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Addis Ababa University
Faculty of Business and Economics
MBA Program

THE PROSPECTS AND CHALLENGES OF REAL
ESTATE INVESTMENT IN ADDIS ABABA

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A thesis submitted to the school of graduate studies of Addis Ababa University in partial fulfillment of the requirements for the Degree of Masters of Business Administration in the MBA Program.

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Abstract

This paper presents the various aspects related to real estate investing in Addis Ababa and identifies the incentives and barriers faced by real estate developers. Five real estate companies were sampled and they imparted their experience on the issues surrounding their investment activities in the city.

Based on the analysis about the current situation from the aspects of availability of building materials and construction prices in the current market situations, land supply, government and state conditions, real estate prices as well as the real estate financing, the paper provides the reader with a rough map of real estate market in Addis Ababa.

The major conclusion of the paper is that the existing problems outweigh the prospects in the real estate industry. Recommendation is made on how the real estate companies could turn challenges they face into opportunities in key areas.

Acronyms

AAIA	Addis Ababa Investment Agency
CBB	Construction and Business Bank
CSA	Central Statistics Authority
ECE	Economic Commission for Europe
EIA	Ethiopian Investment Agency
ETB	Ethiopian Birr
GDP	Gross Domestic Product
I-P-O	Input -Process-Output Model
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PLC	Private Limited Company
REAG	Real Estate Advisory Group
SDPRP	Sustainable Development and Poverty Reduction Program
USD	United States Dollar
UN	United Nations

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Chapter One

1. Research Foundation and Methodology

1.1. Background

Real estate is a universally popular investment venture. People have been investing in real estate for hundreds of years, and more fortunes have been quickly made and lost in real estate than in virtually any other form of investment. One of the attractions of real estate is its limited supply despite the constantly increasing need.²⁷ In Ethiopia, especially in Addis Ababa recent years have been marked by a surge in the number of real estate investment companies as compared to other investment ventures. One of the most prominent trends in Ethiopia over the last decade has been the explosion of the real estate industry and its impact on the economy as a whole. From residential estates to high rise office buildings, the sector has proliferated urban areas with new construction that together with the ever expanding transportation system, promises to completely transform the urban landscape forever in the next five years.³⁵

While the investment trend is set to continue, there are factors besides increasing competition that also makes these investments unattractive and risky to new entrants in the market. In Addis Ababa, the process of investing in real estate is a long and tedious process; starting from investment permit to acquiring land, to getting title deed and building permits, construction, transfer of deeds to new owners, etc. Another aspect that is affecting the industry is the constant fluctuations in the market which not only affect demand but construction costs as well. Basically, it is a known fact that the survival of any real estate organization depends on its customers.



Real Estate has been around for a long time and unlike other investments, even in bad or down markets, things usually turn around which means a good opportunity may arise suddenly. Although most people might not be willing to take the risk that real-estate investing involves. The people who invested in real estate are living a very comfortable lifestyle now since far more money is made in over shorter periods of time than other investments.

Moreover, unlike other investment ventures, real estates have improved the living standards of the people in Ethiopia, has enhanced the role of the private sector in the acceleration of the development of the country's economy and created wide employment opportunities for Ethiopians and fostered the transfer of technical know-how, of managerial skills, and of technology required for the progress of the country. According to Tesfaye (2008):

“real estate generally contributes to a country’s economic development as a result of a corresponding growth in the demand for materials, labor inputs and backward and forward linkage effects in the economy”

The study conducted was on the different aspects, both positive and negative, that influence an individual or a group of people to enter and survive in the real estate investment industry in Addis Ababa. Over the years, as mentioned above the number of real estate companies in different parts of Addis Ababa have been increasing resulting in a competition among these companies. Moreover, this increase has occurred in a very dynamic and risky market environment where there are strict government regulations and constant control.

Thus, this study was conducted to learn the implicit and explicit factors that impact real estate investment in Addis Ababa, the reasons behind investing in real estate as opposed to other investments and describes the prospects and challenges that the investor deal with. It also intends to reflect on successful experiences, existing problems and further propose possible solutions for the problems.

1.2. Statement of the Problem

Real Estate has become a major investment venue for Ethiopian investors in recent years. As mentioned above, besides the ever increasing competition, many risks exist in the real estate business that can impact the whole investment. Real estate companies in Addis Ababa are growing despite these aspects and are making an effort to try and be different, to stand out and market their real estate.

Although there are several other investment opportunities in the country, real estate investment has become the most commonly preferred investment venue in Addis Ababa.

As any other investment, real estate investing is not foolproof. It is difficult to say that the companies have effectively and efficiently used their investments wisely. It is thus important to consider the various factors surrounding these businesses concerning choices they have to make and the different external factors that play a major role in this type of business.

The market environment in which they operate in has been constantly undergoing changes. Majority of the real estate companies in Addis Ababa are observed to be providing similar properties. There is availability of information on prices, so owners might be making most

of there decisions based upon perceived value and anticipated sales. Unfortunately, because neither the property's income nor its expenses are usually fixed, owners frequently find themselves in financial difficulties because of overly optimistic income and expense projections. The real estate investment in Ethiopia is not exempted from income tax or payment of customs duty when importing capital goods and construction material ² which puts further financial strain on the investor.

The biggest problem with real estate and the one that causes the most difficulty for owners is the fact that real estate is not a liquid investment. Real estate is unsaleable at any price when there is no market for a property. Owners of real estate may sometimes be overly optimistic as to the likely success of their properties but it has been known that majority may not find purchasers for those properties.

When it comes to ensuring customer satisfaction, many problems have been known to arise. Starting form inadequately constructed property, to being unable to deliver homes on due dates and even failure to fulfill contractual agreements.

In this research, an evaluation was made as to whether these factors have played a role in the real estate investment decisions made by the investors and if the factors had affected the perception of individuals trying to enter this type of investment in Addis Ababa.

1.3. Objectives of the Study

The Study's overall objectives were to furnish information to answer the following basic questions:

- What are the various types of real estate investments that exist in Addis Ababa?

- What are the steps that an investor must take starting from acquiring land to selling/renting the developed property?
- What are the laws, rules and regulations stipulated by the government (barriers and incentives)?
- What are the procedures and requirements that an investor must fulfill in order to develop real estate properties?
- How has delivery and nature of the construction industry affected the real estate investments in Addis Ababa?
- Do these businesses consider their property to be different from other competing companies? In what way?
- How do these investment companies finance their investment?
- What mode of payment do customers make? How had it impacted the company financially?
- How has taxation impacted the investment?
- Is the investment made and the effects of this investment evaluated based on investment objectives and scientific considerations?

1.4. Research Design

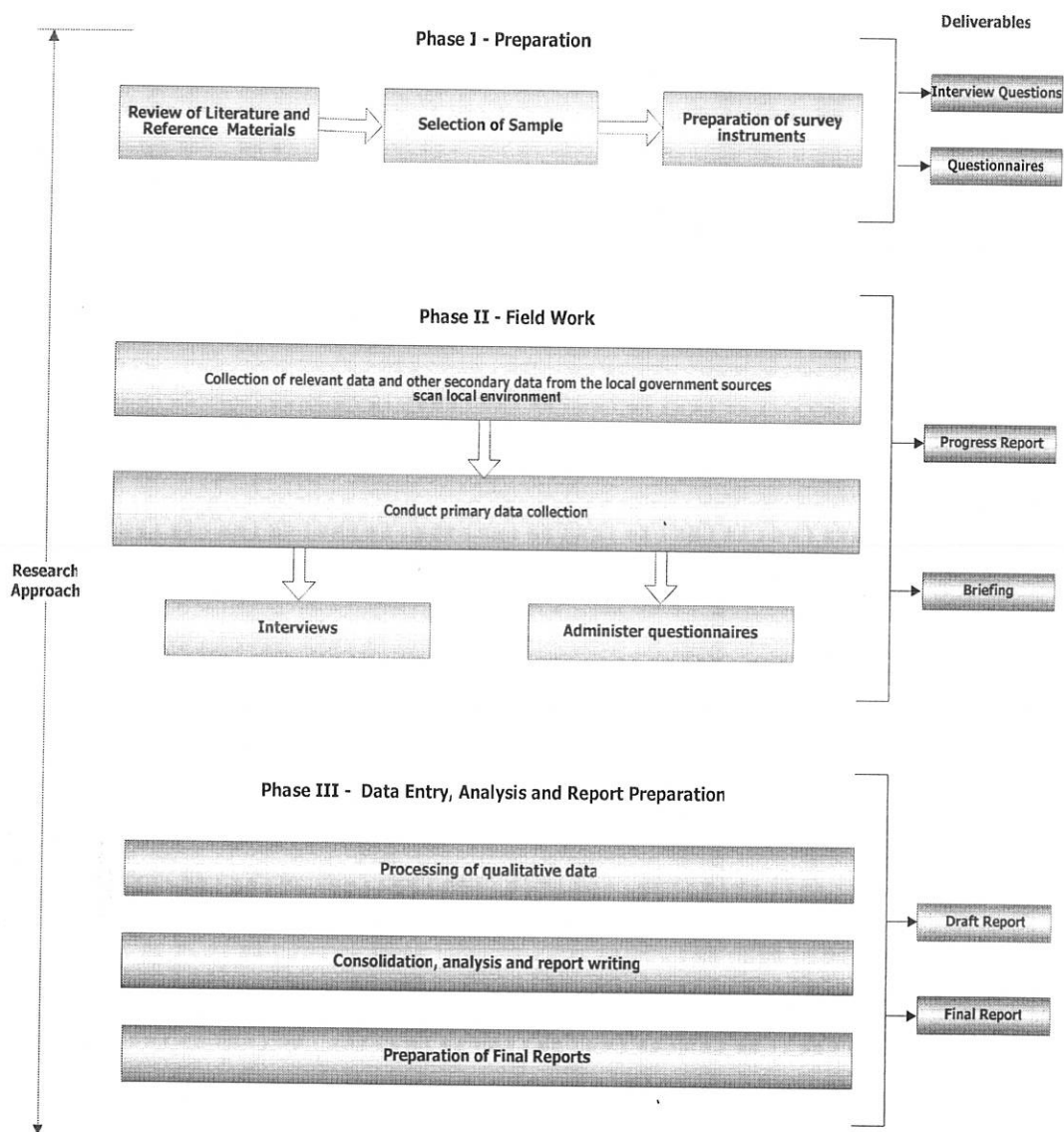
The research design was basically the blueprint of the whole research to be carried out. It included different classifications to be used in the processes of collecting data, measurement and analysis. The research was basically qualitative in nature. The research design was a descriptive type of study. The purpose of these types of studies is usually to learn more about a subject matter. And in which case, we ask about or state something about the subject matter thus making it a basis to further studies on the subject.

The method of data collection was of interrogative mode, which includes questions posed about the pros and cons of the real estate investment industry and responses are collected through personal and impersonal methods: questionnaires, interviews and telephone conversations. When considering the control of variables, the investigation reports what has happened and what is expected to happen. The research questions were answered only after extended observation. The general methodological approach to be used is outlined in figure 1.

The study was carried out in three phases. These are preparation phase, field work, and data analysis and paper preparation and presentation phases as depicted in the figure below. In general, the procedures that were employed from preparation to analysis of data include:

1. Gather background information
2. Review the literature on research methodology, topic related books and documents
3. Prepare interview questions
4. Carry out primary data collection
5. Data analysis and interpretation.
6. Paper preparation and presentation

Figure 1
General Approach Used to Carry Out the Study



1.5. Data Collection

Sampling

The sample units for this study are real estate companies in Addis Ababa. The research had selected a sample size of five companies. The sampling procedure consisted of sampling of the real estate companies using purposive sampling based on their business experience in real estate investing in Addis Ababa as well as the differences that were observed in the investments made by these companies from the population of real estate companies in Addis Ababa.

Tools

During the course of the research, the following sources are intended to be used:

- Primary data: was recorded using questionnaires and interviews given to the project and development manager of selected real estate companies, individuals involved in the Addis Ababa City Administration, Land Development and Administration and others involved in the different aspects of the real estate industry in Addis Ababa.
- Secondary data: published and unpublished sources were used during the course of the research.
- Other sources: personal observation will also be used.

1.6. Analysis and Interpretation of Data

- Accumulated data, which was qualitative in nature, was converted into a manageable size.

- Then, responses on the questionnaires and interviews were examined to derive relationship among variables affecting the real estate investment in Addis Ababa
- After developing and summarizing data looked for patterns in the replies of the sampled real estate companies and the other government organization.
- To interpret findings in light of the problems, it was determined if the results are consistent with the research questions and assumptions.
- Finally, inference was drawn and recommendations given (if need be) about the negative and positive aspects of Real estate investment based on the results obtained from the collected data.

1.7. Study Limitations

- This study pertains to legally registered real estate companies and their property investments only
 - Sensitive information on the real estate investment was not easy to come by as these types of information are strictly held confidential by the companies.
 - On the problems exist in the investing in the real estate industry, the people involved in the implementation were not as open in discussing the problems fully because it might be damaging to the company's image.
 - Due to confidentiality reasons, financial statements of the real estate companies were not included in the study.
 - Time and financial constraints were encountered during the course of the research.
- Due to these reasons as well as concentration of real estate companies in Addis Ababa justifies the reason for the selection of Addis Ababa as the project site.

1.8. Significance of the Study

The purpose of this study had three perspectives:

- The Investors' point of view,
- The customers' point of view and
- The future research point of view.

The research is important:

1. To create awareness on the different aspects surrounding the real estate industry in general and the importance and purpose of investing in real estate in particular.
2. To suggest better ways that should be taken by real estate investors in Addis Ababa to benefit from the various prospects and avoid the problems that may exist, considering both their investment, profit motives and customer satisfaction.
3. To motivate investors of those real estate companies to further investigate and monitor their investments and market environment before undertaking more changes and expansions.
4. To enable the investors assess whether they are effectively and efficiently using their investments and suggest ways to improve them.
5. Furthermore for potential investors, helping them to know the real situation behind the real estate investment industry.
6. The study can be used to conduct more research in this area.

1.9. Basic Assumptions

The original assumptions at the start of this research were:

1. The real estate investors have not practically monitored and evaluated the effectiveness and efficiency of their investments,



2. Increasing competition has not affected the entrance of new investors, that is real estate companies in Addis Ababa are still increasing;
3. Higher concentration of real estate investments are in and around Addis Ababa even though there are several other real estate investment opportunities elsewhere in the country,
4. The market environment in which they operate in has been constantly undergoing changes but there is no publicly available information on prices and market changes on property.
5. Real estate investment is not exempted from income tax or payment of customs duty
6. When entering these investments the investors are only profit oriented that is attracting more customers and selling property and not developing the societies need for diverse housing.

1.10. The Structure of the Study

Chapter I: Methodology used during the course of the study

Chapter II: Theoretical framework of the study, which is the secondary data collected on the topic real estate investment

Chapter III: Narration of the primary data collected

Chapter IV: Analysis and interpretation of the data narrated in Chapter Three with inference to the information found in Chapter Two.

Chapter V: Conclusion and Recommendations made from the findings in Chapter Four

Chapter Two

2. Literature Review (Theoretical Foundation)

2.1 Real Estate

What is Real Estate?

Modern definitions focus on the fact that a real estate refers to the land and fixtures together, as distinguished from real property, referring to ownership rights of the land itself. A contemporary definition of real estate is provided by investors:

Real estate is a term that encompasses land along with anything permanently affixed to the land, such as buildings, specifically property that is stationary, or fixed in location³³

Thomsett and Thomsett (1994:6) defined real estate as land and all permanent improvements on it, including building.

According to Geissler (2008) the term is artificially delineated space referenced to a fixed point on the surface of the earth with a fourth dimension of time. It is built to house an economic activity that is subject to cultural preferences and restricted by the public infrastructure.

Real estate includes entities such as residential homes, raw land, and a variety of forms of income property, including warehouses, office and apartment buildings, and condominiums.¹²

Considering the similarity, all the authors define real estate as land that is identifiable and tangible. They further included all fixtures, improvements and buildings that are permanent to the land are to be considered as real estate.

Basic Types of Real Estate ¹⁹

Although these are the basic classification of real estate provided by Morris (2007), later in this literature review we will describe different dimensions of real estate segmentation in relation to the real estate market.

- Residential
 - Multi-Family,
 - Single-Family
- Commercial
 - Land (All Types)
 - Retail
 - Agricultural / Industrial
 - Office
 - Special Purpose
- Second, you should establish investment constraints and goals.

Gitman and Joehnk (2007), property are divided into two income property and speculative property. Income property includes residential and commercial properties that are leased out and expected to provide returns primarily from periodic rental income. Residential properties include single family properties (houses, condominiums, cooperatives, and townhouses) and multifamily properties (apartment complexes and buildings). Commercial properties include office buildings, shopping centers, warehouses, and factories.

Speculative property typically includes raw land and investment properties that are expected to provide returns primarily from appreciation in value due to location, scarcity, and so forth, rather than from periodic rental income.

Income properties are subject to a number of sources of risk and return. Losses can result from tenant carelessness, excessive supply of competing rental units, or poor management. On the profit side, however, income properties can provide increasing rental incomes, appreciation in the value of the property, and possibly even some shelter from taxes.

Speculative properties, as the name implies, give their owners a chance to reap significant financial rewards but carry also the risk of heavy loss. For instance, rumors may start that a new multimillion-dollar plant is going to be built on the edge of town. Land buyers would jump into the market, and prices soon would be bid up. The right buy-sell timing could yield returns of several hundred percent or more. But people who bought into the market late or those who failed to sell before the market turned might lose the major part of their investment. Before investing in real estate, you should determine the risks that various types of properties present and then decide which risks you will accept and can afford.

2.2 Investment

Investment or investing is a term with several closely-related meanings in business management, finance and economics, related to saving or deferring consumption. An asset is usually purchased, or equivalently a deposit is made in a bank, in hopes of getting a future return or interest from it. The basic meaning of the term being an asset held to have some recurring or capital gains. It is an asset that is expected to give returns without any work on the asset perse.³³

According to Raman (2001), traditionally, there has perhaps been no other activity which is significantly important for one's welfare, yet practiced loosely and unscientifically, than investing one's surplus for the future. This attitude is not perhaps very surprising in an undeveloped country with a primitive capital market, where options are restricted and volatility low. Typical examples of investments in such environments to which a vast majority of investors subscribe are real estate and bank deposits. Of these, the investing community views the first two options as the "fulfillment of needs" rather than "investments", and only the third option serves as an avenue for investment in the strict sense of the term. In such a scenario, the channels for putting one's surplus funds are fairly simple and repetitive in a cyclical fashion-needs, fulfillment, investment, more fulfillment, more investments (at some point of time, for the next generation),... and so on.

Investment as an economic activity especially in developing or developed economies is not an unskilled, or for that matter even semi-skilled activity. Successful investing necessitates an analytical mind, knowledge base, willingness to consciously accept compromises and optimizations, and a clearly directed, proper and practical approach.

/

Three activities broadly constitute investment management with respect to investment these are, viz. acquisition of assets, their maintenance and the liquidation of assets subsequently.

In the opinion of the author²⁶, the most appropriate and desirable objective of investments is the "maximization of the investor's long-run economic welfare," In this definition, the term "maximization" is intended to convey that the potential of investment as an economic

activity towards the economic welfare of the investor is not infinite. It is finite, and one can at best attempt to maximize it as much as possible. Simultaneously; the term also suggests constraints which can take many forms-the extent of investable surplus available with the investor, the general economic environment of the country in which the investor operates, taxation on income, wealth, capital gains, etc. that will be applicable to the investor and the investor's own circumstances and needs to balance the various expected outputs of investments like the need for liquid funds, regular monthly income, capital appreciation and wealth multiplication over a period of time, etc.

Investor Objectives

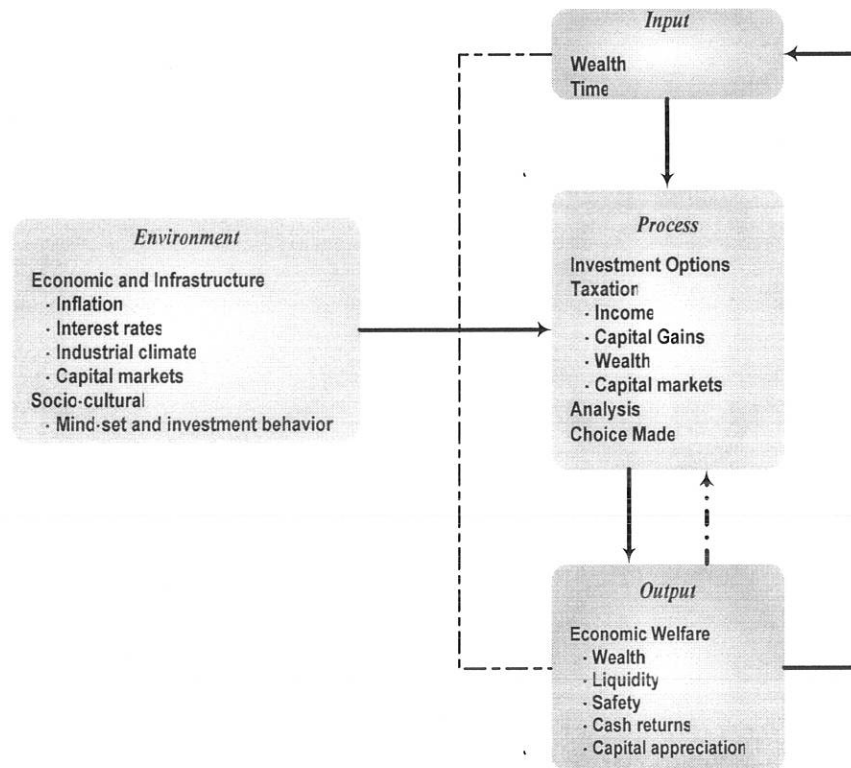
Setting objectives involves two steps¹²:

- First, consider differences in the investment characteristics of real estate.
- Second, establish investment constraints and goals.

Input -Process-Output (I-P-O) Model

The figure below is a schematic representation of investments as an Input-Process-Output (I-P-O) model, also highlighting the I-P-O parameters and the environmental influence, particularly on the process front.

Figure 2 A Schematic Representation of Investment Management as an Input-Process-Output Model



Source: V N S Raman, Investment Principles and Techniques (2001: p.6.)

Within the overall influences and constraints of the environment, in which the investor operates, financial wealth as a major input is subjected to an investment process that primarily allocates the input among a few chosen or all investment options available to the investor. These choices are the causal factors for the output, which is usually measured in terms of the overall long term economic welfare brought to the investor as a result of the investments.

An investor's basic objectives are to minimize risk and maximize return potential. In order to do these investors seek financial return as a reward for committing resources and as compensation for risk. There are steps in the investment decision process these are as follows:¹⁹

- Estimate the stream of expected benefits
- Adjust for timing differences among expected streams of benefits flowing from investment alternatives
- Adjust for differences in perceived risk associated with the alternatives
- Rank alternatives to the relative desirability of perceived risk-return combinations they embody

2.3 Real Estate Investment

Real Estate Market

In recent years there has been an increasing recognition of the need for real estate market analysis. Real estate can be a volatile and highly cyclical business. It is unwise to assume that, because real estate generally is prospering, your particular undertaking will also prosper. The importance of understanding the real estate market and the business cycle should not be underestimated.³⁴ The investor should have these information before undertaking a real estate investment.

The real estate market, on the other hand, is the market that encompasses all transactions, which involve dealings in rights or interests in land and buildings (UN ECE REAG, 2000).

Dealing refers to the transfer of a right temporarily or permanently from one part to another in return for a consideration, usually money.

THE BUSINESS CYCLE

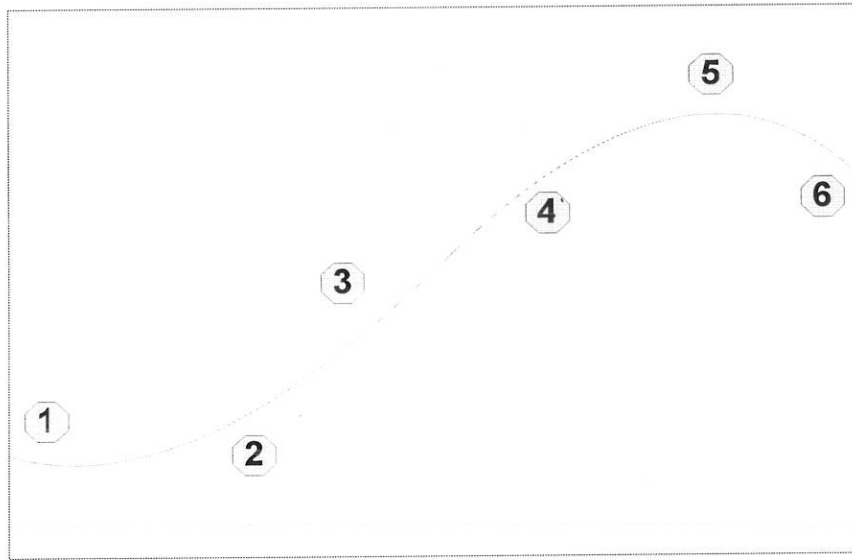
In their constant fluctuation, business conditions tend to rise and fall in peaks and troughs of activity. According to Unger and Karvel (1979), business cycles are a type of fluctuation found in the aggregate economic activity of nations that organize their work mainly in business enterprises; a cycle consists of expansions occurring at about the same time in many economic activities, followed by similar general recessions, contractions, and revivals which merge into the expansion stage of the next cycle; this sequence of changes is recurrent but not periodic in duration; business cycles vary from more than one year to ten or twelve years.



THE REAL ESTATE CYCLE

Although comparatively few studies have been made of the real estate cycle, it is generally agreed that building activity follows to a degree the business cycle in a wave-like movement. It is further indicated by Unger and Karvel (1979) that the volume of real estate activity does not necessarily advance with the increases in general business, and declines in real estate activity generally precede general business declines. It appears that the troughs and peaks of the real estate cycle go deeper and higher than those of the business cycle.

Figure 3 The Real Estate Cycle



Source: Thomsett and Thomsett, *Getting Started in Real Estate Investing* (1998: p.14.)

As indicated above real estate investments react to economic cycles just like all other investments. The major points in the cycle-falling and rising prices, for example-are characteristics of supply and demand. The tendency dictated by this basic economic idea that prices rise and fall according to levels of supply and demand is the guiding force in selecting investments, timing purchases and sales, and selecting one investment over another.³¹

The events and conditions influencing real estate value are referred to as the real estate cycle. The stages vary in length of time and rapidity of changes in market conditions. There are however, six distinct can be identified in the course of the real estate cycle. These points are summarized in Figure 2 above and the points are:

1. Demand begins to rise

2. Construction activity increases
3. Demand slows
4. Supply exceeds demand
5. Construction activity decreases
6. Demand bottoms out

In practice however, the actual cycle for a specific region will be affected by many complex, social, political and even historical factors. But for now we will focus on a straightforward comparison between supply and demand.'

In a sense, real estate, is different from most consumer goods that are produced. This uniqueness results from the fact that the supply of real estate cannot be as rapidly adjusted to demand as can other consumer products. This is because of the length of time that it takes to produce a dwelling unit.³⁴

A good market can exist only when competition is able to operate. For an efficient market to operate there must be neither a seller's market nor a buyer's market, and both buyers and sellers must have a knowledge of the product and prices prevailing in the market. More important, perhaps, for competitive forces to operate effectively, the product must be standardized and relatively nonperishable. Real estate is not standardized; it is differentiated by location within a housing market, as well as by size, condition, mechanical equipment, price, and workmanship. Furthermore, buyers and sellers often have incomplete knowledge of the market. Thus, the real estate market operates inefficiently as compared with the stock market or market for "personal" goods.³⁴

REAL ESTATE MARKET SEGMENTATION¹¹

The real estate market segmentation has two major dimensions, which are geographic location and property type.

Geographic location:

- Basic unit
- Sub-markets (e.g., Suburban, neighborhoods)

Property type:

- Residential (apartment)
- Office
- Industrial (warehouse)
- Retail
- Other (hotels, health-care, etc...)



In most cases, real estate market is highly segmented. The reason behind this can be seen from the demand and supply side.

Demand side:

- Users require specific types of space
- Users require specific locations (or types of locations)

Supply side:

- Buildings are of specific physical types (warehouses $\neq$ high-rise offices).
- Buildings are in specific locations (and they can't move!).

As can be seen from the above rationale, the real estate market is analyzed by weighing certain supply and demand factors and drawing conclusions from them. However, there are

some factors important to all markets that should be noted and these will be explored first before we discuss demand and supply factors further.³⁴

1. Government Policies

Analysis of the role of government in real estate generally takes the form of determining whether present and future policies are likely to cause business expansion or contraction. This should be coupled with a judgment of the availability of financing for the purchase of real property.

2. State and Local Conditions

More often than not, the economies of the individual states tend to move in the same direction as the national economy. However, this is not always the case. For example, a state whose economy is predominantly agricultural may, at certain times, be more seriously affected by adverse business conditions than a state whose economy is more diversified. Information with regard to state business conditions.

As previously indicated the real estate cycle tends to rise and fall with general national and state business conditions. Yet there are times when local booms and depressions occur that do not follow the pattern of general business activity.

Demand Factors

1. Population
2. Age distribution
3. Family Size
4. Income, Employment and wages

5. Doubling up (one house, two families)

Supply

1. Vacant units
2. Construction Costs
3. Labor Supply

Why Invest in Real Estate?

There are two forms of value and return to investing in real estate which are: ¹⁹

- Periodic Cash Flow
- Market Appreciation / Equity Build

According to the study conducted by French (2001) there is an apparent difference between what decision-makers in real estate asset allocation say that they will do, and the final observed outcome. The study further explored the judgments, beliefs and preferences of decision-makers in relation to the real estate issues before them and resulted in the following conclusion:

“in real estate investment decisions... there appear to be two possible sources of hard information, the definable historic data, and the current market perceptions and attitudes toward real estate. It can be argued that the asset allocation process encompasses both sources”



An investor might have many motives when investing in real estate but the most common reasons are the following: ¹⁰

1. Pride in Ownership
2. Personal Control

3. Self-use and Occupancy
4. Estate Building
5. Security of Capital
6. High Operating Yield
7. Leverage
8. Tax Shelter
9. Capital Appreciation
10. Portfolio Diversification

In Geissler's (2008) opinion the disadvantages and risks in real estate investing are:

1. Illiquid
2. Management
3. Depreciation of Value
4. Government Controls
5. Real Estate Cycles
6. Legal Complexity

The investment risks are higher when decisions are made without enough information. The property management is the most misunderstood parts of real estate investing. If you do not have good property management, then you will have high management costs, bad tenant relationships, high vacancies and that will be the end of your business.¹⁵

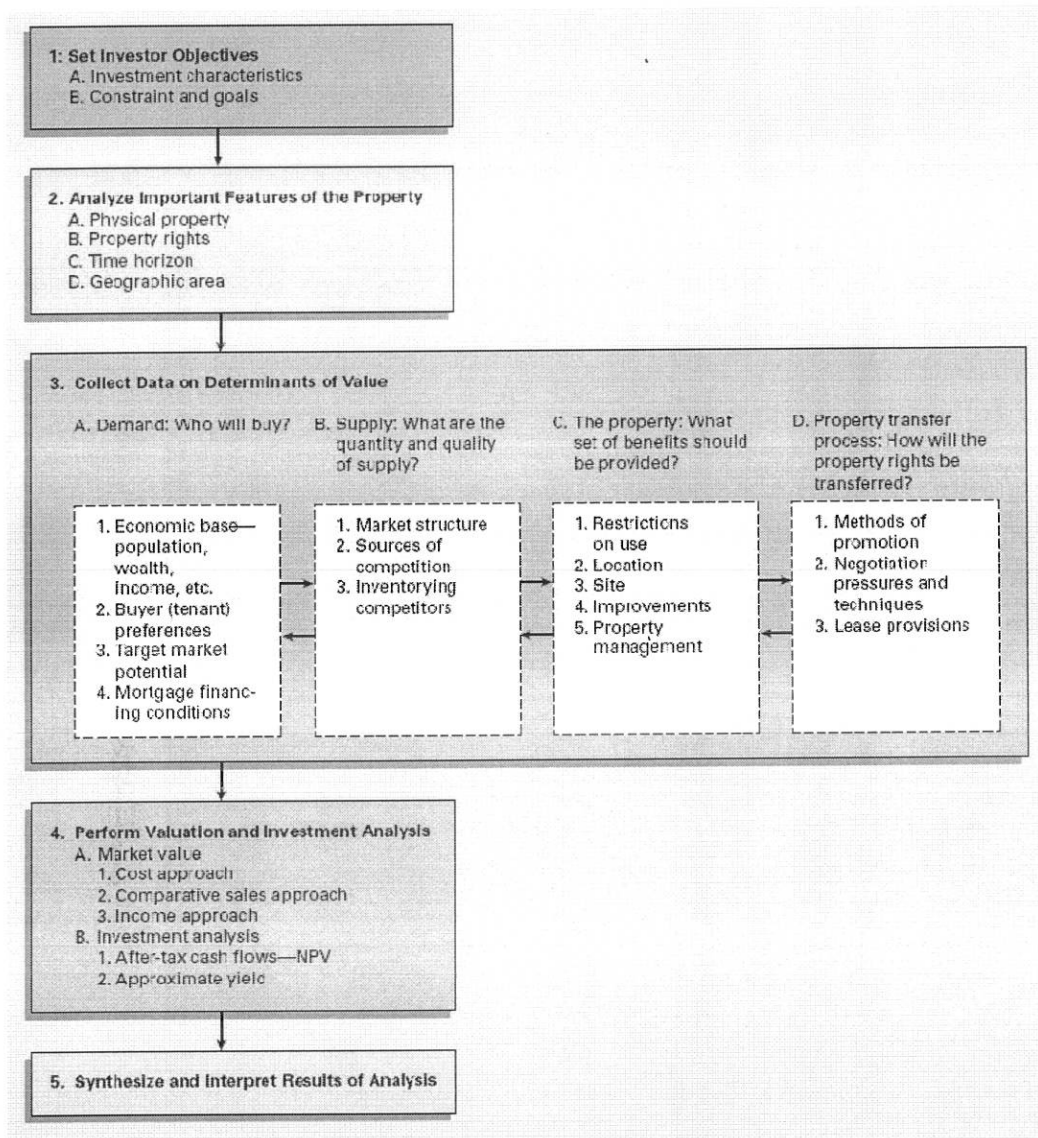
Morris (2007) indicates that how much return an investor's expect to earn in other types of investments is the opportunity cost. Higher interest rates or higher expected returns in other types of investments will require higher expected returns in real estate. Risk perceptions

and preferences among investors, regarding the property comes from both the space market and the capital market (risk is relative).

2.4 Real Estate Investment Analysis

The following framework¹² depicts a logical five-step procedure for analyzing potential investment properties to assess whether they are acceptable investments that might be included in one's investment portfolio.

Figure 4 Framework for Real Estate Investment Analysis



Source: Gitman and Joehnk, Fundamentals of Investing (2007: p.18-17) adapted from Gary W. Eldrec, Real Estate: Analysis and Strategy

The analytical framework suggested in the above figure guides in estimating a property's investment potential.

2.5 Overview of the Development of the Real Estate Sector in Ethiopia

Despite the fact that in Ethiopia urban land and housing was largely the property of the federal elite under the imperial era and the coming into effect of a proclamation on urban land and extra houses during the Derg (a name associated with the military government that ruled Ethiopia from 1975-1991) regime, the current government has introduced a market-oriented approach to housing development since the transition in 1991. With the introduction of the urban land lease holding proclamation in 1993, the government defined leasehold as the tenure form of choice.

In addition to the land lease law, other measures have contributed to the liberalization of the real estate market. Subsidies on the sale of building materials have been removed; interest rates for housing construction loans have been set at market rates.³⁵ The low level of investment in the real estate sector can be attributed to a number of factors, including the high cost of construction materials, the slow and limited supply of serviced plots, and delays in the implementation of the lease system in plot allocation. Also, Ethiopia has very low development in infrastructure and its low coverage in such sub-sectors as power, communication and transportation.²⁹

Although the current government policies still do not allow outright ownership of land, most other restrictions as mentioned above regarding the use of land for a variety of real estate activities have been removed. This then was the context in the mid-1990s when a few pioneering companies began to conceive of large scale developments and offered buyers the opportunity to buy into them with promises of low priced but good quality housing. Ayat became the first major, successful residential real estate developer of the era, planting

the seeds for the impending desire by many to invest in the lucrative business. It became clear in very short order that Ayat and some of the other earlier entrants had tapped into an enormous reservoir of pent up demand for housing in Addis resulting in first a trickle and then a flood of new entrants into the sector.³⁵

Ethiopia's overall GDP over the 1995/96-2005/06 period has shown an average growth of 5.4%. According to Tesfaye (2008), investment in all economic sectors has increased dramatically from 1994/95 to 2004/05. The percentage contribution to growth from construction in general to GDP rose from 3.3% in 1994/95 to 7.2% in 2004/05, and from 6.8% in 1994/95 to 10.1% for real estate in particular in 2004/05.

On the other hand, the rate of growth of the urban population is increasing from year to year. According to the Central Statistics Authority (CSA:1994), current population growth is estimated to be 2.8% per annum, and the growth rate is expected to remain above 2% for the next 20 years. Rural population is growing at about 3.0% while the urban population is growing at about 4.3%. Total population is projected to reach 129 million by 2030. In Ethiopia, of the total population, about 16.0% is estimated to reside in the urban areas. The trend suggests that the size of urban population is likely to continue to grow at a high speed in the future. The share of urban population will rise from 16.0% in 2005 to about 23% by 2030. Nearly 30 million of the total 129 million will live in cities and towns by 2030.

Data on real estate projects licensed from 2002-2006 is depicted below:

Table 1. Number of Licensed Construction/Real Estate Investment Projects in Ethiopia

Year	Private Limited Companies	Share Companies	Sole Enterprises	Total Number	Annual growth rate
2002	9	1	25	35	-
2003	11	1	42	54	54.3
2004	29	1	126	156	188.9
2005	46	1	215	262	68.0
2006	62	3	257	322	22.9

Source: Actual figures from Ethiopian Investment Agency

The following table 2 shows the total investment capital and number of labor input employed. The investment capital has increased astonishingly from 2000/01-2004/05. According to Tesfaye 2007, this shows that the volume of capital investment allocated to the real estate sector and the employment trend of the sector has grown through time, indicating a promising market for future investments in the sector.

Table 2 Trends in Real Estate Investment Projects in Ethiopia (Investment Capital in Million Birr)

Year	Investment		Project Investment		Capital Employment	
	No	Growth rate (%)	No	Growth rate (%)	No	Growth rate (%)
2000/01	64	-	974.08	-	4244	
2001/02	109	70.3	1658.0	70.2	5796	36.57
2002/03	129	18.3	1087.0	-34.4	8698	50.07
2003/04	141	9.3	1409.93	29.7	8975	3.19
2004/05	154	9.2	2089.10	48.2	10,094	12.47

Source: Actual figures from Ethiopian Investment Agency

Both urban and rural land is available for investment on leasehold, rental basis or freely depending on the type of investment which is undertaken on it according to the Ethiopian Investment Agency. In the case of urban land, the period of the lease depends on the level of urban development and sector or type of development activity on which land is held by

lease. However, in case of rural land, the rental value and the lease period of rural land are determined and fixed by land use regulation of each regional state in the country.

Yirga (2008) suggested that many of the buyers of homes in this segment of the market are either Ethiopian Diaspora or expatriates settling down in Ethiopia for some time. At some developments the Diaspora account for over 80% of all transactions and at another, a significant percentage are accounted for by expatriates. Yirga further explains that most developers will not construct a home unless they have a committed buyer for it which affects delivery timeframe which surpass the margin set by the developers.

There is a huge gap between the demand and supply of houses in Addis Ababa, the capital city (Tsfaye, 2007). A vibrant real estate sector is crucial to economic development. Similarly, transparent and cost-effective land use policies offer a hospitable environment for foreign direct investment as well as local projects. At present, however, real estate lending and real estate transactions in Ethiopia are severely constrained by a number of factors, including a large concentration of unregistered properties, delays and other problems in enforcement of legal contracts; excessive taxes, fees, and permitting requirements, and urban development activities stalled by an overly-layered administrative framework and by the lack of resolution of the restitution issue.

According to Tsfaye (2008), lack of information on the magnitude of the registration problem, and on actual household income and the market value of real estate transactions, further exacerbate the issues. However, the underlying problems for the development of the real estate sector in Ethiopia are: institutional problems that create a bureaucratic and non-transparent working environment, and a lack of finance to support the huge amount of

investment the sector requires. As a result of these problems, the supply of housing and buildings for business premises has not kept pace with the rapidly growing population and rate of urbanization as well as with the needs of the investors. There are a number of factors that have hindered supply from growing as fast as demand. Real estate development requires an investment, which is usually far higher than individual household savings and hence annual income. Lack of as well as improper utilization of real estate finance can block investment activities in the case of the former and result in financial crises in the case of the latter.¹

Tesfaye (2008) further indicated that the market for the real estate sector in Ethiopia is not uniform and similar. It varies depending on the quality and complexity of the buildings and the purpose for which they have been built as well as on the location of the buildings. In the medium term, supply of both residential and non-residential (mostly business entities) buildings is expected to increase and, as a result of this, prices (sales or rent) of residential and non-residential buildings are expected to decline owing to a number of reasons. One is the expected increase in the supply of serviced plots of land, as preparations are already under way to this effect by the Land Development Agency.

As more serviced plots of land become available to meet demand, the prevailing high price of land might decline and create suitable conditions for increased supply of buildings. As the supply of buildings increase, the existing high price (sale/rent) of buildings, which largely reflect the scarcity of buildings, is expected to decline. Another is the expected decline in construction costs. To date, however, the combined effect of these has been to slow down the development of the real estate sector in the country.²⁹

The residential housing market in Addis is the price one has to pay both in relation to those in other metropolitan areas of the world as well its almost incongruous disparity with what the vast majority of residents in the capital can afford. The price for an average home on 500 square meters can range from 2.5 -4 million ETB or approximately 250-400,000 USD. By contrast, a comparable house in a fairly desirable neighborhood in Dallas, Texas could certainly be gotten for under \$200,000 USD. That would make housing in Addis more expensive than in the 9th largest city in the United States where the median home price is actually only \$127,690 and the average salary is just over \$60,000 USD per year.³⁵

A circular relationship is implied by Seleshi (2008) between real estate appreciation and inflation. The relationship between overall inflation and real estate price increases, both have an impact on each other although it is difficult to precisely quantify the bi-directional impact. The inflation of construction materials, real estate developments and other related activities is around 8%.

In their two articles, Ling and Naranjo (1997) and Ling and Naranjo (1998) identified the changes in real estate per capita consumption, the term structure of interest rates, and unexpected inflation as fundamental drivers or "state variables" that systematically affect real estate returns. They also introduced "conditioning variables" that are not risk factors per se but are prior characteristics of the assets that help to predict ex-post returns. They noted that many studies have focused on the linkages between returns and macroeconomic events such as fluctuations in interest rates, inflation rates and industrial production. They suggest that due to the co-movements of real estate and other asset prices these same systematic risk factors were most probably priced in real estate markets.

Recent data revealed by the Addis Ababa City Administration shows that the total demand for low-cost houses in the city is 400,000 but so far less than 20,000 of these houses have been built and distributed to the applicant. Residential real estate activity in particular seems to be very much concentrated in the upper tiers and has made current prices out of reach for the average wage earner in the country.²⁸ In accordance with Yirga (2008), the unsatisfied demand in that segment has the vast majority of such developers scrambling to satisfy this high margin segment of the market and the competition to procure the land on which to build such housing has sent lease rates skyrocketing throughout the city. The financial markets in developing economies tend to serve only upper income groups, new construction, and owner-occupied housing.¹



Investors are discouraged by the ever-increasing land lease price in the major towns of Ethiopia including Addis Ababa. In addition, the cost of construction materials, especially cement, has been increasing at an alarming rate until recently, although if efforts by the government to import cement turn out to be fruitful, this may minimize the potential price increase. Many factors can be cited for the poor performance of the real estate sector in the country in general and in urban areas in particular. These factors can be categorized as: land supply and price; infrastructure and services; availability of building materials and construction prices; availability of finance; and government policies, regulatory framework, investment climate and institutional issues.²⁹

The government of Ethiopia has developed a document called 'The Plan for Accelerated and Sustained Development to End Poverty (PASDEP)' as its guiding strategic framework

for the five-year period 2005-2010. The PASDEP process begun under the Sustainable Development and Poverty Reduction Program (SDPRP), which covered the period 2000/01-2003/04.

Strengthening the urban agenda is one of the PASDEP strategies Ethiopia is going to follow over the next five years, and there is a geographically differentiated strategy which consists of strengthening the urban agenda, encompassing the following major activities:

1. strengthening municipal governments and administrative institutions;
2. investing in essential urban infrastructure
3. developing financing mechanisms that limit the demands on the public budget;
4. continuing to improve the regulatory and licensing environment and urban land, which is needed both to reduce barriers to business, and to increase security and favor asset building by households; and
5. increasing the availability of urban industrial land.



Chapter Three

3. Data Narration

The primary data was composed through data collected and questionnaires (Annex 1) administered out with the designated real estate development managers, sales managers, marketing managers, business development and public relations managers, and others involved in the day to day activities in the real estate companies. As discussed in the first chapter, the sample companies were selected based on their business experience in real estate investing in Addis Ababa in addition to the differences that were observed in the investments made by these companies. The questionnaires and data collected resulted in the following data.

3.1. Real Estate Companies in Addis Ababa

3.1.1. Company Descriptions and Background Information

One of the companies that had participated in this study is Sunshine Real Estate, a subsidiary company of Sunshine Construction. The parent company was established in April 1984 as a sole proprietorship, transformed in 1993 into a Private Limited Company. It has so far constructed 986 unit houses; the types of real estate constructed by the company are discussed in the next portion of this chapter. The company is located in Kirkos Sub-city and has project sites at the southern edge of the city around Gerji, opposite Russia Camp, two projects in CMC, Bole-Beshale and Legetafo. The capital invested by Sunshine is over 60 million Birr for the provision of low cost housing in Addis Ababa.

Secondly, Gift Trading PLC, a business in the trade and manufacturing sector, had recently expanded its operation into the real estate arena by establishing a subsidiary- Gift Real Estate Plc. As an affiliate company, Gift Real Estate enjoys the unparalleled reputation of

its parent company. It offers comprehensive real estate development services from selection of site to construction and property management. The company has invested 3 million Birr as its capital investment for real estate development. Gift Real Estate is located in Kirkos Sub-city and has been developing real estate complexes on their project site in Yeka Sub-city.

The third company included in this study was ENYI Real Estate which is part of ENYI General Business PLC. The real estate company was established in 2001. The company is located in Arada Sub-city and they have two real estate sites located on Jimma Road around Mekanissa on a total surface area of six hectares and in Bole Bulbula. ENYI has invested a capital of 70 million Birr to develop the Roseland Community in the Mekanissa area.

Kara Kore Real Estate PLC is the fourth company addressed in this paper. This company was established in 2002 and its head quarter is situated in Bole Sub-city, Addis Ababa and has contact offices in the California, Minnieapolos and Washington D.C. in the USA plus in UK and the Netherlands serving the Diaspora that want to buy property in Ethiopia. This company's capital investment is 25 million Birr. The real estate site of Kara Kore is in Kolfe Keranio Sub- city, Kara Kore slopes in the Ayer Tena District.

The other company included in the study was Pacific Link Ethiopia Real Estate PLC. This company was established in 2004 by foreign and Ethiopian investors. Pacific states to be the most experienced real estate developer in the country and their investment and projects were after conducting deep studies to adapt and transform new technology to Ethiopian

solution with a initial investment of 1 million Birr. The location of the company is in Bole Sub-city and the project site is Yeka Sub-city.

3.1.2. Real Estate Investment

According to Sunshine Real Estate, although the company is one of the earlier entrants in the real estate industry, the industry is relatively young thus they consider themselves to be a new entrant in the real estate investment business. The problems they have faced as a new entrant in the real estate business included lack of experience in real estate and reputation, lack of preparedness to entertain clients in various ways such as providing them with choices to modify the real estate that they buy i.e. standardized homes are provided, the shortage of materials in addition to price escalation on the construction material supplies.

Kara Kore as a new entrant has faced a lot of problems according to their response on the questionnaire. Firstly, the bureaucracy to acquire land has affected the company from delivering property on the estimated time. The company had to pay compensation when negotiating with the municipality and had to pay lease value that was required for the real estate land after which the property issue was transfered to the sub-city from the municipality.

Pacific Link Ethiopia also had similar problems as Kara Kore. As a new entrant the problems they encountered began while trying to acquire land; which took longer than anticipated and when they finally acquired the land, it was not suitable for real estate development.

ENYI Real Estate had responded that the company is a new entrant but had not included the problems they have faced so far. Gift Real Estate is the only company that has responded that they were not a new entrant in the real estate investment business.

The response of the companies on the type of real estate property that the companies own is presented in the following table.

Table 3. Types of Real Estate the Sampled Companies Own

Real Estate Property	Sunshine	Gift	ENYI	Kara Kore	Pacific
Raw land					
Residential homes	✓	✓	✓	✓	✓
Apartment buildings,	✓	✓	✓	✓	✓
Office	✓				
Condominiums					
Shopping centers,	✓			✓	
Industrial (warehouse, factories, etc)					
Other (hotels, health-care, etc...)	✓				

When the companies were asked their opinion on what makes real estate risky or unattractive for new entrants or expanding ones investment portfolio, there responses varied however, they all agreed that costs of construction was a factor. With the exception of ENYI, the other companies indicated that real estate prices and current fluctuations in the market were also a problem.

On the aspect of the existing labor supply it was specified to be a reason by Sunshine, Gift and ENYI. The only companies that give competition as a cause were Gift and Pacific. Although Kara Kore had demonstrated on a previous question that they had encountered a problem when acquiring land, just Sunshine, ENYI and Pacific selected acquisition of land

as a factor. However, Kara Kore along with Pacific indicated that getting building/construction permits might be an issue.

Other aspects that was selected by both Kara Kore and Sunshine as a problem was getting title deed and payment of mortgage. None of the companies felt that attaining investment permit was an issue that created an impact on entering or expanding real estate investments.

Sunshine and ENYI suggested that the fact that credit and mortgage facilities do not exist for customers it might affect the attractiveness of the market.

The steps the Sunshine took to ensure that these problems do not affect the investment included maximum effort exerted by senior management so that all the real estate activities are practical and create strategies to ensure that goals are reached. The management also tries to find solution immediately, when problems arise. According to the Business Development Manager, this is how the company has been able to be successful.

Gift Real Estate suggests that it is their use of proactive management style that has helped them withstand the problems that they have encountered.

Assessments are carried out to make sure that the problems do not arise but if they do Kara Kore believes the company is fit to withstand the challenges. Pacific had to involve its customers in order to come to a better market standing. The reasons being that, construction cost affected by fuel, steel, and cement prices have in turn affected their real estate prices.

The reason behind the Gift's, Kara Kore's and Pacific's choice to invest in real estate rather than other investment ventures was appreciation of property. Sunshine motive behind there choice was not only appreciation of property and higher return on investment but also the fact that they were already in the construction business.

Higher return on investment was also the reason ENYI General Business PLC expanded their investment into real estate development.

When it comes to financing their investments all the companies are financially independent except Sunshine which has used loans from banks and financial institutions. Gift specified that they use owners contributions and customer advance payments.

On one hand, Sunshine, Gift and Kara Kore have all received assistance from financial institutions for short term funding. Sunshine has received credit facility to some extent, banks have been willing to provide term loan to Gift Real Estate and Kara Kore showed that these institutions support them by extending loans as well.

On the other hand, Pacific and ENYI have not received any support from financial institutions such as extending loans, developing mechanisms to control financial risk, etc. According to ENYI most financial institutions are not in a position to provide loans especially for real estate development. In their opinion, real estate investment requires very huge capital and so they are not capable of providing long term large loans.

Pacific informed the researcher that they have a computerized system to handle all the investment and business aspects. Sunshine and Gift indicated that the investment made and the effects of this investment are evaluated based on investment objectives and scientific considerations.

Kara Kore believes that the company is like any other real estate company but the other companies have pointed out what makes them different and are as follows:

Sunshine Real Estate:

- Their construction experience
- Well-organized management
- Its own organizational value
- Large Assets

Gift Real Estate:

- Location of the Site
- Design and quality of the real estate

ENYI Real Estate:

- Selling homes that are already constructed or under construction
- Compound facilities and wide access internal roads
- High standard finishing materials
- Functional designs which are generally acceptable by customers

Pacific Real Estate:

- Providing quality homes, on time and on budget



3.1.3. Customer Relations

All the companies except ENYI serve the same market segment that is upper and middle class market segments. ENYI actually serves only upper class clientele.

When it comes to retail prices of the properties excluding Gift Real Estate, all the other real estate companies have the prices available publicly. Property prices are fixed in three of the companies which are Sunshine, ENYI and Kara Kore. Although all the companies have prepared mortgage plans only Sunshine, Kara Kore and Pacific currently provide the service to customers.

In compliance with the terms of payment, if a buyer faces a financial snag there is the possibility of mortgage facility which will provide the necessary financing by ENYI. Gift's mortgage plan is simple relatively in that, it is 50% of the house with in 10 years. With the exception of Pacific, all the other companies indicated that if the need arises for additional financing, Construction and Business Bank (CBB) may offer credit facilities if the terms and conditions set by it are fulfilled. The current plan of Pacific has been refused by CBB the company is making modifications. Sunshine further added that the bank failed to provide the funding immediately.

Adjustments to the price and/or terms of contract with a customer had to be made by Pacific because of the changes in material and construction costs. Sunshine has recently started to make adjustment in their second phase sales activities. ENYI has always been willing to negotiate prices with their customers. Kara Kore, however, insists on having fixed contracts and prices. The terms of contract of Kara Kore and Sunshine can be

observed in Annex 4. The contracts are basically different but they also have some similarities.

On another note, the companies have websites to advertise and market their activities. They also use other electronic and print media such as TV, radio, magazines, newspapers, brochures, fliers. They also participate in various events and exhibitions.

3.1.4. Real Estate Investment Incentives and Barriers

All the companies agree that the government policies as well as Addis Ababa state and local conditions are supportive for real estate investment in Addis Ababa.

The procedures and requirements that the companies had to fulfill in order to develop real estate properties in relation to laws, rules and regulations stipulated by the government included the following aspects:

1. Conducting feasibility study
2. Preparing business plan
3. Having sufficient capital (proof such as bank statements, assets, etc)
4. Acquiring investment license
5. Acquiring land from the city administration
6. Preparing all contractual agreement papers according to the governmental rules and regulation
7. Constructing property as per the government regulations

The positive impact of government regulation according to Sunshine Real Estate on their investment is the duty free advantage that they have been provided.

The incentive that all the companies have been given by the government to develop better real estate properties according to their response is that they have been reasonable lease prices for the land allotted to them for real estate development. In accordance with Gift Real Estate's response, the government gives land on lease to be paid over a long period of time.

The companies all say that not being exempted from income tax payments has not affected there companies at all. However, Sunshine, Kara Kore and Pacific demonstrated that they were affected by payments of customs duty when importing capital goods and construction material. Pacific have further indicated that this has impacted there company because a lot of money is spent on customs which is currently greater than the revenue they get leading only to a 10% profit.

Besides ENYI, all the other companies say that their companies were not given the option to select the site to develop property on, that meets its investment criterion such as location, transportation and utilities. With the exception of Pacific, all the other companies showed that the land their company acquired was suitable for the specific type of real estate that they had planned to invest on. On one hand, Pacific specified that their company has to construct roads, the land was rocky and this has increased cost to construct the housing property because the foundation required heavy digging. On the other hand, the company was able to use the excavated rock in the other construction phases and sometimes sold it to other companies.

On the topic of factors that have hindered their companies from attaining established deadlines. ENYI suggest that lack of cement and other construction items in the market have impacted their deadline. While, Kara Kore indicated government procedures and requirements have been a factor, Pacific suggested construction cost was their biggest obstacle so far.

3.2.Real Estate Investment Environment in Addis Ababa

Interviews (Annex 2) were carried out with the administrative staff of Addis Ababa City Administration, Office of the Board of Land Development and Management, which provides land for real estate investment and Addis Ababa Investment Agency (AAIA), which is directly concerned with investment and directs the investment activities of the city. Data was also collected from Trade and Industry Development Bureau (Annex 3) and Ethiopia Investment Agency and as well.

According to the administrative staff of Addis Ababa City Administration, Addis Ababa is a city with a favorable investment environment. They also indicated the availability of trained and cheap labor in addition to wide market opportunities.

In their opinion, Addis Ababa is a great place to start, expand or relocate ones business.

They gave the following as reasons for investing in Addis Ababa:

1. Sound investment policies
2. Favorable legal and business environment
3. Availability of a wide range of alternatives to invest in

4. Well developed infrastructure facilities including a modern transport system, low cost and widely available energy, and telecommunication facilities as well as access to potential local and foreign markets.

The Office of the Board of Land Development and Management informed the researcher, that they have estimated that during 2004-2009, it will be essential to construct about 468,668 houses to meet the growing demand for housing of Addis Ababa city inhabitants. This means that on the average, it will be necessary to build more than 93 thousand houses annually.

Thus, constructing buildings for various services, for rent or sale, is one of the prominent investment opportunities in the city. The Office further explained that investing in this form of business entailed the basic opportunities in the sub-sector which are:

- Construction of residential houses
- Construction of offices
- Construction of all-round buildings

They also indicated that in Addis over 2.7 million sq. meter of land have been leased to developers suggesting that the current activity levels may only be antecedent of much more to come. When it came to providing land for real estate development, they said that if the developer's land request is for the first time, the size of land to be permitted is up to 25,000m². If the request is for the second time, the size of land to be permitted will be 25,000m². The developer should, however accomplish 75% of the previous project to request additional land for expansion of a project. They also stipulated that the developers

must comply with the specified amount of space that is permitted for the property to be built on in addition to the size and type of property.

Although, investors engaged in the relevant and licensed sectors can import equipments necessary for their projects duty free and can freely import various spare parts up to 15 percent of the value of the investment capital good/equipment. Investors exempted from customs duty are allowed to import materials required for their organizations. The customs duty exemption incentives will not apply to imported capital and materials manufactured locally.

Capital goods which are imported on a duty free basis and exempted from other taxes can not be transferred to any other party. However, investment sectors involved in construction, lease and sale of houses and buildings for business and residential purposes are not entitled to exemption from customs tax payment. Moreover, these types of businesses are not exempted from income tax payment.



An incentive that the Addis Ababa City Administration has arranged as the main investment incentives is the reduction of land lease price. The incentive for land lease price varies according to the investment sector and the focus areas of the administration.

Accordingly, reducing the land lease price, charging less advance payments, granting a longer grace period and extending the lease payment period for investors who are engaged in activities are some of the incentives given.

The price of land of real estate in the expansion area is the negotiation price, but for the land allotted for villa in the expansion area, the land lease price shall be the highest auction of the area.

However, if the negotiation price exceeds the auction price, the negotiation price shall be implemented.

- The advance payment for real estate is 20% of the total payment.
- The right to be free from lease payment for 50m² per household has been rescinded.
- Plots outside the reserved real estate area are auctioned.

Table 4. Real Estate Land Lease Price - Expansion and Reserved Areas

Area (m ²)	Lease Price (m ² /in Birr)
Up to 250	The highest auction of the surrounding area
251-500	The price mentioned in (1) above plus the highest auction price multiplied by 1.5 for the difference area.
501-1000	The price mentioned in (2) above plus the price highest auction price multiplied by 3 for the difference area.
1001-1500	The price mentioned in (3) above plus the highest auction price multiplied by 4 for the difference area.
1501-2500	The price mentioned in (4) above plus the highest auction price multiplied by 5 for the difference area.

Source: Addis Ababa City Administration

The period of lease varies from 99 years for owner occupied holding to 50 years for commercial and other uses (proclamation no 80/1993). Table 5 depicts the maximum lease period for urban land in the city of Addis Ababa

Table 5. Period of Lease hold in Addis Ababa

Name of city/region	Sector of development or type of services	Period of lease
Addis Ababa City Administration and other towns designated as Addis Ababa City	Housing (personal and leasable)	Up to 99 years
	Science, technology, research and study	Up to 90 years
	Government offices	
	Non-profit making philanthropic organization	
	Religious institution	
	Industry	Up to 60 years
	Commerce	Up to 50 years
	Others	Up to 50 years

Source: Addis Ababa City Administration

The Trade and Industry Development Bureau of Addis Ababa City Administration specified that more than 300 (Annex 3) real estate developers have been licensed in Ethiopia but the numbers that are actively developing properties is a very small fraction of that number and even less have renewed their business license.. Some companies are not registered as real estate companies at all. Some are subsidiaries of general trading businesses while others are part of a large company as a department which meant that they were not registered as real estate investors.

According to the questionnaires and interviews carried out during the course of this research it was evident that the real estate companies are conducting there business and investing in real estate property in an almost similar fashion. The companies have demonstrated what aspects have challenged them and what aspects have given them a boost to carry on in there investment efforts. The questions have further tried to shine a light on aspects that make each company unique so that it is able to sustain the effects of the market, government regulations, and various other aspects.

From the interviews and data gathered, it is clear that Addis Ababa has many positive and a few negative investment environmental aspects for real estate investors. Different aspects are examined in the interview such as policies, incentives and barriers on issues of acquiring land and lease prices that real estate developers might encounter. Furthermore, the competition in Addis Ababa is also seen with the help of the data gathered.

With regard to the cost of land, the minimum price is determined by auction or through negotiation. The minimum lease price for Addis Ababa is shown in Table 6.

Table 6. Initial Price of leased land by grade in Addis Ababa

Zone	Grade of Lease Land	Minimum Price in Birr/M ²	Negotiation Price	
			Excluding the added value of production	Including the added value of production
Central Business Zone	1	1297	2204.90	2480.51
	2	1181	2007.70	2258.66
	3	1018	1730.60	1946.93
	4	835	1419.50	1596.94
	5	688	1169.60	1315.80
Transitional Business Zone	1	796	1353.20	1522.35
	2	719	1222.30	1375.09
	3	622	1057.40	1189.58
	4	525	892.50	1004.06
	5	427	725.90	816.64
Expansion Zone	1	273	464.10	522.11
	2	230	391.00	439.88
	3	167	283.90	319.39
	4	147	249.90	281.14

Source: Ethiopia Investment Agency, Factor Costs, 2007

These generally differ by type of construction materials used, the type of foundation, wall height, and location (Ethiopian Investment Agency, 2006). The following Table shows current building costs in Addis Ababa.

Table 7. Building costs by type in Addis Ababa

Building type	Price in birr per m ²
Simple storage building	900 - 1200
Apartment building up to four stories	2300- 2600
Tower building with elevator facilities	2500 - 2800
Residential G+1 building (Normal)	1900 - 2300
Residential villa type building (bricks)	1500 - 2700
Residential villa type building (HCB)	1300 - 2500

Source: Ethiopia Investment Agency, Factor Costs, 2007

Considering price trends of selected construction materials, the price of cement, wood, sheet metal, block, bricks, sand, glass and paints have generally increased over the period 2003-2006. The existing situation is also not different as price escalation is normally observed especially in cement, sheet metal and sand production in response to high demand.

Table 8. Country Level Average Prices of Construction Materials (in Birr)

Items	2003	2004	2005	2006
Cement/Bag (local) - 50 kg	44.51	48.96	63.44	111
Corrugated iron sheet (.2mm) per No	33.69	34.81	40.33	69
Wood for House Construction ('atana') per No	6.45	6.75	7.15	18
Hollow concrete Block (20x20x40cm.cube) per No	2.52	2.65	2.98	4.20
Bricks (25 cmx12cmx6cm) per No	1.28	1.48	1.73	2.15
Sand (Metric Cube)	81.23	92.51	99.96	150.00
Window Glass (50cmx50cmx3cm) per No	17.46	17.74	19.04	-
Paint (4kg)	58.31	60.50	60.20	66.30

Source: CSA Statistical Abstracts

Chapter Four

4. Analysis and Interpretation

4.1. Real Estate Companies in Addis Ababa

Even though, the five companies selected for this study might seem a small representation of the real estate companies in Addis Ababa since over 300 companies are found registered in the industry, one should acknowledge that experience of the various processes of investing and developing real estate is important to understand how the companies have faced challenges and what prospects they have had.

The five companies are diverse in that some began as real estate companies while others are subsidiaries of other business ventures. This indicated that the business environment allows one to partake in this investment venue with different background. It is also evident that the companies have invested different capital amounts in their real estate developments which denote that there is no specific capital amount that is required for an investor to develop property in Addis Ababa.

This has both positive and negative aspects, as can be seen on the data (Annex 3) provided by the Trade and Industry Development Bureau, capital of registered real estate companies in Addis Ababa ranges from 3,500 Birr to 330,835,000 Birr. On the negative side, this shows that the competition in the real estate development industry is not balanced. The fact is that companies with very little capital invested can not sustain the current market fluctuation which is also, evident from the fact that they have not made much progress in the industry. The positive aspect is that there is no limit to the amount that can be invested in this investment venue.

All the companies that participated in this study, have head quarters in the heart of the city but they develop property on the outskirts of the city which require them to construct roads and different facilities to accommodate their clients. On table 6, one can see why the companies choose to make their project sites on the expansion zone in Addis Ababa. The figures show that the lease prices for land are extremely lower in the outskirts of Addis than the central business zones.

4.2.Types of Real Estate

As illustrated on the Table 1 in chapter three, the response of the companies on the type of real estate property that the companies own is similar. With the exception of Sunshine and Kara Kore, which have not only residential homes and apartments, all the other companies have the same properties. This indicates that they almost all serve the same market segment in relation to type of property. The implication of this is that although there might be demand for various types of property in Addis Ababa the supply is limited in relation to housing developments.

4.3.Real Estate Investment

The reason behind the companies' choice to invest in real estate rather than other investment ventures was appreciation of property in addition to higher return on investment. Indication of this is that the companies believe the properties will eventually earn them more than there investment which might hold true if they get enough customers immediately. If this is not the case then the companies might incur loss while waiting. Moreover, in this type of investment they might not even be able to sell the raw land within the current market environment.

Financially independent companies do not run the risk of problems with debt payments. The majority of the companies do not use loans from banks and financial institutions and one in fact uses owners' contributions and customer advance payments which ensures the stability of the companies.

The companies have pointed out what makes them different that showed that even though they run similar type of activities they each have something unique.

Real estate investment in the opinion of the companies has factors that are risky or unattractive for new entrants or expanding ones investment portfolio, the current situation in the market seems to be agreed upon by all the companies. This demonstrates that a major component of real estate investment is closely related to the inflationary pressures exerted from raw material and other costs.

The same goes for the lease prices which have climbed dramatically from day to day. These aspects directly influence the real estate prices which are already unaffordable by the majority of the inhabitants of Addis Ababa. The fact that banks do not usually loan individuals to construct homes, most individuals are reluctant to buy homes in this market situation. Some of the companies actually suggested that the fact that credit and mortgage facilities do not exist for customers might affect the attractiveness of the market.

The AACAA insist that there is ample labor supply, majority of the companies claimed that the labor supply was a problem. The specified reason may be an indication that there is a gap that is not filled when it comes to skilled professional construction workers. Competition in the industry seems to be less of a cause than the other aspects such as

acquiring land along with getting building/construction permits. Other aspects such as getting title deed and payment of mortgage are also included to be factors. These might be caused by the long wait period to attain land and permits.

The official procedures and prolonged processes to do these activities are very discouraging not only for existing real estate investors but also for new entrants. The time that might be used for construction and other aspects is consumed by the processing of the pre-construction activities. Some of these problems are bound to affect the company's established deadlines.

The reality is that none of the companies had encountered problems attaining investment permit and had no impact on entering or expanding real estate investments. This suggests that the companies have not encountered any problems getting investment permits. An indication as to why there are so many registered real estate companies but less with land and even lesser having started construction activities.



Strides taken by the companies to overcome the problems are all at the management level. From formulation of strategies, solving problems as they arise, proactive management styles in addition to involving customers in solving problems. In reality this methods may seem viable but this companies must be aware that they should analyze their risks and returns, use risk management methods to ensure that these problems do not affect as well as protect there investment and find out where they stand in the market.

4.4.Real Estate Market

All the companies serve the same market segment which means that the competition is stiff. Instead of serving different class-segments, they all provide expensive housing to upper and middle classes. The indication of this is that the majority of the residents of Addis Ababa are not being addressed by the real estate companies.

Almost all the companies it seems have their are retail prices available publicly which means they are operating in a efficient market where the competition is know. Both buyers and sellers have knowledge of the properties and prices prevailing in the market. Moreover, property prices are fixed in three of the companies which ensure that customers are not affected by the market situation. The cause of some of the companies not using their mortgage plans is that it is difficult to do so. The banking system in the city and the country are strict on the payment aspect unlike other countries and usually do not provide the service to individuals in the first place.

Making adjustments to the price and/or terms of contract is an important point not only for the customer but also for the companies as well. On one hand, the customer might encounter some financial difficulty or the company may have to increase the price of the property because of the changes in material and construction costs.

4.5.Incentives and Barriers

Government policies in addition to Addis Ababa state and local conditions, all the companies in the study have said to be supportive of their investment activities. This agrees with the interview responses that suggested that the policies and legal environment are conducive for the real estate development activities in Addis Ababa.

While, real estate investment companies are not exempted from customs taxes, the duty free advantage has had an impact. Reducing land lease price, charging of less advance payments, granting a longer grace period and extending the lease payment period for investors will also help the companies.

Those affected by payments of customs tax when importing capital goods and construction material may be due to imports becoming more expensive in local currency. The higher the costs of these goods, the higher the real estate price that leads to a more problems in the economy. Not being given the option to select the site to develop property on that meets the company's investment criterion such as location, transportation and utilities means that it will have to make due with what has been provided. With this type of situation it is more likely that the property will not suit the type of customers the company wants to target.

Chapter Five

5. Conclusion and Recommendations

5.1. Conclusion

All in all, this specific descriptive study on the prospects and challenges of real estate investment, has attempted to present the different factor involved in entering and surviving in the real estate development industry in Addis Ababa. In each chapter an attempt was made to relate the different topics to the findings of the research.

In the first chapter, a description of the background of the dynamics of the real estate investment in Addis Ababa was presented and it also described the general framework of the research paper and methodologies used to collected data for the paper. Chapter two was the review of related literature, which describes the views, findings and the different aspects of real estate, written by different, known and respected authors and professors.

Chapter three, on the other hand contains the actual data collected by the interviews, questionnaires and observation carried out. It includes the reasons, activities, incentives and barriers involved in a real estate investment. And like all the other chapters its basic foundation is the business experience of the sample companies, policies and regulations.

Chapter four, contains the analysis and interpretation of the data obtained from the five sample companies and government offices. It was presented in an understandable way linking previously written concepts on related literature with the data collected. This

chapter presents the conclusion and the recommendation of the research for the problems found and observed in the investment environment.

During the course of this research, according to the questionnaires administered, interviews carried out and data collected, it was apparent that the existing problems outweigh the prospects in the real estate industry.

On one hand, most of the real estate companies complained about the many problems in the provision of land. Some of the problems included delay in the provision of land, the inadequate infrastructure development; lack of provision of serviced plots of land. Land and building regulations imposed on real estate development have resulted in an indifferent supply side, high real estate prices, and low affordability.

The investment climate for real estate development is one in which crucial investment incentives are not given despite the great social and economic importance the sector has for the development of the country. This has created obstacles for the development of the sector. Maybe changes will occur once the PASDEP strategies are implemented.

On the other hand, the value of land in the city is not within the means of many of the Ethiopian people. The high price of land, therefore, makes the construction of buildings very expensive. Although demand for housing is increasing from day to day the real estate companies have their targets set on upper and middle class individuals. There is also an absence of any policy support to provide incentives to the private sector for the construction of dwelling units to lower income groups.

The issues on availability of building materials and construction prices in the current market situations and higher cost for importation have lead to high price of building materials. This has raised the cost of building construction. Attaining long-term finance for real estate investing is not possible in Addis Ababa.

5.2.Recommendations

Depending on the findings of this paper, an attempt has been in the following points to come up with the possible solutions for the problems mentioned.

The activities of the real estate industry sector currently have massive ramifications on many aspects of life in Ethiopia and particularly in Addis Ababa. Real estate companies are facing an intricate jigsaw of challenges and opportunities. Demand for housing is set to soar as indicated in the literature portion of this paper. Further openings are coming for these companies as affluence and sophistication of customers is increasing in Addis Ababa.

However, companies need to contend with increasing competition and ever more exacting customer demands against a environment of regulation and continuing financial market unpredictability. The immediate outlook may be tempered by a range of economic concerns including the impact of consumer debt and rising interest rates.

It is clear that availability and conditions of land provision has a great impact on the development of the sector. The problems that have occurred are basically reversible but it will require all the stakeholders working together to come up with an efficient way of working together.

Advanced planning and coordination between municipalities and infrastructure providers in my opinion, having uniform directives and regulations would be a step towards removing the problems in the real estate industry.

There should be financial institutions with a focus on real estate financing to provide financing to individuals in the form of mortgage plans and for the construction activities by real estate companies. This will ease the burden of both the customers and real estate developer during the current market conditions.

Real estate companies to turn challenges into opportunities in key areas including:

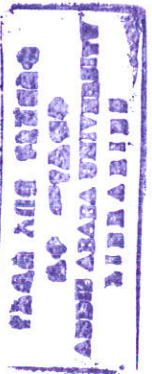
1. Real estate businesses need to develop and create effective and cost-efficient approaches to compliance that maximizes the synergies between different regulations. They could also help turn compliance into an opportunity to improve management processes and strengthen confidence in the business.
2. No company can thrive without quality people at all levels. The quality of customer-facing staff is especially critical in fostering loyalty, developing opportunities for cross-selling and managing complaints that could damage client satisfaction.
3. From market volatility to the operational risks and the ever increasing real estate businesses have generated increasing and often undetected risks and vulnerabilities. The real estate businesses need to create a more secure and proactive enterprise-wide approach to risk management, underpinned by the

essential foundations of more effective governance, management reporting and organizational awareness of risk. The benefits are not only loss avoidance, but also the assurance and insight that can improve an organisation's ability to take appropriate risks and capitalize on opportunities

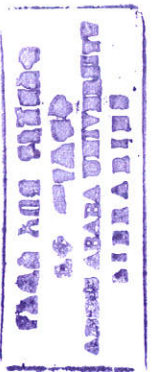
In my opinion, if the PASDEP activities are properly implemented they will most without doubt have a constructive and significant impact in dealing with the main constraints for the development of the real estate sector in Addis Ababa in particular and in Ethiopia as a whole.

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Annex 1
Questionnaires for Real Estate Companies

Addis Ababa University
Faculty of Business and Economics
MBA Program

Questionnaire for Real Estate Companies

This questionnaire is designed to collect data for the study being conducted on the prospects and challenges of real estate investment in Addis Ababa. The data collected will be used for the research project in partial fulfillment of the requirements for the award of an MBA Degree.

Your company is among those chosen to be included in this research. Your business experiences are sought on issues surrounding investing in real estate in general and factors that have played a role in the real estate investment decisions made by your company in particular.

All information provided by you will be kept strictly confidential. Please answer as many questions as you can, for the realization of this research project relies on your unreserved cooperation in providing appropriate response to questions presented.

Thank you in advance for participating in this research.



Please tick (✓) any or all of the choices that are relevant to your company.

PART I Company Details

1. Company Name: _____
2. Type of Company: ☐ Private Limited Company
☐ Partnership
☐ Joint Venture
☐ Share Company
☐ Other (specify): _____
3. Location of Company
Sub-city _____
4. Location of Real Estate Site
Sub-city _____
5. Date of Establishment: _____

PART II Questions on Investment

6. Is your company a new entrant in the real estate investment business?
Yes ☐ No ☐
7. If yes, what problems have you faced as a new entrant in this form of business?

8. What types of real estate does the company own/construct?
☐ Raw land
☐ Residential homes
☐ Apartment buildings,
☐ Office
☐ Condominiums
☐ Shopping centers,

- ☐ Industrial (warehouse, factories, etc)
- ☐ Other (hotels, health-care, etc...) _____

9. What factors, in your opinion, make investing in real-estate unattractive (risky) for new entrants or expanding ones investment portfolio?

- ☐ Competition
- ☐ Fluctuations in the market (real estate prices)
- ☐ Construction costs
- ☐ Labor supply
- ☐ Investment permit
- ☐ Acquisition of land
- ☐ Building/ construction permits
- ☐ Getting title deed
- ☐ Transferring title deed to new owners
- ☐ Payment of mortgage
- ☐ Other _____

10. What steps has your company taken to ensure these problems do not affect the investment as a whole?

11. Why did your company choose to invest in real estate rather than other investment ventures?

- ☐ Lack of other investment options
- ☐ Higher returns on investment
- ☐ Appreciation of property
- ☐ Liquidity
- ☐ Safety
- ☐ Other _____

12. How does your company finance its investment?

- ☐ Financially independent
- ☐ Loans from banks/ financial institutions
- ☐ Other _____

13. Do financial institutions give your company support? In what way? (extending loans, developing mechanisms to control financial risk, etc)

Yes ☐ No ☐

Please specify: _____

14. Is the investment made and the effects of this investment evaluated based on investment objectives and scientific considerations?

Yes ☐ No ☐

15. What, in your opinion, makes your company different from other real estate companies?

PART III Questions on Customer Relations

16. What market segment do you serve?

- ☐ Upper class
☐ Middle-class
☐ Working class
☐ Lower class
☐ Other _____

17. Are the retail prices of the properties available publicly?

Yes ☐ No ☐

18. Are the property prices fixed?

Yes ☐ No ☐

19. Do you provide mortgage service for your customers?

Yes ☐ No ☐

20. What does the mortgage plan entail?

21. Have you ever adjusted the price and/or terms of contract with a customer or withdraw from the transaction?

Yes ☐

No ☐

Please specify: _____

22. What methods of promotion (marketing) does your company use to attract customers?

PART IV Questions on Incentive and Barriers

23. In your opinion, are the government policies as well as Addis Ababa state and local conditions supportive for real estate investment in Addis Ababa?

Yes ☐

No ☐

24. What are the procedures and requirements that your company had to fulfill in order to develop real estate properties in relation to laws, rules and regulations stipulated by the government?

25. What has been the impact of government regulations on your investment?

26. What incentives has your company been given by the government to develop better real estate properties?

27. Has not being exempted from income tax payments affected your real estate company?

Yes ☐ No ☐

28. Has not being exempted from payments of customs duty when importing capital goods and construction material affect your real estate company?

Yes ☐ No ☐

29. If yes to questions 28 and 29, how has it impacted your company? Please specify.

30. Was your company given the option, to select site to develop property on, that meets its investment criterion such as location, transportation and utilities?

Yes ☐ No ☐

31. Was the land your company acquired suitable for the specific type of real estate that you had planned to invest on?

Yes ☐ No ☐

32. If no, what modifications and improvements were required to make the land suitable for construction?

33. Are there any factors that have hindered your company from attaining established deadlines?

Yes ☐ No ☐

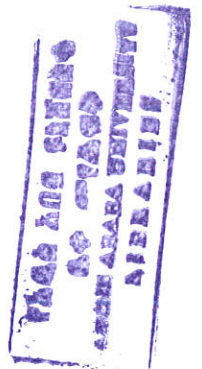
Please specify:

PART V Financial Statements

Please attach financial statements (3-5 years) or fill in the following table.

Financial Items	Year 1	Year 2	Year 3	Year 4	Year 5
Asset					
Liability					
Capital					
Operating Expense					
Operating Income					
Net Profit/Loss					

Annex 2
Interview Questions



Addis Ababa University
Faculty of Business and Economics
MBA Program

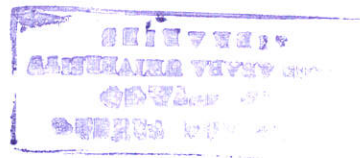
Interview Questions

1. In your opinion, is Addis Ababa is a city with a favorable investment environment?
2. What are the aspects that are available for investors in the city?
3. What are the reasons for investing in Addis Ababa?
4. How many houses have been built by real estate developers in Addis Ababa?
5. What special considerations and opportunities are given to investors in real estate development form of business?
6. How much land has been leased to real estate developers in Addis Ababa?
7. What is limit to the amount of land a real estate developing company can acquire in Addis Ababa?
8. Are there regulations on the size and type of property built on the land acquired?
9. What are the tax laws on real estate investment businesses?
10. What are the rules stipulated related to land lease and land lease prices?
11. In general, what other information can you provide on issues relating to real estate and real estate investment/ development issues?

Annex 3
Data on Registered Real Estate Companies in Addis Ababa

Data on Real Estate Companies

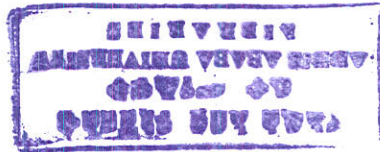
S. No.	NAME	K_KETEMA	CAPITAL	RENEWED YEAR
1	'noh rilstete plc	Kirkose	15,000,000.00	NULL
2	17 TRADING WORK SHARE COMPANY	Bole	170,000.00	NULL
3	3am rillstite privaate limited company	Bole	809,000.00	1999
4	4 Star P.L.C.	Addis Ketema	20,000.00	NULL
5	A.M.M PLC	Addis Ketema	3,000,000.00	1999
6	Aakir Construction P.L.C	Nifasilk	20,000,000.00	NULL
7	abate g/tsadke teklu	Bole	6,110,370.00	NULL
8	ABDUL TURA AHMED	Kirkose	20,000.00	1991
9	ABEBECH & FAMILY P.L.C.	Nifasilk	200,000.00	1999
10	Abew P/V/LTD	Kirkose	1,000,000.00	1999
11	abrhea omere taye	Kirkose	8,500,000.00	1999
12	ADAM	Kirkose	34,000,000.00	1999
13	addis abebayegebeya mahekel merkato	Addis Ketema	71,539,100.00	1998
14	ADDIS APARTAMA PLC	Bole	528,000.00	1999
15	ADEROME GENERAL TRADING PLC	Nifasilk	1,000,000.00	1999
16	adey abeba rile setet plc	Akaki Kality	5,000,000.00	NULL
17	adis admase plc	Addis Ketema	1,607,000.00	NULL
18	adis admase plc	Addis Ketema	1,607,000.00	NULL
19	ADIS ANDER HOUSE BUILDING S.C.	Kirkose	8,000,000.00	1999
20	adis tiicet aksion plc	Addis Ketema	214,600.00	NULL
21	ADMESE POVILYON P.L.C	Kirkose	10,000.00	1999
22	ADUGNA EJEGU TEMSGEN	Bole	1,000,000.00	1999
23	AFT plc	Addis Ketema	18,000.00	NULL
24	AGGE PLC	Bole	15,000.00	1999
25	al adi ahfrom p.l.c.	Bole	100,000.00	NULL
26	AL ADI. ASA. PRI LIM COM	Bole	100,000.00	NULL
27	AL Meberuke Ril state P.L.C	Kolfe Keranio	250,000.00	NULL
28	al verer trading p.l.c.	Bole	100,000.00	NULL
29	ALEMAYEHU FANIITU W/YESUS	Bole	50,000.00	1999
30	Alemebruke Relestate P.L.C	Kolfe Keranio	250,000.00	NULL
31	alemedena plc	Addis Ketema	10,000,000.00	NULL
32	ALI NEGASH HASEN	Arada	500,000.00	2000
33	alko konstrksene plc	Kirkose	200,000.00	NULL
34	ALMAZE G/SLASE GEBRE	Bole	600,000.00	2000
35	ALTAYESH AMARE GEBREYE	Nifasilk	2,000,000.00	1999
36	Alzeftak Ril Estet p.l.c.	Nifasilk	12,500,000.00	NULL
37	Amaseka Ethiopa P.L.Co	Yeka	50,000.00	1999
38	AMBASSADOR GARMENT PLC	Bole	6,000,000.00	NULL
39	AMMANIYA RILSTATE PLC	Bole	600,000.00	1999
40	ASER GENERAL TRADING PLC	Arada	7,000,000.00	NULL



41	ASHENAFI BOGALE SABERA	Bole	10,000.00	1999
42	ASTITTER TEKLU FEKIYBELU	Bole	500,000.00	NULL
43	AWER LAND PLC	Arada	2,000,000.00	NULL
44	AYALEW TEDLA MESHESHA	Gulele	10,000.00	1993
45	AYATE PVT	Arada	330,835,000.00	1999
46	B & B TRADING PLC	Arada	200,000.00	1999
47	b and b ktfo trading p.l.c	Kirkose	2,000,000.00	1998
48	B AND B TRADING PLC	Kirkose	10,000.00	1999
49	B.Am de a zd land dvelopment plc	Kirkose	150,000.00	NULL
50	b.j.r plc	Bole	500,000.00	NULL
51	BARIK AGENCY P.L.C	Kirkose	1,000,000.00	NULL
52	BATA REAL ESTATE PRIVTE LIMITED COMPANY	Bole	10,000,000.00	NULL
53	begalceena femely PLC	Kirkose	1,400,000.00	1998
54	Behake Comesion Agenet P.L.Co	Lideta	5,020,000.00	NULL
55	Bekele abshiro PLC	Kirkose	1,000,000.00	NULL
56	bekelece abvbayhe dubale	Kirkose	7,000,000.00	NULL
57	BEKLE TESEMA BATE	Kirkose	5,000.00	1999
58	belay tefera wele	Bole	23,000.00	NULL
59	Beme tradecenter pv.l.td.co	Bole	200,000.00	NULL
60	bereda endeshaw atsebi	Arada	4,746,000.00	NULL
61	Berhan Molla Gelaye	Gulele	10,000.00	NULL
62	besshake plc	Bole	4,000,000.00	1998
63	BETACHIN PLC	Bole	260,000.00	NULL
64	Bibessa Trade Plc	Lideta	776,000.00	NULL
65	birhanu zelege erbatekal	Bole	3,500,000.00	2000
66	biruk heyile shemer	Bole	13,000,000.00	NULL
67	Biybre	Addis Ketema	228,000.00	NULL
68	bole air amba plc	Bole	900,000.00	1999
69	Borenil satet s.c	Nifasilk	2,257,500.00	1999
70	Bosten Shriko PLC	Bole	10,000,000.00	1999
71	btc plc	Kirkose	1,020,000.00	NULL
72	bvlay kassa irketa	Bole	1,000,000.00	1999
73	caza miya howes work plc	Kirkose	4,100,000.00	NULL
74	cinima ras hintha plc	Addis Ketema	33,000.00	NULL
75	D/R AGIMAS SHEMELASH	Bole	3,782,019.00	1999
76	DELE INTERNATIOANL P.L.C	Kirkose	15,240,000.00	1999
77	Deset PLC	Bole	1,564,000.00	1999
78	DIPLOMAT REAL ESTATE P.L.C.	Bole	5,000,000.00	NULL
79	dra rele xstetePLC	Kirkose	6,000,000.00	1999
80	duguma hunde geda real state plc	Bole	15,000,000.00	NULL
81	dugumma hunde geda	Bole	30,000,000.00	1998
82	East African Real State Development P.L.C	Gulele	5,000,000.00	1999
83	edafe p.l.c	Kirkose	100,000.00	1999
84	EDIT PLC	Kirkose	600,000.00	1999

85	elfecer rile estite p.l.c	Kirkose	100,000.00	2000
86	emenecheway plc	Addis Ketema	1,250,000.00	NULL
87	Endale Getachew Mengstea	Gulele	133,212.00	NULL
88	ENDWEYEN JENERAL TERDING PLC	Arada	5,000,000.00	1999
89	ENEYE JENERAL BUSSINS PLC	Kirkose	70,000,000.00	1999
90	Entisar Sh co	Kolfe Keranio	10,000,000.00	NULL
91	ESIRAHEAL YESUF MEHAMED	Bole	100,000.00	1999
92	ESKINIDIR MAMO AYELE	Bole	1,800,000.00	NULL
93	ETENESH TEKELU BASHAH	Bole	100,000.00	1999
94	ETIO-GLORI PLC	Bole	1,000,000.00	NULL
95	ETIOPIA	Kirkose	260,000.00	1998
96	Eva Enterprise p.l.c.	Kirkose	6,000.00	NULL
97	Excel global business plc	Kolfe Keranio	10,000,000.00	NULL
98	faerile estete plc	Kirkose	30,000,000.00	1999
99	Family rilestet p.l.c.	Yeka	200,000.00	NULL
100	FASELIDES ESTITE PLC	Bole	3,000,000.00	1999
101	FEBA ENGENERING PLC	Bole	2,000,000.00	1999
102	feba enjinerinig plc	Bole	300,000.00	NULL
103	ferede dese reta	Arada	5,000,000.00	NULL
104	feshe syme bidgln	Bole	10,000,000.00	2000
105	FIKIRE SILASSE TAMIRAT	Bole	50,000.00	2000
106	FILEKIS RELLE ESTATE PRIVTE LIM COMP	Bole	4,832,000.00	NULL
107	FIM RIL ESTET P.L.C.	Nifasilk	50,000,000.00	NULL
108	florise bisnesè plc	Kirkose	2,000,000.00	NULL
109	FRENDSHIP BUSINES GRUP PLC	Bole	5,000,000.00	1999
110	Fwafwate Plc	Kirkose	1,000,000.00	1999
111	G AND B FAMILY BUILDING PLC	Bole	5,660,000.00	1999
112	G G T RIL ESTIT AND GENERAL TIREDDING P L C	Bole	54,000,000.00	1999
113	G N A M Plc	Addis Ketema	16,000,000.00	NULL
114	galari 21 tekellala neged plc	Arada	100,000.00	NULL
115	garad investment plc	Arada	2,400,000.00	NULL
116	gasawe and mullu p.l.c	Kirkose	500,000.00	NULL
117	GEBEREAL WOLDO TESFAYE	Bole	12,386,228.00	NULL
118	GENALU CONSTRUCTION PLC	Kirkose	1,200,000.00	1999
119	genet gymichael jossep	Bole	300,000.00	NULL
120	genet lmat p.l.c	Kirkose	4,500,000.00	1999
121	GET RIL STATE PRIVTE LIMITED COMPANY	Bole	25,000.00	1999
122	geto gelete degeno	Addis Ketema	830,000.00	1999
123	Geyon rile stet p.l.c	Kolfe Keranio	20,000,000.00	NULL
124	Gift Rilestete Plc	Kirkose	3,000,000.00	1999
125	GOJO REALSTATE PLC	Bole	200,000.00	1998
126	golibo plc	Bole	2,050,000.00	NULL
127	GORBET REL STATE PLC	Kirkose	2,000,000.00	NULL
128	Green Fildes	Bole	600,000.00	NULL

129	gutema plc	Addis Ketema	20,000.00	NULL
130	H S H-HOME SWIT HOME-RIL STETE PLC	Arada	1,000,000.00	NULL
131	H/selasse Alemayhu Atisbiha	Arada	15,000,000.00	2000
132	h/slase werku heruy	Kirkose	10,000.00	2000
133	HABETAT NW FLOWER HOMES PLC	Kirkose	1,200,000.00	1999
134	HAKIM GARA REL ESETET P.L.C	Nifasilk	2,560,000.00	NULL
135	hayle worku and his family p.l.c	Yeka	300,000.00	1999
136	HEBERET YETEKNEKNA YENEGED KUBANEYA P.L.C	Nifasilk	500,000.00	1999
137	HEBITAMU DESITA BRHANE	Bole	3,000,000.00	1999
138	HERITAGE PLAZA REAL STATE PLC	Bole	15,000,000.00	NULL
139	High Q Construction & Trading P.L.C	Kolfe Keranio	600,000.00	NULL
140	huda real estate p.l.c.	Nifasilk	60,000,000.00	1999
141	HUSEN MOHAMMED SALAHE	Kirkose	100,000.00	1998
142	HYE VISION PLC	Nifasilk	1,000,000.00	NULL
143	I AND A ENETERNATIONAL PLC	Addis Ketema	500,000.00	NULL
144	IMPACT INTERNATIONAL ENGINEERS P.L.C	Kolfe Keranio	6,000,000.00	NULL
145	injiner welde g/senbet	Bole	3,000,000.00	NULL
146	j.e.an.a.komishin plc	Addis Ketema	15,000.00	NULL
147	JAME P.L.C	Kirkose	2,850,000.00	1999
148	JANO PLC	Kirkose	1,000,000.00	1999
149	Joka General Trading S.c	Kolfe Keranio	72,000.00	NULL
150	joj jul lebarao	Akaki Kality	200,000.00	1999
151	Kadisco plc	Nifasilk	1,000,000.00	1998
152	kaleb tred and development plc	Akaki Kality	8,020,000.00	NULL
153	KAMILKA	Bole	1,800,000.00	1999
154	Karakore Real Estate P.L.C	Kolfe Keranio	25,000,000.00	NULL
155	KARGO FARMA ETIO PVT	Kirkose	1,200,000.00	NULL
156	Kartorey Relstate P.L.Co	Kolfe Keranio	25,000,000.00	NULL
157	kate gnerale bznese plc	Kirkose	200,000.00	NULL
158	kebebush kedeme ayelu	Addis Ketema	100,000.00	NULL
159	kedeja alie beshier	Addis Ketema	5,000.00	NULL
160	KELIFA ABAJERGA BESHIO	Arada	1,000,000.00	1999
161	keyone big p.l.c	Kirkose	500,000.00	NULL
162	kfle ril and PLc	Kirkose	300,000.00	NULL
163	Kine Real Estate Development P.L.C	Kolfe Keranio	50,000.00	NULL
164	Kirkos Market S.c.o	Kirkose	72,700.00	NULL
165	Konkrit Vencher P.L.C	Kirkose	100,000.00	1999
166	Kunsns Teke Tekle	Kirkose	500,000.00	NULL
167	KUSHITIKE GELOBAL ERS HA INDUSTRY AGELEGLT PLC	Arada	365,000.00	1997
168	legesse feleke treding plc	Bole	100,000.00	1998
169	lemelame lelemate akeseyon maheber	Addis Ketema	850,000.00	NULL
170	lyne ril esteteplc	Kirkose	200,000.00	NULL
171	M T T P.L.C	Kolfe Keranio	100,000.00	1998
172	MAHEGI INTERPERIS PLC	Kirkose	200,000.00	NULL



173	mamo bvogalv yeme bet	Bole	250,000.00	1999
174	MATTYAS PLC	Addis Ketema	4,500,000.00	1999
175	MAY TEBAY RILL PRIVTE LIMTED COMP	Bole	4,832,000.00	NULL
176	MEHAMOD ALI AHMED	Nifasilk	85,000.00	1999
177	meirab yegebeya limat share campany	Addis Ketema	7,200,000.00	1999
178	Mekezo P.L.C	Kolfe Keranio	1,000,000.00	NULL
179	MEKLIT REAL ESTATE PRIVATE LIMITED COMPANY	Bole	3,603,000.00	1997
180	MELKAM RAEY REAL ESTATE P.L.C	Nifasilk	600,000.00	1999
181	menagesha plc	Bole	96,000,000.00	NULL
182	Meragh Gebeya private limited campany	Bole	200,000.00	1999
183	Meseklya sabit Genaral construction p.l.c	Lideta	1,000,000.00	NULL
184	Mesfen Tadese Aberza	Kirkose	5,000.00	NULL
185	Mesfin Haile Ashebir	Yeka	50,000.00	2000
186	Meskerem Realstate Dev.plc	Kirkose	1,000,000.00	1999
187	Metেকে Rele Estate	Addis Ketema	50,000.00	NULL
188	metesasebe ledegete tekellala akesiyone mahebere	Addis Ketema	2,050,000.00	NULL
189	meve rele estete development p.lc	Kirkose	1,500,000.00	1999
190	Michwer Ethiopia p.l.c.	Kirkose	3,000,000.00	1999
191	minalesh tera bizneses plc	Addis Ketema	1,870,000.00	NULL
192	misraq ergte feleke	Yeka	200,000.00	1998
193	Mnale Yemata Teklu	Kirkose	769,540.00	NULL
194	MOLA ZEGEYE AND HIS FAMOLY PLC	Bole	50,000.00	1998
195	MOLA ZEGEYE AND HIS FAMOLY PLC	Bole	50,000.00	1998
196	mu.na. house buliding priv lim com	Bole	2,300,000.00	NULL
197	mulugeta KEBEDE DESETA	Kirkose	3,000,000.00	NULL
198	Nasew Rilestet H/selase	Nifasilk	1,000,000.00	NULL
199	neser plc	Addis Ketema	12,495,000.00	1999
200	neterakena teredeng plc	Addis Ketema	1,500,000.00	NULL
201	NETSANET RILL STATE P.L.C.	Bole	2,500,000.00	NULL
202	NEW BIRAGHIT TOWER P.L.C.	Bole	5,000,000.00	1999
203	New Hope Real Estate p.l.c	Nifasilk	4,000,000.00	NULL
204	new jnerale bzenese plc	Kirkose	40,000,000.00	NULL
205	NIFAS SILK MARKTE CENTER P.L.C	Nifasilk	3,000,000.00	NULL
206	Nure sugetPLC	Bole	7,000,000.00	1999
207	obade rile astete devolopersP.L.C	Lideta	2,000,000.00	1999
208	ON TIME PRIV.LIM.COMP.	Bole	400,000.00	1999
209	one of rile estet p.lc	Kirkose	750,000.00	NULL
210	Ormiya lamgano engefeto	Addis Ketema	360,000.00	NULL
211	Osis Developers plc	Bole	40,000,000.00	1999
212	Pan Africa real state PLC	Kirkose	2,000,000.00	NULL
213	PAULO PANAYTE PLC	Kirkose	8,500,000.00	1999
214	Plutops realstate conseltncey finacing P L C	Gulele	1,200,000.00	NULL
215	ras dashen privte limited company	Bole	9,600,000.00	NULL
216	ras lelmat yegybeya plc	Addis Ketema	1,284,000.00	NULL

217	reshdan tecnolojis p.l.c	Nifasilk	600,000.00	NULL
218	river side real state p.l.c	Nifasilk	1,000,000.00	NULL
219	romant real/stat p.l.c.	Bole	2,800,000.00	NULL
220	Safarinet interprayz p.l.c.	Kirkose	1,990,000.00	NULL
221	salahedine abduhemid bezeness senter p.l.c	Kirkose	50,000,000.00	NULL
222	SALFAZ PLC	Bole	500,000.00	1999
223	sasune entpryse PIC	Kirkose	500,000.00	NULL
224	sawa generil contractor plc	Yeka	400,000.00	NULL
225	SAWUZ WESET P.L.C.	Nifasilk	1,000,000.00	1999
226	sebatena bulding construction	Addis Ketema	50,000.00	NULL
227	Sebelete Share company	Addis Ketema	150,000.00	1998
228	sedameo tera bulding worke	Arada	120,000.00	1996
229	SEGED Prv Lim Com	Bole	3,000,000.00	NULL
230	SEGER P.L.C	Bole	30,520,000.00	1999
231	Selame Rel State Develpment P.L.Co	Lideta	300,000.00	1995
232	Semhel Treding p.l.c.	Nifasilk	3,000,000.00	NULL
233	Semrehiwot Ygletu Wvndmagnhu	Kirkose	4,000,000.00	1999
234	sensahyen construction plc	Kirkose	42,000,000.00	1999
235	SERAME TERADING P.L.C	Kirkose	500,000.00	1999
236	sewa flwers p.l.c	Kirkose	10,000,000.00	NULL
237	seyid mehamedbrhan berihe	Bole	2,692,000.00	NULL
238	sheger plc	Bole	41,800,000.00	NULL
239	SHOLLA AXION PLC	Bole	4,379,500.00	1999
240	snse humes PLC	Kirkose	1,000,000.00	1999
241	SOLOME SAWEL AYELE	Bole	500,000.00	1999
242	SS SS SS	Bole	5,000,000.00	1999
243	stadiyom internasional besenes aksyone c	Kirkose	4,380,000.00	NULL
244	T.B.W Tereding P.L.C	Kolfe Keranio	1,000,000.00	NULL
245	tamero tesfaye eleno	Nifasilk	5,000.00	1999
246	TAZA P.L.C.	Nifasilk	1,000,000.00	1999
247	TAZE PLC	Nifasilk	4,000,000.00	NULL
248	tazeb privat limited campany	Bole	50,000.00	2000
249	TEFERI YERIGA HAYLE	Kirkose	100,000.00	NULL
250	TEFRI TAYE HYELE	Arada	2,500,000.00	NULL
251	TEHAY ALEMAYEHU NEGUSSE	Bole	3,500.00	1999
252	Tehenologi PLC	Lideta	200,000.00	NULL
253	tekelehayemanot adebabay plc	Addis Ketema	13,200,000.00	NULL
254	TEKOLA YESHEWALUL ANEFARI	Bole	2,000,000.00	2000
255	tekom triding private limted company	Bole	1,800,000.00	NULL
256	Telol P L C	Gulele	80,000.00	1999
257	Tesfaye Anedarege Wendesen	Kirkose	850,000.00	NULL
258	TESFAYE MULAT BEYEN	Kirkose	50,000.00	NULL
259	tewekele paretener ship	Addis Ketema	10,560,000.00	NULL
260	TEWELEDE G/MEDHENE TEKELU	Kirkose	50,000.00	1999



261	TIAGENET & FAMILY RILE ESETET P.L.C	Akaki Kality	2,000,000.00	1995
262	tibebe samuheal ferenij enve pri li com	Bole	5,000,000.00	NULL
263	tigat lesra p.l.c	Addis Ketema	1,120,000.00	NULL
264	TILAYE RELL STATE PRIVTE LIMTED COMPANY	Bole	3,000,000.00	NULL
265	tomorow trade bulding aksiyon	Addis Ketema	3,230,000.00	NULL
266	TRAKON TREDIG P.L.C.	Nifasilk	1,000,000.00	NULL
267	Tsedey Realstate P.L.C	Kolfe Keranio	2,500,000.00	NULL
268	u a b plc	Kirkose	1,200,000.00	NULL
269	U.A.B. P.L.C.	Kirkose	1,200,000.00	NULL
270	vito komishin ajensi and ril st plc	Bole	210,000.00	1999
271	W/kidan and Betesebu Rel Estet P.L.C.	Yeka	20,000,000.00	1999
272	warka ril -esetet p.l.c	Nifasilk	1,000,000.00	NULL
273	WELUMAN GUDEENA PLC	Addis Ketema	10,000,000.00	NULL
274	wizdem paradayz plc	Bole	300,000.00	1998
275	Wolabu plc	Kolfe Keranio	504,000.00	NULL
276	WORBEK INDUSTRY TREADING PLC	Bole	17,000,000.00	2000
277	wubit hagree trading plc	Addis Ketema	3,051,000.00	NULL
278	Y T Y CONSTRUCTION P.L.C	Arada	1,500,000.00	1999
279	Ydmek P.L.C	Yeka	5,000,000.00	1999
280	yefl watew mence enviroment p.l.c	Kirkose	150,000.00	1999
281	Yegeta Rele State P.L.Co	Kirkose	3,000,000.00	NULL
282	Yeminat Plco	Kirkose	2,000,000.00	NULL
283	yerer ril estet p.l.c	Yeka	500,000.00	NULL
284	Yeshigeta real state plc	Bole	8,000,000.00	NULL
285	yeshtam real state private limited company	Kirkose	7,600,000.00	2000
286	yewbidar yirga hayle	Bole	100,000.00	1999
287.	Yewechale General Bussiness P L C	Gulele	32,000.00	NULL
288	yige rile estete plc	Kirkose	40,000,000.00	NULL
289	YIRGA HAYLE VNA BETESEBOCHU PLC	Addis Ketema	6,000,000.00	NULL
290	yke and plc	Kirkose	6,420,000.00	NULL
291	ymame muzeyene kelili	Kirkose	7,000,000.00	NULL
292	Yohabe P.L.Co	Kirkose	50,000,000.00	1999
293	YOHENS KEMAYU ESTATE PR LIM COM	Bole	4,832,000.00	NULL
294	YOUNIVERSAL RILL STATE PRIVATELIMITED COMPANY	Bole	1,000,000.00	NULL
295	ZAKTEM P.L.C.	Nifasilk	3,000,000.00	1999
296	zawditu wvndmu balynh	Kirkose	5,000,000.00	NULL
297	zele lelemate akeseiyone mahebere	Addis Ketema	3,100,000.00	NULL
298	zemneweplc	Kirkose	9,000,000.00	NULL
299	zem-zem investment plc	Arada	1,000,000.00	NULL
300	zenab hermene bezeness rile estete p.l.c	Kirkose	6,110,000.00	2000
301	ZERGAW G/SELASE BEKELE	Bole	7,025,000.00	1999
302	ZURIGA PLC	Bole	100,000.00	1999

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Annex 4

Terms of Contract of Real Estate Companies

Contract for the Construction and Sale of a House

Registration No. _____

This contract is concluded on2004 by and between
Sunshine Constriction Private Limited Company, Address-Addis Ababa, Kirkos
Sub-City, Kebele 07, house No 653, hereinafter referred to as the "Seller",

and

Ato/W/o _____ Address _____ hereinafter referred
to as the "Buyer"

Part One **General**

Article 1 **Sale**

The seller hereby covenants to construct and sell to the Buyer in accordance with this contract and the Civil Code a house on the Plot acquired from A.A municipality, Land administration Authority in _____ Sub City Administration, Kebele ____, on plot no. _____, House type _____ having a compound of _____ square meters/on in accordance with the attached site or floor plan, house plan, specifications and detail types of construction materials, electrical, water and telephone lines; including internal asphalt roads which are integral parts of this contract.

Article 2 **Purchase**

The Buyer hereby agreed to buy the house to be constructed in Addis Ababa, _____ Sub City Administration, and Kebele as provided in Art. 1 hereof.

Part Two **Obligations of the Seller**

Article 3 **Selling Price & delivery**

3.1. The Seller here by agreed to sell the house to the Buyer as provided in article 1 hereof at a price of Birr _____ (_____)

- 3.2. The Seller shall deliver the house and accessories referred to in Art. 1 of this Article within 24 Months from the signing of this contract & the first payment schedule of 20% of the selling price of the house.
- 3.3. Where, due to force major, the seller cannot construct and deliver the house within the specified time limit, the Seller shall notify the Buyer in writing the extension of the time of delivery in 3 months. Where the seller fails to deliver the house within the extended time limit, he shall pay penalty to the Buyer in line with existing Construction Regulation and deliver the house.
- 3.4. The ownership of the house and the possessory right of the premises shall be deemed to be transferred to the Buyer as soon as the Seller has taken all the necessary steps to that effect.
- 3.5. The seller shall deliver to the Buyer all the documents necessary to guarantee the ownership of the Buyer over the house and accessories and to get the house and accessories registered by the appropriate authority.

Article 4

Warranty Against Eviction

- 4.1. The Seller hereby warrants to the Buyer against eviction for causes, which are not attributable to the Buyer.
- 4.2. In the case of total or partial eviction of the Buyer for causes, which are not attributable to the Buyer, the seller shall reimburse the expenses incurred by the Buyer.

Article 5

Warranty Against Defects

The Seller warrants to the Buyer that the house is constructed in accordance with this contract and gives to the Buyer a warranty for up to one year for defects connected with the construction of the house. If any defect is discovered during the warranty period, the seller shall rectify the defect.

Article 6

Expenses Connected with Delivery

- 6.1. Expenses connected with the handing over of the house and accessories as well as the necessary documents shall be borne by the seller.
- 6.2. All expenses after delivery shall be born by the Buyer.

Part Three
Obligations of the Buyer
Article 7

Obligations to Pay the Price of the House

7.1. The Buyer hereby covenant to pay the price, of the house, which amounts to
Birr _____
PLUS 15% VAT _____
Total Selling Amount _____
(_____)

7.2. The Buyer has agreed to pay 20% Birr _____ advance payment of the total selling amounts (excluding VAT) upon signing of contract agreement and the advance payment shall be deducted from the proceeds to the Seller in five payments, depicted hereunder..

1st Payment

25% of the price of the house - upon completion of sub-structure concrete works;

2nd Payment

25% of the Price of the house - upon completion of super-structure concrete works;

3rd Payment

25% of the price of the house - upon completion of roofing, wall construction, first & second coat plastering;

4th Payment

15% of the Price of the house - upon completion of first & second coat painting;

5th Payment

10% of the Price - upon hand-over



7.3. Every payment in the preceding sub article shall be subject to 15% VAT

7.4. The above payments shall be effected within fifteen (15) days after the receipt of payment notification which shall be approved by an independent consultant to be appointed by the Seller.

- 7.5. If the Buyer fails to pay the approved amount within the time sated in Article 7.4 the Buyer shall pay to the Seller additional 12% interest and 0.4% damage per day on the unpaid amount.
- 7.6. If the Buyer fails to pay in accordance to Article 7.5 within thirty days, the Seller shall terminate the contract with out giving further notice, and shall claim 10% damage, 10% penalty 12% interest, on the unpaid sum, cost & expenses it incurred on the construction.
- 7.7. Notwithstanding payments stipulated in Art. 7.2, the Buyer can pay the total price of the house in advance.

Article 8

Price adjustment

The Buyer agrees to adjust the price of the house due to increase of the price of construction materials such as fuel, cement, iron, salary scale, and currency devaluation by proclamation or directive of government. Current price of major construction materials and rate of exchange rates attached as annex is an integral part of this agreement.

Article 9

Transfer of Ownership

- 9.1. The ownership of the house shall be deemed transferred to the Buyer upon the handing over by the Seller to the Buyer of the house and accessories as well as all the documents which are required to have the house and accessories registered by the appropriate office of the City Administration of Addis Ababa.
- 9.2. Since the plot of land on which the house sold to the Buyer is built in part on the land leased to the Seller by the City Administration of Addis Ababa for a period of 99 years in accordance with the lease regulation No 3/1994 the site plan and the house plan shall be handed over to the Buyer as soon as the separate plot possession certificate on which the house sold to the Buyer in accordance with this contract is built as well as the house plan are prepared in the name of the Buyer, provided, however, that if the sale of the house is partly financed pursuant to an agreement concluded with a bank, plot possession certificate and the house plan shall be kept in the hand of the lender bank.

- 9.3. Upon fulfillment of the conditions provided in Sub-article of this Article, the risk over the house shall be deemed transferred to the Buyer.
- 9.4. The fact that the title deed of the house is held by a bank shall not affect the transfer of the risk over the house to the Buyer.

Article 10

Assurance for Advance Payment

If the Buyer requires Assurance for advance payment, the Seller shall provide to the Buyer insurance guarantee for payment made by the Buyer in advance of the commencement of the construction work.

Article 11

Place of Payment

- 11.1. The Buyer shall effect payment to the Seller at the address specified in the preamble of this contract or by depositing in the Seller's bank account. Bank receipts shall be sent forthwith to the finance section of the Seller.
- 11.2. The Buyer shall pay the price of the house to the Seller or to his duly delegated representative.

Article 12

Expenses of Payment

Expenses connected with payment shall be borne by the Buyer.

Article 13

Modification of this Contract

- 13.1 The parties to this contract may by a written agreement modify or alter this contract.
- 13.2 In case the plot area is bigger in size during plot measurement from that of the original plot area agreed upon, the Buyer agrees to pay the difference for the additional plot area in the next payment schedules and in case it is smaller in size from that of the original plot area agreed upon, the Seller also agrees to deduct the price for the plot that decrease from the coming payment schedules and modify the contract accordingly.

Article 14
Cancellation of this contract

- 14.1. The Seller has the right to cancel this contract where the Buyer fails to pay the price of the house to the Seller in accordance with article 7 of this agreement.
- 14.2. Cancellation of the contract Pursuant to sub-article 1 of article 13 shall not affect the right of the Seller to claim damages, penalty, interest, cost and expenses in line with sub article 3 of article 7.
- 14.3. Subject to article 13.2 above where the Buyer has made an advance Payment of 20% but fails to discharge his obligations after the commencement of construction work; the Seller does not have the obligation to return to the Buyer the money he has paid until the house under construction is sold to another Buyer.

Article 15
Settlement of Disputes

- 15.1. The parties to this contract shall make adequate attempt to settle any dispute, which arises out of the application of this contract through negotiation conducted in good faith.
- 15.2. Where the attempt fails, the dispute shall be heard and settled by the court having jurisdiction.

Article 16
Applicable Laws

Any dispute arising out of this contract shall be governed by, as appropriate.

- 16.1. The Civil Code of 1960
- 16.2. The Condominium Proclamation No 370/2003
- 16.3. The Re-enactment of Urban Lands Lease-Holding proclamation No 272/2002
- 16.4. The Lease Regulations No 29/2002
- 16.5. The Lease Regulations No 3/1994

These laws shall have relevance to the application and interpretation of this contract.

Signature

Seller

Buyer

Witnesses

- 1. _____
- 2. _____
- 3. _____
- 4. _____



A CONTRACT FOR THE CONSTRUCTION AND DELIVERY OF A RESIDENTIAL HOUSE

This agreement is made and entered between Karakore Real Estate PLC, a real estate development company, registered under the law of Ethiopia and having its head office at Addis Ababa, Kofe Keranio sub city, Kebele 04, House No----- hereinafter referred to as "Developer" on the one part.

And

Mr./Ms. _____

Address: _____

Telephone _____ P.O.Box: _____ E-mail _____ The prospective owner of a residential house to be constructed under the terms of this agreement hereinafter referred to as the "Client" on the other part.

WHEREAS the Developer has secured a land on a lease basis at convenient location in Addis Ababa, Kofe Keranio sub city, Kebele 04/ Karakore area on which it is planning to develop residential houses,

WHEREAS that the location of the land is in the interest of the Client, and the Client is desirous to employ the Developer to build residential house that meet his/her financial capacity and personal requirements;

NOW THEREFORE the Developer and the Client have freely consented to all the terms and conditions contained herein as follows:-

SCOPE OF THE AGREEMENT

The scope of this Agreement relates to Build the residential house on the selected plot of land in line with the specification with utility lines in accordance with the basic standard requirements of the country, Handing over and Transferring the ownership title there of.

TYPE AND SPECIFICATIONS OF THE HOUSE

2.1 The type of the House agreed to be built is _____

2.2 The plot area is _____ square meters located at the Developers site Block
Plot No. _____

2.1 The built up area of the house is _____ square meters.

_____ Ground Floor. (If applicable)

_____ First Floor. (If applicable)

_____ Second Floor. (If applicable)

2.3 The house will have totally _____ rooms the details of which as follows:-

- Bed rooms _____
- living and dining rooms _____
- Kitchens _____
- Bath rooms _____
- Office _____
- Malls room _____
- Laundry _____

2.4 The module of the House, floor area and the number of rooms, type and quality of building materials, specifications and other related plans i.e. structural, electrical and sanitary designs and works shall be in accordance with Annexes attached to this agreement, and shall form an integral part of same.

UTILITIES

The Developer shall furnish the house with utilities i.e. electricity, water and telephone line at its own expense.

REGISTRATION FEE

A registration fee of Birr _____ (Birr _____), which is non refundable in any way is effected by the client to the Developer.

COMMENCEMENT OF CONSTRUCTION

5.1 Unless otherwise there is a force majeure or beyond our control the developer shall start the construction of the house with in three months from the date of signing of this contract.

5.2 If the developer fails to start the construction with out good cause within the time limit mentioned above, the client has a right to invalidate the contract and collect back his/her/ its money. In this case the developer has to refund the client's money as soon as possible with out any preconditions.

PRICE AND TERMS OF PAYMENT

6.1 The price of the House Shall be ? Ethiopian Birr including 15% VAT.

6.2 The Terms of payment of the sales price shall be as follows:-

15% of the total sales price i.e. Ethiopian Birr ? upon signing of the contract.

15% of the total sales price i.e. Ethiopian Birr ? upon completion of the foundation.

25% of the total sales price i.e. Ethiopian Birr ? upon completion of brick work..

25% of the total sales price i.e. Ethiopian Birr ? upon completion of roofing.

20% of the total sales price i.e. Ethiopian Birr ? upon completion of finishing & hand over the key.

6.3 Except the first payment which is 30% of the total price, the remaining payments shall be effected to the Developer within Thirty (30) days after the receipt of the payment notification by the client at his/her/its address

mentioned herein above.

6.4 If the Client fails to effect the payment as provided under article 6.3 He/she/It shall pay to the Developer from the expiry date of the 30 days time limit 0.05% damage per day on the unpaid balance of the matured sum.

6.5 If the Client fails to pay in accordance to Article 6.3. and 6.4 herein above within ninety (90) days, the developer shall have full power to invalidate and bring an end to the contract and shall deduct 20%(twenty percent) from payments effected by the client as damage and return the remaining balance. In case of invalidation of the contract the client shall not pay the damage provided under articles 6.4 of this contract.

6.6 If the Client wants to change the finishing materials standard after the contract agreement, s/he will have to pay the extra cost.

7. HANDING OVER AND TRANSFER OF OWNERSHIP TITLE

7.1 The Developer shall hand over the house within eighteen (18) months from the commencement of construction. If the Developer finds it difficult to honor the period of handing over by factors outside its control, it shall have the right to extend the period for three months.

7.2 The Developer shall ensure that the House is constructed in accordance with the site or floor plan, specifications and designs on the day of handing over. It shall also ensure availability of utilities i.e. electricity, water, telephone line. The Hand over of the House shall be executed in writing.

7.3 Within three months after the hand over the Developer shall give full set of documents to the client to enable the latter to transfer the ownership title of the house and the lease agreement in his/her/its own name. The Developer is also duty bound to facilitate the ownership and lease agreement transfer and to give any assistance the client reasonably requires.

7.4 The client shall cover all expenses and payments for the transfer of the ownership title of the house.

7.5 The Client shall settle the 80% outstanding lease balance. Immediately after hand over of the house by the builder to the client, the lease agreement entered between the builder and the pertinent Regional Government Authority signed on November 23, 2004 shall continue with the Client instead of the Developer. The Developer shall facilitate such arrangement. The rate of the land lease is Birr 319.33/ three hundred and nineteen 39/100 birr/per sq. meter, for 99/ninety nine/ years.

8. DEVELOPER'S GUARANTEE AND RECTIFICATION

8.1 The Developer shall stand responsible for 24 months for any structural defects unless caused by natural causes or mishandling by the Client.

8.2 The Client is duty bound to notify in writing as soon as he/she/it witnesses the defects, if any.

9. APPLICABLE LAW AND SETTLEMENT OF DISPUTES

9.1 The applicable law for this contract shall be the laws of The Federal Democratic Republic of Ethiopia.

9.2 All disputes arising from this contract shall be referred to arbitration tribunal which shall be composed of three

arbitrators

9.3 The party desirous to initiate arbitration proceedings shall elect his/her/its arbitrator and serve a written request to the other party to elect his/her/its arbitrator.

9.4 Within 30 (thirty) days of receipt of the notice mentioned above under 9.3 the other party shall notify the name of his/her/its arbitrator. In the event that the other party fails to appoint his/her/its arbitrator within 30 (thirty) days from the date of receiving the written notice, the case shall be referred and decided by the sole arbitrator appointed by the party who initiated the arbitration proceeding.

9.5 The two arbitrators shall elect the umpire to preside over the arbitration proceeding. In the event the two arbitrators fail to elect the umpire, the Court shall appoint.

9.6 The venue of arbitration shall be in Addis Ababa.

9.7 The decision of the arbitrators shall be non appeal able and final on both parties.

9.8 The language of arbitration shall be Amharic

NOTICE

Any notice to be given under this Agreement shall be in writing. Where the notice is served it shall be sent by registered mail or delivered to the party's address referred in the introductory paragraph of this agreement or to authorize representative, unless either party is notified in writing of a different address to be used.

EFFECTIVE DATE

This Contract shall come in to effect upon the date the parties hereto affix their signatures.

INTENDING TO BE LEGALLY BOUND, this Contract made and executed in

Addis Ababa this _____ day of _____

FOR THE DEVELOPER

FOR THE CLIENT

WITNESSES

NAME

SIGNATURE

DATE

1. _____

2. _____



Signed Declaration

The thesis my original work, has not been presented for a degree in no other university and that all sources of material used for the thesis have been duly acknowledged.

Signature of Candidate

 Amrote Abebayehu

Signature of Conformation by Supervisor

