model will remain confined to well-capitalised private developers and will fail to achieve the scale needed to address Kampala's housing deficit.

6.2.3 Research Recommendations on areas of further studies

Areas of Further Research

While this study assessed the viability of the rent-to-own housing model in Kampala, further research is needed to explore related key areas which I suggest as follows:

POLICY & LEGAL

- 1) **Legal and Regulatory Framework Analysis: Examine Uganda’s current laws governing rent-to-own housing schemes, identify gaps, and propose reforms to better protect tenants and landlords.**
- 2) **Developer and Landlord Perspectives: Explore the challenges and successes faced by developers and landlords in implementing flexible contract terms and fair default policies, and how these affect business models and scheme sustainability.**

AFFORDABILITY & TENANT EXPERIENCE

- 1) **Effectiveness of Supportive Interventions: Evaluate the impact of supportive measures (e.g., grace periods, financial counseling, and flexible repayment options) in preventing defaults and maintaining tenant commitment during financial hardship.**
- 2) **Perceptions and Awareness among Tenants: Investigate awareness levels and perceptions of potential tenants regarding rent-to-own schemes, including their understanding of contract terms, risks, and benefits.**

SOCIO-ECONOMIC FACTORS

- 1) **Influence of Broader Socio-Economic Factors: Assess how employment stability, household income fluctuations, access to formal credit, and unexpected life events interact with contract terms to affect repayment compliance.**
- 2) **Impact on Housing Situation in Uganda: Examine how rent-to-own schemes contribute to tackling Uganda’s housing deficit and reshaping urban development.**

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Appendices

Appendix 1: Budget

No	Item	Quantity	Unit price	AMOUNT
1.	Stationary	2	50,000	100,000
2.	Transport		200,000	200,000
3.	Data	1	100,000	100,000
4.	Communication/ Airtime	1	100,000	100,000
5.	Miscellaneous	1		100,000
6.	Welfare			150,000
	Total			750,000/=

Appendix 2: Questionnaire

MAKERERE



UNIVERSITY

COLLEGE OF ENGINEERING, DESIGN, ART, AND TECHNOLOGY

SCHOOL OF BUILT ENVIRONMENT

DEPARTMENT OF CONSTRUCTION ECONOMICS AND MANAGEMENT

Researcher: **EYOTARU LENINDA** Registration No: **22/U/5961**

My name is Eyotaru Leninda, a student at Makerere University pursuing a Bachelor of Science in Land Economics. I am conducting research on the viability of the rent-to-own housing model as a strategy for affordable housing in Kampala, with a focus on projects within the Greater Kampala Metropolitan Area.

QUESTIONNAIRE ON ASSESSING THE VIABILITY OF THE RENT-TO-OWN HOUSING MODEL AS A STRATEGY FOR AFFORDABLE HOUSING IN KAMPALA

Introduction

This questionnaire is intended to collect data for an academic study on housing affordability in Kampala. Your responses will be used strictly for academic purposes and treated with confidentiality. By completing this, you consent to participate.

For questions, contact: **eyotaruleninda@gmail.com / 0783931521**

SECTION A: SOCIO-ECONOMIC CHARACTERISTICS OF RESPONDENTS

1. Gender:

☐ Male ☐ Female

2. Age group:

☐ Below 25 ☐ 25–34 ☐ 35–44 ☐ 45–54 ☐ 55+

3. Marital status:

☐ Single ☐ Married ☐ Divorced ☐ Widowed

4. Highest level of education attained:

☐ Primary ☐ Secondary ☐ Diploma ☐ Bachelor's ☐ Postgraduate

5. Employment status:

☐ Formally employed ☐ Self-employed ☐ Informally employed ☐ Unemployed

6. Average monthly household income (UGX):

☐ Below 500,000 ☐ 500,000–1,000,000 ☐ 1,000,000–2,000,000 ☐ Above 2,000,000

7. Current housing status:

☐ Renting ☐ Living with relatives ☐ Owner-occupied

☐ Other (specify) _____

SECTION B: AFFORDABILITY OF THE RENT-TO-OWN HOUSING MODEL

8. Monthly rent paid (UGX):

☐ Below 300,000 ☐ 300,000–600,000 ☐ 600,001–1,000,000 ☐ Above
1,000,000

9. Familiar with rent-to-own model?

☐ Yes ☐ No

10 If yes, source of information:

☐ Media ☐ Friends/relatives ☐ Developers ☐ Bank/SACCOS

☐ Other _____

11 Willing to pay slightly higher rent if part contributes to ownership?

☐ Yes ☐ No

12 Proportion of monthly income comfortable for housing (rent-to-own):

☐ Less than 25% ☐ 25–35% ☐ 36–45% ☐ Above 45%

13 Rent-to-own more affordable than mortgage financing?

☐ Yes ☐ No ☐ Not sure

14 Feature that improves affordability most:

☐ Flexible payment period ☐ No large down payment ☐ Gradual ownership
☐ Stable monthly payments

15 Legal concern discouraging rent-to-own participation:

☐ Risk of eviction ☐ Unclear ownership transfer ☐ Weak contract enforcement ☐
Land title issues

16 In your opinion , which rent-to –own feature improves affordability the most?

- ☐ Risk of eviction ☐ Unclear ownership transfer ☐ Weak contract enforcement
☐ Land title issues ☐ All of the above

17 Which legal concerns would discourage you from Rent-to-own?

- ☐ Yes ☐ No ☐ Maybe

18 In your opinion, what government actions would improve rent-to-own adoption?(Choose more than one option)

- ☐ Policy incentives ☐ Tax relief for developers ☐ Legal protection for tenants ☐ Legal registration reforms ☐ Others (please specify): _____

Thank You

Your responses are greatly appreciated and will contribute to my final-year research project at Makerere University, aimed at shaping strategies for affordable homeownership in Kampala. For further inquiries, please contact: **Eyotaru Leninda, Makerere University, Department of Construction Economics and Management.**



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**COLLEGE OF ENGINEERING, DESIGN, ART, AND TECHNOLOGY
SCHOOL OF BUILT ENVIRONMENT**

DEPARTMENT OF CONSTRUCTION ECONOMICS AND MANAGEMENT

Researcher: **EYOTARU LENINDA** Registration No: **22/U/5961**

My name is Eyotaru Leninda, a student at Makerere University pursuing a Bachelor of Science in Land Economics. I am conducting research on the viability of the rent-to-own housing model as a strategy for affordable housing in Kampala, with a focus on projects within the Greater Kampala Metropolitan Area.

Interview Guide: Rent-to-Own (RTO) Feasibility in Kampala

Respondent: Property Developer / Project Manager/Ministry of Land Housing and Urban Development

Objective: To quantify the costs, revenues, and risks of implementing an RTO model compared to outright sales.

Phase 1: Project Costs (The "Investment" Outlay)

Goal: Determine the initial cash outflow needed to build or allocate units for RTO.

1. What is the average total cost (land + construction + professional fees) to develop a standard 2 or 3-bedroom unit in your current projects?
2. What is your current cost of capital (interest rate) for construction loans? How does the longer payback period of RTO (e.g., 1-3 years) impact your debt servicing compared to a 1-year "build-to-sell" cycle?
3. What additional costs do you anticipate for drafting specialized RTO contracts and vetting tenant-buyers compared to a standard sale?

Phase 2: Revenue & Cash Flow (The "Benefits")

Goal: Identify the timing and size of cash inflows for your NPV model.

4. What percentage of the property value would you require as a non-refundable upfront "Option Fee"? (e.g., 3%, 5%, or 10%?)
5. If a standard unit rents for UGX 1.2M, what "premium rent" would you charge an RTO tenant to ensure they build equity? (e.g., UGX 1.5M or 1.8M?)
6. How do you determine the "Terminal Sale Price"? Do you lock in today's market price, or do you add an annual appreciation percentage (e.g., 5% per year) into the final balloon payment?

Phase 3: Operational Risks & Adjustments (The "Sensitivity")

Goal: Find the variables that could make the project fail (to test in your analysis).

7. In your RTO model, who bears the cost of major repairs (roofing, plumbing) versus minor ones? This significantly affects your "Operational Expenditure" (OpEx).
8. What is your plan if a tenant defaults in year 4 of a 7-year plan? How much would the legal eviction process and unit refurbishment cost you in time and money?
9. What is your estimated vacancy rate for RTO units? Is the demand high enough to assume 0% vacancy once the contract starts?

Phase 4: Strategic Feasibility (The "Viability" Gap)

Goal: Understand the developer's "break-even" mindset.

10. What is the minimum Internal Rate of Return (IRR) you require to choose RTO over a traditional cash sale?
11. What government or financial incentives (e.g., tax breaks on rental income or lower-interest "Green Bonds") would make you more likely to adopt the RTO model in Kampala?

Thank you very much for taking the time to share your perspectives with me today. Your insights into the institutional, legal and policy aspects of rent-to-own housing have been extremely valuable for my research. I appreciate the clarity you have provided on the

opportunities and challenges surrounding this model, and how it fits within Uganda's broader housing strategies.

Please be assured that the information you have shared will be treated with confidentiality and used strictly for academic purposes. If you would like, I will be happy to share a summary of my findings once the study is complete, so you can see how your contributions have informed the research.

Appendix 3: Timeline/Activity Schedule

YEAR	2025-2026																															
MONTHS	SEPT-2025			OCT-NOV 2025				DEC-2025				JAN-2026				FEB-2026				MAR-2026				APR-2026				MAY-2026				
WEEK	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Suggested the research concept																																
Confirmed the academic supervisor																																
Proposal Writing, submission of the signed copy and presentation																																
Data collection																																
Data analysis and presentation																																
Report writing																																
Data draft Report Submission																																
Final Project Presentation																																
Submission of the final Report																																