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## **POTENTIAL AND LIMITATION OF PRIVATE RENTAL HOUSING**

The case of rental houses developed by Loza and Birhanu construction  
plc, Ayer Tena, Addis Ababa, Ethiopia

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A Thesis Submitted to chair of Housing and Sustainable development

This Thesis is Submitted to the Graduate Program Director of Ethiopian institute of  
Architecture, Building Construction and City Development (EiABC), Addis Ababa  
University, in partial fulfillment of the requirements for the masters of science degree  
in housing and sustainable development.

Addis Ababa University  
Addis Ababa, Ethiopia  
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## **Declaration**

I, the undersigned, declare that this thesis is my own and original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged, following the scientific guidelines of the institute.

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## **ABSTRACT**

*The housing delivery mechanism in Addis Ababa, Ethiopia is very few and one of the delivery options is rental housing. But only the public rental housing and kebele houses are considered as an option and neglects the private rental housing for decades, the sector rental housing cover more than 55 % including both public and private rental housing stock. From the 55% of rental housing 37% is the share of private rental housing sector that means more than the half of the market. but the government didn't consider the sector as a significant option for housing development and focused only policies which promote home ownership led by government which is unrealistic and unaffordable means of housing delivery. This study examined and assessed private rental housing developer as a viable option for housing development and search the potentials and limitation for developing the sector as one of housing delivery strategies for the future. And it focuses on private rental housing developer and houses constructed by Loza and Birhanu Construction plc. The research used case study method for in depth analysis of the sector; the cases are selected only houses constructed by LBC. Plc. And the data were collected using questionnaires, interview, and analysis of documents and related literatures. The end result and findings revealed that private rental housing sector has a positive impact on the housing delivery mechanisms. Furthermore, private rental housing provision strategies needs a policy support by government and appropriate revision on the housing delivery approaches including some policy instruments focused on rental houses developed by private sector.*

**Key words:** *Rental housing, private rental housing, private rental houses developers, rental housing policy instruments, Addis Ababa.*

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## **LIST OF ACRONYMS / ABBREVIATIONS**

CSA	Central Statistical Agency of Ethiopia
ESA	Ethiopian Standard Agency
ETB	Ethiopian birr
FHC	Federal Housing Corporation
IHDP	Integrated Housing Development Program
LBC	Loza and Birhanu Construction plc.
MUDC	Ministry of Urban Development and Construction
PPP	Public Private Partnerships
PRH	Private Rental Housing

## **LOCAL TERMS**

Kacha	– false banana fiber
ETB/Birr	– Ethiopian currency
Kebele	- the smallest level of urban administration
Woreda	– the lowest administration level
Idir	– social money saving association for emergency time
Equb	– social money saving system

## **GENERAL NOTES**

All tables, figures and boxes without source are prepared by the author.

The calendar used in the whole content is Gregorian calendar.

The photos in the document are all taken by the author.

Ibid: it means referring to a previously cited source with in the same paragraph.

# CHAPTER ONE

## INTRODUCTION

### 1.1 GENERAL BACKGROUND

Millions of people in developing and developed countries are tenants. Government should not close their eyes to reality. They should not perpetuate the myth of the achievability of universal home ownership. Instead, they should accept that millions of households live in rental housing and that at some point in their lives most people need rental accommodation (UN-Habitat, 2003).

In Ethiopia generally and specifically in Addis Ababa the provision of housing differs in related with the governmental structure and rhetoric there are different policy and strategies in different governmental regime. The historical background of housing and land policy in Ethiopia can be classified pre-1974 and post-1974 because of the revolution in every aspect in the country including housing. In Ethiopian before 1974 land was under private ownership legally according to proclamation 1907 (UN-HABITAT, 2007).

The other historical coincidence was the occupation of Italian fascist for five year the capital city and the migration of peoples from rural areas to the city then it increases the housing shortage.

After the Italian force defeat in 1941 the growth and migration to the capital city and the demand for housing increase and the houses built on the existing subdivision of lots to supply affordable rental housing but the houses built was poorly built and did not have basic facilities such as toilets and water supply but the first rental housing scheme started at that time. Moreover, most of the houses didn't have permits according to situational analysis of informal housing in Addis Ababa,2007 only a one fourth had municipal permit and about 95% of privately-owned land in pre-1974 Addis Ababa was in the hands of only 5% of the population.

During the post 1974 “land to tiller” revolution change the existing situation with the new ideology and the Derg regime issued a proclamation Number:47 that all rural and urban lands nationalized including urban rental dwellings in Ethiopia. The proclamation allowed citizens to own only one residential house per household but there was no restriction on the number of businesses which could be held by individual or a group. The new law didn't make any distinction between rich and poor property

owners when nationalizing of the houses. As a result, poor land owners who had rented parts of there already a small house for rent money was taken from them. The proclamation did allow ex-landlords to get an allowance not more than 250 birrs if they had no form of income other than rent.

Proclamation no.47 put all rented units of more than 100 birr under the management of a newly created institution called the Agency for the Administration of Rental Houses (AARH). The remaining rental houses which rent less than 100 were also placed under a newly-created institutions namely, the neighborhood associations or Kebeles. The size of the Kebele ranges from a couple of hundred households to a thousand household. The Kebele is the lowest office for the municipal government and the officers in theory were elected by the local people. When the proclamation came out, 60% of the housing in Addis Ababa were rental units and the units brought under the Kebele's control accounted for about 93% of all rental accommodations in the city (UN-HABITAT, Situation analysis of informal settlements in Addis Ababa, 2007).

After socialist regime in Ethiopia, A new urban housing policy was introduced in 1986, which included measures such as providing standard house plans free of charge to cooperatives, cutting the maximum plot size from 500 m<sup>2</sup> to 250 m<sup>2</sup>, creating a government enterprise to provide building materials to cooperatives at controlled prices, and reducing bureaucratic delays to legalizing cooperative membership. This approach was subsequently overtaken by the Condominium Housing Program which led to the unintended promotion of private rental housing because the intended beneficiaries could not pay the debts associated with it and then started to rent it out to higher income groups. (UN-HABITAT V-7, 2011).

## 1.2 PROBLEM STATEMENT

Rental housing today makes up a large proportion of the urban housing stock in many African countries and in many other countries around the world (UN-HABITAT V-7, 2011). Specifically, in African cities like In Kisumu, Kenya, 82% of households were living in rental accommodation in 1998; in the same year, 60% of households in Addis Ababa and 57% of those in Kumasi were also renting their homes. However, the rental housing sector is much neglected sector in the provision of housing polices and strategies but the demand for new urban housing and private rental housing increase. The housing provision forecast for 2011 indicate that 58.8% of housing in Addis Ababa is delivered by the rental sector, 37% is the share of the private sector and the rest is taken care of by the public rental sector, primarily the Kebele (CSA, 2007). Though the figures tell a lot about the importance of the private rental housing sector in the housing delivery which cover more than half of total rental sector in the market of Addis Ababa; but the attention given is relatively small.

Moreover, the demand for the private rental housing in the formal sector reported by World Bank in 2019 housing survey indicated that many IHDP beneficiaries rent out their units and become landlords the figure showed that 53% of the households are private tenants and only 41.6 % are owners of the units.

Hence, improving the supply of private rental housing is quite necessary and can be the other option for housing provision. It can also improve the performance of urban areas by increasing density and support the economic sustainability of ownership through household rentals. Regarding the rental sector there is few studies specifically on industrial park works housing condition (Selamawit, 2019), Financializations and Rental Housing (Brighid Sammon, 2019) and other studies are more focused on public rental houses (Yehanew, 2016) houses, Keble houses (Yohannes,2014) and Ethiopian housing policy assessment study (Matsumoto, T. and Crook, J., 2021). But to the best of my knowledge there is no research on private rental sector available according to previous researches conducted in AAU and EiABC specifically and it is difficult to find one done on the private rental sector. Therefore, the research is in response for the aforementioned gap which is neglected private rental housing provision sector focused on the private rental housing sector development. In addition, this study can be additional resource to the subject matter and relevant to suggest and consider private rental housing sector as additional housing delivery strategy. The research focuses also on the spatial and physical condition of houses and issues related to tenancy was discussed in the research.

## **1.3 OBJECTIVE**

### **1.3.1 General Objective**

The general objective of the research is to study the Potential and limitation of private rental housing through the case analysis of rental houses developed by Loza and Birhanu construction plc, Ayer Tena, Addis Ababa, Ethiopia.

### **1.3.2 Specific Objective**

- To study the development process of private rental housing in *LOZA AND BIRHANU CONSTRUCTION PLC*. for housing development, Addis Ababa.
- To analyze the limitation and opportunities of private rental housing developer (LBC) for housing development in Addis Ababa.
- To identify the possible alternative solutions for housing delivery mechanism and recommend strategy through private rental housing developer (LBC) for housing development in Addis Ababa.

## **1.4 Research question**

1, What was the planning process for developing private rental housing in Addis Ababa?

1.1, What was the first initiation and business model to develop private rental houses?

2, How was the implementation process for developing private rental houses?

2.1, How was the process of land acquisition for developing private rental houses?

2.2, How was the Construction and design process of constructing the private rental houses?

2.3, What is the legal frame work of management and regulation between tenants, developer and other stakeholders?

3, what limitation and potentials are there in development of private rental housing in Addis Ababa?

After studying the case in depth, the fourth normative question was:

4, How could the private rental housing sector be an alternative viable option for housing development in Addis Ababa?

## **1.5 SCOPE AND LIMITATION OF THE STUDY**

### **1.5.1 Thematic scope**

The thematic scope of the study is limited to the analysis and assessment of private rental houses in Addis Ababa developed by private rental houses specifically LBC plc. In relation to development process, implementation process and what limitation and opportunities are there in private rental housing development. The literature review also focused on the private rental sector and schemes the issues raised related to rental housing supply and demand. But issues relate with rent control, policies and financialization are not the main focuses of the research; but discussed roughly for the sake of discussion and recommendations. The research main focuses and answers were posed on the research question only.

### **1.5.2 Spatial scope**

The research main focus is on the private rental houses constructed and managed by LBC plc. In Addis Ababa specifically in Ayer Tena area. The selection of the case study and data collection will implement on houses constructed in Ayer Tena area; the case study chosen because it is managed by the developer.

### **1.5.3 Limitation**

The houses constructed and managed at the same time by the company are few in number and the sample size is reduced. The other factor there is no sufficient information and experience by the government side and there are few contextual literatures available on private rental houses development.

## **1.6 Significance of the study**

The study significance will be depending on the general objective of the research. The research focusses only on private rental housing which makes the research unique in terms of rivaling the fact that the challenge of private rental housing sector and the negligence of the government on delivering rental housing as an option for housing development. And it will be significant for those who need such kind of research perspective in the field of study in academia with regards to private rental housing development and it will be viewed as a resource for researchers, policy makers and commercial enterprisers to understand the application, limitation and opportunities of private rental housing delivery model.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Housing and Tenure**

It is necessary to understand what housing mean is and the tenure issues related to housing or home ownership before discussing the topic of private rental housing. According to different scholars in different literatures housing defined as in terms of physical and social aspects. According to Omole (2010) define housing as a unit of environment which includes the physical structure used for shelter, all necessary services, facilities, equipment and devices needed or desired for the family's and individuals' physical and mental health, as well as their social well-being. Accordingly, housing is neither a mere shelter nor household facilities alone. It is an essential need that links such individuals and his family to the community in which s/he is involved in.

From the perspective of residences preference and choice according to their financial status housing can be defined as a mass-produced consumer product, human use values must be substituted for material values. It also states that; housing problems were defined as functions of mismatches between people's socio-economic and cultural situations and their housing processes and products; and as functions of the Waste, mismanagement, or non-utilization of housing resources. It argues that housing should not be stated in terms of standards unit deficits, housing solutions can no longer be proposed in terms of unit production or productivity. (Turner 1976)

Moreover, rental housing sector is one type of tenure according to Donner (2000) housing tenure gives occupants certain kind of right at the same time, limitation. So, tenure type can be categorized based on the ownership right which can be limited at some level Donner categorize these tenure types as follow: First, Full Ownership: it is typically used for single-family homes that are owned by the owner, financed with a mortgage loan, and include all ownership rights. Second, Co-ownership: it is usually for multifamily dwellings, which are owned by co-owners, financing with mortgage loan, and entitling to all attributes based on group agreement.

Third, Common property: it is usually for multifamily dwellings, which are owned by shareholder of a housing cooperative, financing with capital share, with social functions.

Fourth, Shared ownership: Tenants usually have part of the ownership, financing with capital share and limited disposal right. And the last with the least ownership right is Non-ownership: Occupant pays rents and no right to dispose the dwelling. The owner and occupant are separated in the only type of home.

## **2.2 Rental housing**

The housing policy of most nations found on increasing home ownership. From policy perspective, owning a home had been considered intrinsically good and it's considered preferred type of tenure because it provides owners with security and financial benefits. But in all countries a significant percentage of population live in rental housing. It had been uncommon for rental housing to be considered part of countries housing strategy (Ira Gary Peppercorn and Claude Taffin, 2013).

### **Definition of rental housing**

A rental property is one in which the owner receives payment from the occupier in exchange for the occupant's or user's use of the property. Residential or commercial rental properties are available. Rental housing, according to another researcher, is property held by someone other than the resident or a legal body for which the resident pays a periodic rent to the owner. There is no obligation for the owner to sell or for the resident to buy the occupied unit in pure rental housing developments. It's merely a written or verbal agreement between a tenant and a landlord to rent a home for a set period of time at a set fee (Ira Gary Peppercorn and Claude Taffin, 2013).

## **2.3 Rationales behind developing rental housing**

There are lots of reasons for developing rental houses as an option for additional housing delivery scheme but it is rarely promoted scheme comparing with other housing delivery options, but the sector covers a wide range of markets from high income level dwellers to low-income occupants in informal and formal rental housing. Nevertheless, most governments encourage home ownership in developing countries which result negative perceptions on rental housing sector. Instead, they should accept that millions of households live in rental housing (Ira Gary Peppercorn and Claude Taffin, 2013).

The question is what is the reason behind governments should stimulate the rental housing sector?

The benefits from the rental housing sector are First, it helps the urban core in developing or redeveloping. second, it provides shelter to transitional workers and to those who are poor or disabled and the last one is giving short term workers flexibility and mobility. Rental housing offers numerous benefits as follow:

### **A, Increasing urbanization**

Home ownership has the potential to exacerbate urban sprawl. This is especially true when employees buy residences that are far away from their office. The cost of ownership in central cities is often expensive, but as the distance from the city center grows, the cost decreases. Working away from home exacerbates traffic congestion, contributes to pollution, and increases the cost and travel time for employees. A thriving rental housing market in the city center can assist to alleviate these issues and potentially revitalize the city center itself.

### **B, Worker's mobility**

Vibrant rental markets are necessary for workers' mobility. It is much easier and less costly to move when a person is a renter than when he is an owner. Selling a house is more difficult than finding rental housing. Ownership can create disincentives to relocate closer to jobs, becoming a "mobility trap." Imagine a tenant who needs to change his or her place of employment to another city. Thus, rental housing can have an advantage in societies that are going through rapid changes in the structure and localization of employment, as in many transition countries (Brzeski, Dubel, and Hamilton 2006). Although renting the owned property to renters and renting a home in the new city is possible in some situations, there are practical considerations. The reason for the job moves could be because of a poor economy in the current location. This could make the owned home difficult to rent, at least for the amount that is needed for mortgage payments.

### **C, Family wealth**

If the property's value has increased or sufficient payments have been made, the main residence is usually the major component of a family's wealth, especially among low-middle-income households (assuming that the property value has not declined). Although this wealth might give these households a significantly positive balance sheet,

in many cases it exists on paper only, at least until the residence is sold. Equity loans including second mortgages and reverse mortgages enable owners to “unlock the housing value,” but such products are available in only a limited number of countries. If funds are available, a strong rental sector is required to provide consumers with a wider range of asset investment options. Rental housing generates income that supplements other kinds of income as an investment. In some countries it may also be a substitute for insufficient or volatile pension systems, thus becoming a critical element of welfare improvement for the elderly. In other words, having rental property provides an owner with a stream of income after retirement, whether in addition to or instead of a pension.

#### **D, Affordable shelter**

Finally, rental markets can provide housing for families who are unable to own a home. The quality of rental units varies as much as a country's population. An informal rental unit in a slum in poor condition; a market-rate apartment in good condition that is affordable for service or factory workers; a small multifamily property that a young person rents from a relative; and a shared unit or public housing for an elderly person with very little or no income are all possibilities. The quality of the shelter supplied in these units is a key factor in determining where government initiatives should and should not be focused in order to expand or enhance the rental housing market.

#### **2.4 Rental housing and its features**

One of the main features of rental housing is the diversity and kind of different rental accommodation. According to UN-Habitat there are nine kinds of rental accommodations; rooms in subdivided inner-city tenements; rooms in custom-built tenements; rooms, beds or even beds rented by the hour in boarding or rooming houses, cheap hotels or pensions; rooms or beds in illegal settlements; shacks on rented plots of land; rooms in houses or flats in lower or middle-income areas; Employer-provided housing; public housing; and sleeping quarters rented at work, in public areas, and even in cemeteries. In terms of size, construction, ownership, income level, rental period, rent fee, profitability and legality there are different range of characteristics (UN-HABITAT, 2003).

Table 1: The diversity of rental housing

<b>Variable</b>	<b>Range of characteristics</b>			
<b>Size</b>	Shared room	Room with access to shared services	Self-contained small	Self-contained large
<b>Construction</b>	None – lot only	Shack/garage	Deteriorating central area tenement	High rise or Detached
<b>Ownership</b>	Private	Social	Employer	Public
<b>Private ownership</b>	Small scale lodging	One or two rentals property ownership	Large individual	Large scale commercial
<b>Income</b>	Very poor	Poor	Middle income	High income
<b>Rental period</b>	Hours	Monthly	Yearly	Permanent
<b>Rent</b>	Free	Cheap	Moderate	Expensive
<b>Maintenance</b>	Dangerous	Substantial problems	Minor problems	No problems
<b>Landlord-tenant relationship</b>	Familial	Informal	Semi-commercial	Commercial
<b>Profitability</b>	Loss-making or subsidized	Low	Medium	High
<b>Legality</b>	Illegal	Legal contract in illegal dwelling	No contract in a legal dwelling	Fully legal

Source: UN- HABITAT, 2003 an essential option for the urban poor

## **Demand and supply of rental housing**

The key players in the rental market are the owners which are the potential suppliers and tenants that are potential demand in this sector.

### **Owners or landlords**

The owners can be classified as: individuals or small-scale owners, institutional investors, nonprofit or limited-profit providers of social rental housing, including government (Ira Gary Peppercorn and Claude Taffin, 2013).

#### **Individuals or small-scale land lords:**

These are landlords who own and rent one or a few apartments; they might be formal or informal, and the units are rented to low- and middle-income people. The rent money mostly covers household expenses, and for some landlords, it is their only source of income. Many property owners keep their properties "off the books" so they don't have to pay taxes or comply with what they regard to be oppressive rules and regulations. In many Latin American countries, this is the case. Others do so because the unit is unstructured, as is the case in Sub-Saharan Africa. Landlords have been known to construct properties on land whose ownership is unclear, then rent the units.

**Institutional investors or commercial landlords:** such kind of landlords are medium and large-scale rental sector operators and act in a more professional way which is related with short- and long-term profit and they are using formal rental control agreements with tenants. Often, they prefer to target higher income tenants so as to limit their risks related to rent fee.

**Social rental housing or social landlords:** in this category the rental housing is provided by non-profit-making organization and developed for specific group of population, such as low-income families, the disabled, and families that have been relocated because of development or disaster (Ira Gary Peppercorn and Claude Taffin, 2013). Public rental housing is a common housing delivery method developed by government with cheap rental accommodation (UN- HABITAT, 2011).

**Employer landlords:** organizations which provide rental accommodation for their employees can be categorized in this sector. They can be universities for their staffs, hospitals, government for members of the military. The main focus of such organization is to minimize the expense burden of their employees they spent for rent and to maintain employee's satisfaction in the company.

## **Tenants**

There is no stereotypical their demographics vary as wide as those of the city or countries. The rental market is a natural alternative for households that do not have enough income to acquire a home or do not have enough formal income to qualify for a mortgage, have not saved enough to meet down-payment requirements for ownership, or simply do not want to own a home.

While some people may afford to buy a home, others cannot or prefer to rent in order to save money to bring home. Some even own property or a home in their neighborhood. Their dream is to return home, and staying in the city is only a transitory circumstance for them. Professionals in metropolitan regions who want to live in the city center but don't want to own a residence because they want to remain mobile. (Ira Gary Peppercorn and Claude Taffin, 2013).

According to UN-HABITAT there are six major kind of tenants (UN-HABITAT, 2011) which are : Low income households: who are tenants they can't afford to buy a house because of economic constraint, Migrants: tenants they do not intended to stay for long period of time, Younger peoples: tenants who are housing starters and young couples, Single parent households and divorces: because of their family size they tend to rent their own home after divorce and rent other small accommodation, People with different priorities: those tenants are mostly professionals and business mans that they can own a house but they choose to be mobile, the last one is based on Gender: in cities where poor families tend to rent female based households are in majority because of their low income.

In addition to this, there are tenants by choice and tenants by constraints. And tenants by constraint cover the largest market in the sector these are slum dwellers or squatters, workers who migrated for employment purpose, families who have no access to credit for down payment or they irregular income. And the other side tenants by choice are less in number these are: young couples and singles who wants to remain mobile, middle- and upper-income professionals who do not desire home ownership, students, empty nesters who want to down size after their children have grown are included in this sector (Ira Gary Peppercorn and Claude Taffin, 2013).

## **The supply of rental housing**

Rental housing mainly provides by three major sectors which are public rental housing, social housing and private rental housing. But in most countries around the world public and private rental housing cover the large amount of supply need. Supply side of rental housing can be classified and illustrated as follow:

### **Public rental housing sector**

Although this sector is less widespread now than it once was, it continues to provide substantial numbers of housing units in many cities across the world, particularly in China and India and some transition economies (UN-HABITAT, 2011). In African countries, for example in Kenya, Malawi and Tanzanian a good number of rental housing schemes were created to provide subsidized accommodation within local authority jurisdictions, mostly through 'national housing corporations.

When providing public rental housing governments use two approaches. First, providing rental or rent-free housing units for public sector employees including employees of various government agencies. Second, the government try to deliver subsidized housing, which is proving rental unites to vulnerable low-income groups, migrants, slum evictees or fire victims. But since the investment cost is too high to construct enough units, it is difficult to satisfy the rental housing demand (UN-HABITAT, 2011).

The landlords may be central government agencies or local governments; some provides only for their employees while others rent out to the urban poor. Public housing was a frequent reaction to urbanization and the urban housing crisis in western capitalist, European and Asian socialist, and emerging countries during the twentieth century. Yet by the Millennium it was widely perceived as a failure; criticized when it excluded the poorest and most vulnerable, yet condemned when it created concentrations of poverty (Chen et al, 2014).

### **Social housing**

The definition of social housing varies greatly in different from one country to another country. But in this research the term social housing considered nonprofit private companies which provide housing for poor and deprived minority groups like immigrants and the elders. Social housing also includes housing accommodation provide by cooperatives, charities and housing association.

In many European countries, the public sector has sought increasingly to transfer the responsibility for looking after lower income groups to the social sector. In the United Kingdom, much of the responsibility for accommodating poorer households has been passed from the local authorities to housing associations.

Of fact, because subsidized state housing was much less popular in underdeveloped countries, the transition to market forces was less traumatic. In practice, few countries have a lot of affordable social housing. Only South Africa seems intent on developing a social housing sector with a capacity for producing housing for rent at affordable prices (UN-HABITAT, 2003).

### **Private rental housing sector**

#### **What is private rental housing?**

Private rental housing is dwellings owned by individuals or corporations and rented to households. The rent is a source of income for private landlords the apartments are mostly built with an intention of profit. Sometimes the private rental sector is regarded as a sector where dwellings are distributed through the market. Access is allocated by ability to pay and rent level is determined by supply and demand (Van der Heijden and Boelhouwer, 1996). Usually, it is the richer section of the society that own and the tenant's families seem to be poorer. The private rental housing is a good and safe business to be involved in many countries.

The private sector, and increasingly small investors, have provided the great majority of rental housing around the world. Some Western European countries are notable exceptions. Some firms continue to invest in rental housing in Denmark, Finland, Germany, and Switzerland, and in France, banks, insurance companies, pension funds, and real estate companies rent out one eighth of the total housing stock (UN Habitat 2003).

The vast majority of landlords in Asia appear to work on a modest basis as well. In India most landlords were found to be operating at the individual or household level. Similarly, in Pakistan, most landlords operate on a small scale and in Karachi, large scale landlordism of build structures are almost nonexistent (UN Habitat 2003).

The private sector, and increasingly tiny land lords, provide the majority of the world's rental housing. Small scale land lords informal or formal are by far the most common; they build accommodations with whatever capital and space they have, for the purpose

of earning income. Commercial landlords are more professional and operate on a larger scale. With the exception of social and employer landlords, which may be provided by the public sector but are primarily provided by the private sector, this sector encompasses four of the five types of landlords mentioned above; both may be provided by the public sector but are primarily provided by the private sector.

As a result of the problems associated with public housing production and delivery, state involvement in housing has been declining in most African countries. In addition, the private sector (both official and informal) has emerged as the primary source of most urban rental housing for high, moderate, and low-income households, with government assistance occasionally provided (UN-HABITAT, 2011).

### **Empirical review**

The growth of urban population directly affects the urban household formation according to World Bank (2015) the annual growth rate of Ethiopian population between 2007 and 2012 were 4.8% while the growth rate between 2012 -2037 will be approximately 5.1%. This growth rate means that the country will move from an urbanization rate of approximately 20.4% - 22% in 2007 to a 38% by 2037. When translating urban population growth in to urban hold formation the number of new urban households will be approximately 4.1 million by 2027 and approximately 9.7 million by 2037. (World Bank, 2019). So, this growth rate significantly affects the supply side of housing and the demand will outpace the supply. Assuming a one-to-one relationship the growth in the number of new dwellings requires as per World Bank estimates, will average 381,000 per year between 2007 and 2037.

Demand for formal housing is increase time to time as evidence there is a very high rental accommodation in the IHDP blocks based on the World Bank analysis and the survey indicates 53% of IHDP blocks are rent out for tenants and only 41.6% are occupied by their owners. This shows the vibrant rental market in the IHDP blocks.

Despite the neglect of rental housing the rental housing market covers large section in the housing provision sector both formally and informally fill the gap.

The rental market specifically the private rental market is more affordable to the poorer households in the informal private rental sector. But the median rent households or tenants in Addis Ababa significantly lower comparing with informally constructed houses which cover only 14.8% and tenants who would like to rent formally constructed

houses like IHDP covers 52.4%. Which indicate the rental market is more conformable for medium income level households. (World Bank, 2019)

## **2.5 Global experience**

### **Republic of Korea**

The private sector dominates the rental housing market in the Republic of Korea, as the stock of public rental housing remains minimal, despite recent growth. The private rental sector is closely integrated with the owner-occupied market through a unique type of rental system, the chonse.

#### **2.5.1 Description of the Rental Sector**

Over the past two decades, Korea has succeeded in eliminating a serious housing shortage by expanding its housing. Between 1990 and 2009, the housing stock more than doubled, rising from 7.36 million to 14.68 million, while the number of "ordinary" households (those excluding single-member households) grew from 10.2 million to 13.2 million.

The housing supply ratio, defined as the ratio between the number of dwellings and the number of ordinary households, rose from 72.4 to 111 percent during the same period. The supply of new housing from 1992 to 2010 the annual supply of new housing averaged 528,000, of which 356,000 came from the private sector. On average, the public sector contributed 172,000 units per year. The yearly average rental unit output was 96,000, with the public sector producing 60,000 units (35 percent of total production) and the private sector producing 36,000 units (10 percent of that sector's production). These rental units include rent-to-own units, which are sold to the renters 5 or 10 years after the initial occupation.

#### **2.5.2 Distribution of Tenure**

According to the 2010 census, the total housing stock was 14.68 million units (including 800,000 vacant units); apartments represented 8.58 million (58.4 percent of the total). The respective figures for Seoul were 2.53 and 1.49 million (58.8 percent of the total). In terms of tenure, owner-occupiers made up 54.2 percent of all households. Because some owners were living as renters elsewhere, the home ownership rate was estimated to be 61.3 percent. The home ownership rate in Seoul was 51.2 percent.

Rental tenure in Korea is complex. Monthly rentals with small security deposits, which are a typical lease form in most other countries, make up only a relatively small share

of the housing market in Korea. Instead, chonsei, which accounted for 21.7 percent of all households in 2010, is the most popular leasing contract. A chonsei contract requires the tenant to pay a lump-sum deposit to the landlord at the time of lease signing and does not require the tenant to pay monthly rent during the lease duration. The deposit, which is currently about 50 percent of the price of the house, is refunded in full to the tenant at the end of the lease. The landlord invests the deposit in such a way as to recoup a return comparable to the monthly market rent or higher. The chonsei is unique in that it is not just a rental contract. It is an informal housing loan made by the tenant to the landlord for the right to rent an apartment at no monthly cost. The owner can combine the deposit with his equity and secure a mortgage on the property, if necessary. The level of the deposit relative to the price of the unit is affected by financial market conditions, overall housing market conditions, and the anticipated capital gains.

### **2.5.3 The Stock of Rental Housing**

Public rental housing constitutes a very small portion of the housing stock. As of the end of 2010, 805,841 rental housing units (5.5 percent of the total housing stock) were controlled by the public sector, including the Land and Housing Corporation and local governments. Renters' eligibility for public rental housing is set by the government on the basis of income and family characteristics, and rents are set at a level below market rents.

As in many other countries, individuals who own a small number of rental units provide the vast majority of rental housing in Korea. In addition, 592,000 private rental-housing units were owned by private developers, to be converted to owner-occupied units in 5 or 10 years in a rent-to-own scheme. Private institutional investors, such as real estate investment trusts, are not involved in the rental housing business.

### **2.5.4 Rental Housing Quality and Rent Burden**

The quality of chonsei-assigned rental housing is comparable to that of owner-occupied dwellings. The quality of public rental housing constructed in recent years is comparable to that of owner-occupied homes.). Some smaller and older units used to be available on monthly rental contracts, but monthly rental leases have become more popular in recent years for all types of housing with all quality categories.

A popular measure of the rent burden is the percentage of income spent on rents. The chonsei deposit was translated into a monthly rent using a needed yield of

approximately 10% because chonsei is the most common tenure type. A monthly rate of 0.98 percent was used in 2008.

### **2.5.5 Reasons for Renting**

Those who cannot afford to buy a home may sign into a chonsei contract, which is viewed as a kind of forced savings by some. When house prices are expected to fall in the future, as they have in recent years, some would-be home buyers stay tenants. In the instance of Seoul, some homeowners rent out their homes to live in a different location as tenants for career reasons or to send their children to public schools in more popular school districts. According to the 2010 census, 15.5 percent of Korean households and 18.1 percent of Seoul households that owned a home were renters in another home.

### **2.5.6 The Legal Framework**

This section describes the legal framework governing the rental-housing sector such as tenant protection, taxation, and financing.

#### **A, Tenant Protection**

The Tenant Protection Act is the primary statute that governs private renting agreements. The standard contract period is two years, and the tenant does not have a right to renewal of the lease. There is a 5 percent cap per year on contract rent at renewal. The act also provides for protection of the chonsei deposit up to a certain limit, if the tenant reports the starting date of the lease. At the time of writing, there was debate over the revision of the act to introduce a provision for automatic renewal and a ceiling on the rate of rent increases. The process of eviction and repossession follows the civil law. Landlords' property rights are preserved, despite the fact that the legal provisions benefit tenants.

#### **B, Taxation**

Rental income is taxed at the same rate as other incomes. The maximum rate is 35 percent, and there is a 10 percent surcharge called the residence tax. Since 2002, however, the implicit income from a chonsei deposit has not been taxed for two reasons: (a) it was thought difficult to demonstrate the actual cash income; and (b) some returns on a chonsei deposit, such as interest income on a bank deposit or dividend on stocks purchase using the deposit, is taxed separately. Starting in 2011, a chonsei deposit on a home owned by a family with three or more homes will be taxed. The taxable income

is the amount of the deposit in excess of W 300 million multiplied by the interest rate on a one-year time deposit. No deduction is allowed for depreciation or maintenance. Korea has promoted the concept of one owner-occupied house for each household and discouraged the ownership of more than one house. In fact, Korea has a unique capital gains tax system whereby the tax rate gets higher as the number of houses owned grows. The normal tax rate ranges from 7 to 35 percent, depending on the amount of assessed capital gains. An exemption is granted to long-term (five years or longer in Seoul) owners of only one house worth less than W 900 million. Owners must fulfill a residence requirement, which is three years in Seoul. The second house is taxed at 50%, while the third house is taxed at 60% and above. The owners of two or more houses as well as those of one house worth more than W 900 million must also pay comprehensive real estate tax in addition to the local property tax. Those who register as landlords and rent their homes for three years or longer are eligible for tax breaks, although the rules for qualification alter over time as the government policy changes depending on the phase of the housing market cycle.

### **C, Loans and Guarantees**

The National Housing Fund (NHF), a government fund controlled by the Ministry of Land, Transport, and Maritime Affairs, allows rental housing providers, including rent-to-own units, to borrow money. The Housing Credit Guarantee Fund (HCGF), a government credit-guarantee scheme managed by the Korea Housing Finance Corporation, offers a guarantee for developers that seek funding from private financial institutions.

The chonseil tenants are given loans to help with their deposits, and the HCGF backs them up. For qualifying moderate-income tenants, the NHF and municipal governments offer chonseil deposit loans. The interest rate is set lower than the lending rate for mortgages on the relatively rare occasions when deposit levels fall, NHF extends loans to landlords to enable them to repay chonseil deposits to tenants. This happened during the Asian financial crisis and the global financial crisis.

### **2.5.7 Support to Private Rental Housing Production**

The government allocates developable land to the producers of rental housing at subsidized prices. A subsidized interest rate is also available from the National Housing Fund. In return, the level of rents and the sales price of the units at the end of the lease period are regulated by the government.

### **2.5.8 Direct Subsidies to Tenants**

There is a government program for a rental subsidy for the lowest-income households. This is provided as an integral component of a welfare program, and, for that reason, is considered a cash support to top up the welfare allowance. The introduction of a housing voucher scheme has been discussed in recent years, and the Ministry of Land, Transport, and Maritime Affairs has been promoting it as a pilot project. The pilot project suggested for 2010 and 2011 was not even given a tiny budget by the Ministry of Finance. The fundamental argument was that if the program were implemented on a large scale, the cost would be prohibitive.

The Seoul city government introduced a rental subsidy scheme of its own in 2009 and planned to expand it in the future. The voucher program is for those with income less than 120 percent of the minimum living expenses determined by the government each year, and those who are disabled or live in single-parent homes are entitled to 150 percent of the minimum living expenditures. The amount of the subsidy is modest at W 43,000–65,000 per month. The number of recipients in 2011 is expected to be 8,200; the Seoul city government plans to increase that number to 50,000 by 2020.

### **Conclusion on the global experience**

Private rental sector is experiencing some fundamental changes. Rental housing has long been a residual sector to owner-occupied housing. More renters have chosen to rent in recent years, resulting in an increase in chonseil deposits and rates. This trend is likely to continue as the price of housing stabilizes and population aging proceeds. A key question concerns how the supply of rental housing can be increased to meet increasing demand. Some suggest that the supply of public rental housing should be increased, although this will be highly expensive. Another issue relates to making rental housing more affordable. Politicians support the implementation of some type of rent regulation and a national program of housing voucher is being considered.

Moreover, from the experience of Republic of Korea government the approach of different housing schemes helps the citizens to afford and chose as per their income level and interest. Therefor as a conclusion from the global experience of the case analysis the Ethiopian housing policy need some modification on the instruments or housing delivering mechanisms by adding different ladders or schemes in the policy framework which help the peoples to select as per their own capital and long-term program.

## 2.6 Conceptual frame work

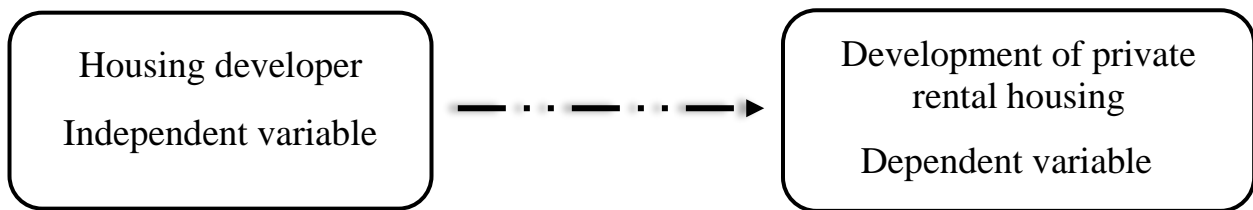


Figure 1: conceptual frame work for the study

The conceptual frame work developed according to the study objective which is to study or asses private rental housing developer for housing development. In this research the dependent variable is development of private rental housing and the independent variable is developer of private rental housing.

The development of private rental housing will be considered in accordance with the demand side of the housing market. And the housing developer can be seen as one of the suppliers on the sector specifically the private sector on this study.

## **2.7 Contextual review**

### **2.7.1 Rental housing development**

The Ethiopian housing sector has gone through different policies under different government structures. Generally, the Ethiopian housing policy can be classified under three eras, which are pre-1975 revolution, during the Derg regime (socialist regime), and the current situation.

The housing provision under imperial dynasty or pre-1975 revolution characterized as free market where landlords construct residential houses and leasing urban lands without any kind of restriction and there was no limitation imposed by the government on the buying and selling of houses and it is difficult to say the government had policies and regulation regarding to housing. (Tegegne G/E and Daniel S., 1997).

The situation that there were no national and municipal authorities led to escalation of urban land price and forced the majority of the people live in crowded places which was owned by few landlords.

After the down fall of the imperial dynasty the so-called military regime has come in to power with socialist ideology. The regime came with policies that are categorized into implicit from 1975-1986 and explicit in 1986 housing policies.

The government's implicit housing policy was primarily manifested in Proclamation No.47/1975, and its promulgation was necessary in order to eliminate the huge occupation of urban land that existed at the time by insignificant number of feudal lords, aristocrats, high government officials, and capitalist. The occupation of urban houses which are suitable for different purposes by few individuals and due to the exploitation of the majority of the population through payment of rent for the land lords have also played its part for the enactment of the law. (Proclamation No. 47/1975 preamble, paragraph 2 and 3) In accordance with this proclamation the transitional military regime had nationalized in the name of the public all urban lands and extra houses as per Article 3 and 13 respectively. Consequently, since the coming into effect of this proclamation, the role of private rental sector was totally abolished and it was assumed to be performed by the government in general and by the special agencies authorized for this purpose. (Tegegne G/E and Daniel S.,1997).

The explicit housing policy in the year of 1986, it had issued a directive around the year of 1984 to ban all kinds of urban land allocation all over the country until a national

housing policy would be formulated in light of its socialist ideology. Following the directive's issuance, and until the adoption of Proc.No.92/1986, no new residential houses were built and such decision of the government has exacerbated existed housing shortage. (Tegegne G/E and Daniel S., 1997, P.120)

Nonetheless, in 1986 the government issued a policy which was regarded as the first housing policy of the country. The main target of this housing policy was to standardize the building code and to make the existing housing stock more effective by using different mechanisms.

Then after the socialist regime the following government face the transitional period at that time the ruling government introduced a market oriented economic system which include residential housing development and a new proclamation pro. No. 80/1986 introduced was intended to regulate among others the right to possess land so as to build houses for residential as well as rental purposes. According to requirements of this proclamation any person is an Ethiopian Citizen may lease urban land on bid- bases and the durations of urban land possession also made to be different according to the types of services and the maximum period is set to be 99 years for plots of land allotted for building residential dwellings. (Esayas A., 2001)

The earliest attempt of construction of condominium houses provision for low-income groups is one of the recent issues in the housing policies and strategies after long period of time which leads to unintended rental housing promotion. But there is no significant attempt or improvements on issues related with housing policy and strategies for the provision of and regulating the private rental sector.

Additionally, for households in Addis Abeba, median rent share proportion indicate that the occupation of tenants from informal housing (14.8%), formal housing (45%), IHDP (56%). Low-income households essentially afford informal housing or kebele housing rent (Zhang et al., 2019). This data defines that the new approach of the policy to deliver houses should consider the rental housing market.

## **2.8 The context of private rental housing sector**

In Ethiopia according to CSA 2015/16/ 2007 E.C statical analysis the findings indicate that the total rental units from total housing units in Addis Ababa was 386,497 units which covers 61.45% of total housing units. The kebele and private rental unites cover 38.46% and 57.54% of the total respectively. This result revealed that the private rental market covers more than the 50% of total housing coverage. The availability of rental

units from house renting agencies or other institutions is very limited (2.7% nationwide and 2.5% in cities) (Matasumoto, T. and Crook, J., 2021)

Table 2: percentage of rental housing coverage

Type of tenure	Location of housing units			
	Total	Rural	Urban	Addis Ababa
Total housing units	15 103 137	12 206 118	2 897 019	628 986
Total owner-occupied units	12 303 481	11 164 791	1 138 690	205 196
% Of total housing units	81.46%	91.47%	39.31%	32.62%
Total rent-free units	1 016 246	815 291	200 955	37 293
% Of total housing units	6.73%	6.68%	6.94%	5.93%
Total rental units	1 783 410	226 036	1 557 374	386 497
% Of total housing units	11.81%	1.85%	53.76%	61.45%
Rental from kebele	362 303	6 875	345 428	148 645
% Of total units	20.32%	7.47%	22.18%	38.46%
Rental from private household	1 363 129	194 015	1 169 114	222 384
% Of total housing units	76.43%	85.83%	75.07%	57.54%

source: Adapted from the 2007 population and housing census of Ethiopia

The data implies that the rental market is cover by private rental market which mainly neither kebele houses nor deliver by FHC. So, as per the policy instruments the legal rental market only provide by both government institution the other rental market is non legal which is the rental contracts on the private rental market may not be regulated and transparent and the information is not wildly available and landlords have a disproportionately favorable position since the majority of rental arrangements are agreed upon informally. Many urban households are vulnerable to multiple risks related to poor housing conditions and a lack of legal remedies because they live in informal settlements or pursue informal housing arrangements, they faced with an unplanned event such as rent increase or eviction. Moreover, in legal format the government apply rent subsidy method for few employees that work in public institutes and government universities but remain un available for urban residents.

### **2.8.1 Rent from kebele**

Kebele housing the rent managed by government that provide housing for low-income households compare to the informal rental market and FHC but the challenge for renters is a housing quality. However, the total coverage according to the data central statistics agency in 2007 shows that 148,645 housing units are located in Addis Abeba which cover 41% of total kebele housing unity in the country this highest rate of kebele rental houses in Addis Abeba shows that the choose of renters to get affordable housing rent scheme compare to the informal rental market. But the households are not only lower income tenants' average consumption level of rental kebele units in Addis Ababa is 33% which is below private rental market or the informal market for which a robust formal market is already lacking. And the total of kebele houses in the country 41% of kebele units located in Addis Abeba (FDRE CSA, 2007).

The estimation on the land coverage and total population that live in the kebele houses indicate that 11% land area of the city covered and 40% of the population live in rental kebele houses but this estimation may not valid at this time because of redevelopment and other infrastructures developments the size and population coverage decrease. And there is no recent data that show the figure clearly (Planel, S.and Bridonneau, M., 2017).

### **2.8.2 Rent from federal Housing Corporation**

The FHC manages the second type of formal, government-controlled rental housing available in Ethiopia. This type of housing was officially introduced at the same time as *kebele* housing in 1975 – by Proclamation Number 35 which nationalized all urban land and private housing units – but unlike kebele housing, which is responsible for renting out units for less than 100 ETB per month, FHC is in charge of renting out units for more than 100 ETB per month. FHC manages a significantly smaller housing stock than that covered by kebele: only 24,587 units in Ethiopia (93% of which are in urban areas). Addis Ababa holds half of the overall stock, accounting for 11,388 units (CSA, 2007).

These rental properties have always been – and will continue to be – primarily for government officials. Doctors, public employees such as teachers, as well as officials from embassies and international organizations, also have preferential access to FHC units. Historically, FHC's mandate was limited to managing existing rental stock, but in recent years, it has been expanded to encompass the development of new rental units, especially for public officials.

FHC apartments are often of higher quality and size than kebele housing units; huge villas are included in the FHC housing stock and are typically low-rise structures. While the existing FHC stock is generally low density, FHC is pursuing a densification program in order to make better use of space and capture greater value from land use. Many huge villa-style houses, in particular, are being demolished to make way for high-rise apartment projects (up to 20 storeys). The overall impact of FHC on compactness is dependent on the location of redevelopment and new construction; when redevelopment and new construction occur on the outskirts of cities, the result is less than ideal in terms of sprawl and access to services, even if the resulting developments are higher density than those they replace. In Addis Ababa, for example, where fresh initiatives to densify FHC stock are underway, the majority of FHC properties are located in the city's central areas, showing a favorable impact on compactness but also a key missed opportunity, since transport planning and infrastructure development have not been coordinated in the densification program to date.

Although FHC devices are still reasonably priced, they only serve a small segment of the market. Since FHC units only occupy a small portion of the total housing stock, primarily target government officials and remain too expensive for much of the population, they hardly qualify for the majority of urban households as an inexpensive housing choice.

Both kebele housing and FHC are the only formal rental option considered in the current policy instrument but they have their own problems related with quality of the houses, overcrowding and their informal practices of transferring the houses for the third party or users. In addition to this, they face challenges on the share of the market due to a limited construction of houses from the FHC side and the number of kebele houses decrease time to time because of redevelopment project. Therefore, many households forced to live in informal rental housing market because of neither afford an IHDP units nor secure kebele units.

### **2.8.3 Conclusion for contextual review**

In 1974, immediately after Emperor Haile Selassie was ousted by the Derg, all land in Ethiopia was nationalized. Government ownership of urban land was explicitly specified by Proclamation Number 47, "Government Ownership of Urban Lands and Extra Houses," which was later codified in the 1995 Constitution. Proclamation Number 47 also established three new government-supported housing typologies, which are still in use today:

- A. government-owned units rented at monthly rates above 100 Ethiopian birr (ETB), primarily destined for government officials and administered by the Federal Housing Corporation (FHC) (formerly the Agency for the Administration of Rental Houses);
- B. kebele housing: inexpensive and often poor-quality government-owned units rented at monthly rates below 100 ETB and managed by the lowest level of government;
- C. Prior to 1991, small groups of individuals (usually 10 to 20) registered as a cooperative group to receive land allocation and build community housing independently, benefiting from below-market-value land allocation, construction material subsidies, and cheap mortgage interest rates.

The Ethiopian People's Revolutionary Democratic Front (EPRDF) implemented a more market-oriented approach to urban housing development in 1991. Long-term lease holding was established by the 1993 Urban Land Lease Holding Proclamation, which required the auction of city plots for long-term leases ranging from 15 years for urban agriculture to 99 years for housing. The proclamation, as well as proclamation 272/2002 which replaced it, stipulated that land used for social services and "low-cost housing" could be leased free of charge. Importantly, neither proclamation defined "low-cost housing" This provision was later repealed by Proclamation 721 in 2011, which stipulates that "every plot of urban land shall have a benchmark lease price".

The 1995 Constitution also allows for the leasehold transfer of urban land-use rights to individuals, cooperative housing groups, and commercial corporations. Despite the fact that private developers offer a small percentage of urban dwelling stock, the private real estate sector has risen in the post-1991 period, focused mostly on high-income consumers in Addis Ababa and several secondary cities.

The lack of widely available affordable mortgage financing makes it difficult for private developers to build affordable housing. The increasing liberalization of the housing market was marked by the removal of subsidies on the sale of building materials and the setting of interest rates for housing construction at market rates (Regulation Number 3/1994). Subsidized interest rates were also removed after 1991, which significantly increased lending rates, from 4.5% for cooperatives and 7.5% for individuals to 16% for both, presenting an obstacle for low-income households to secure a home loan. When the construction bank (now defunct) offered loans, they were insufficient to fulfill the overwhelming demand. Additionally, since many low-income households receive income informally and lacked capital to use as collateral, there has been virtually no access to formal credit. Because the state owns all land, the local government operates as the exclusive supplier of land for house development in metropolitan areas through direct allocation (“allotments”) and auction.

The Ethiopian government faces a huge problem in attracting additional private capital, while certain instruments, such as housing bonds, could help fund rising housing demand, especially in light of the of current debt sustainability issues.

In addition to this, the Integrated Housing Development Program (IHDP) – the leading national policy instrument for the construction of affordable condominium units successfully supplied 383,000 housing units between 2006 and 2018, but it is soon expected to be phased out owing to capacity and delivery issues, as well as the highly subsidized nature of the program. In this context, the government is currently looking for an effective alternative set of housing policy instruments to increase the supply of affordable housing units in an oversupplied market. Apart from the announcement of an aim to increase the participation of the private sector, these other instruments have not yet been made public.

## **CHAPTER THREE**

### **Methodology**

#### **3.1 Introduction**

On this chapter the research design, choice of method and data collection techniques are discussed. The method selected based on the problem statement and the methodology should also in response to the objective of the research and the research design is the frame work that has been created to find solution to the research question and to come up with best findings.

#### **3.2 Research method selection**

The rationale behind selecting research method is based on how the method suited to the topic and convince to answer the research question. According to Yin (2003) to select the research methodology there are three basic criteria's that are the research question or the content of the research, extent of control over behavioral events, and the degree of focus on historical events or the time frame.

This research was studying the potential and limitation of private rental housing with the main focus on analyzing the development of private rental housing, living condition of renters, and the impact of socio-economic factors on the housing condition. So, all these factors lead to choose case study method, which was the better suited for the topic and research questions.

Moreover, when the research focus is to answer question how? Why? And what (partially) were studied by using a case study methodology (Yin, 2003).

#### **3.3 Case selection criteria**

Addis Ababa city residents live in houses delivers by private rental sector is 37% (CSA,2007). But the sector is not formal and besides providing shelter for many citizens it generates income for landlords and the government try to control and tax landlords but not effective because of landlords didn't give the exact information how much they rent? And how many units they rent? So, the main selection criteria are to find formal private rental houses developer for this study.

Therefore, the selection of the case is based on specifically formal rental houses developed by private developer for private rental purpose which are constructed by LBC plc. Since the research objective is to assess the development of private rental

housing, limitation and opportunities and to recommend possible alternative solutions for housing delivery mechanism and strategy through private rental housing developer for housing development so as a case study rental house developed by LBC plc. are selected. Which are located around Ayer Tena, Addis Ababa.

### **3.4 Source of data**

The study was used both primary and secondary data as a source of information for the analysis. The primary data sources were collected from the tenants in the case study area, officials from federal housing corporation (FHC), ministry of urban development and construction (MUDC) and Loza and Birhanu construction Plc. (LBC). And the secondary data will collect from relevant documents from LBC Plc., governmental offices which are related to the study, journals was inputs as a secondary data source.

### **3.5 Data collection techniques**

For the collection of the data different methods or technique was implemented such as structured and semi structure questionnaires, interviews, observation, measurement of houses, sketching, mapping and photograph.

### **3.6 Data analysis techniques**

The Data were collected and analyzed in quantitative and qualitative methods. According to Johnson and Christensen (2008, p. 21), Researchers might use the strengths of one approach (for example, the quantitative method) to overcome the limitation of another method (for example, the qualitative method), or vice versa when using both methods in a single study. Which indicates the weakness for instance the quantitative method approach is measured and test but the qualitative approach is observe and interoperate and the data collection approach was also give us the opportunity to overcome the weakness of qualitative approach which is unstructured and free form but in reverse the quantitative data collection approach is structured and formal.

Generally, the collected obtained from different sources were analyzed and interpreted using descriptive method of analysis; which can be analyze in concept analysis procedure like classification of data based on purpose, summarization and tabulation then described the data in the way what the data is and what in mean by the data summarized. The housing condition study will concern on physical condition, building materials used, infrastructure and services availability. Meanwhile the social and

economic condition of the renters was studied in relation with the safety and security, income and expenditure of tenants and the effects on their tenancy.

### **3.7 Reliability and validity**

The reliability test objective is to be sure on the procedures used by the researcher and it can be conducted by any other researcher later and should arrive at the same findings and conclusions. And validity test is used to determine the quality of the research which can include different validity testes like constructive validity, internal and external validity test used on empirical social researches (Yin, 2003).

Moreover, the data collected from different sources will be cross checked and triangulated with official documents. This will help to increase the quality of the research.

### 3.8 Research design diagram

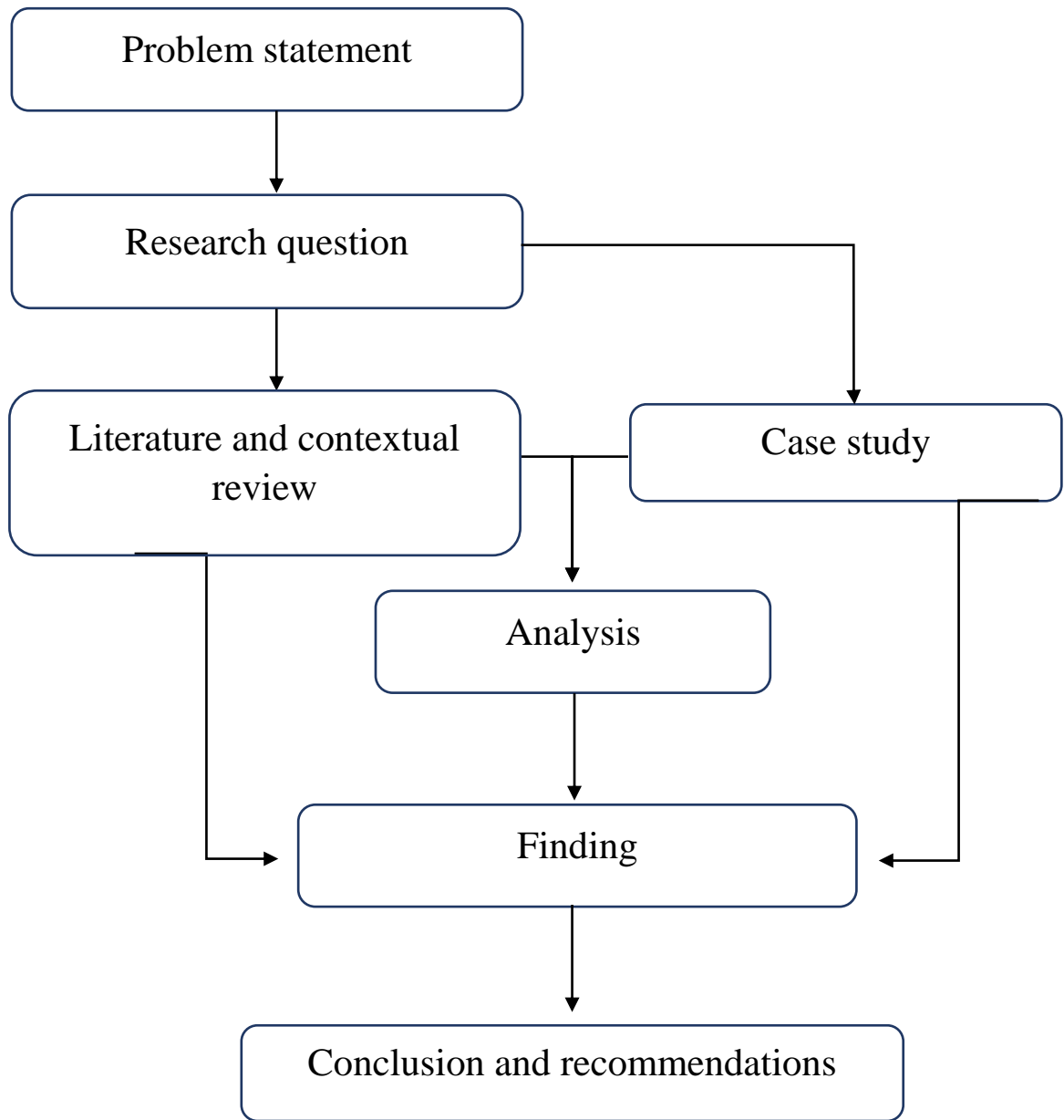


Figure 2: research study process diagram

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

**Case study, Loza and Birhanu construction plc. Private rental housing developer**

#### **4.1 Introduction**

The result and discussion on this chapter based on specific case study of Loza and Birhanu plc. Working on providing private rental houses with a low-cost design and building material which is the invention of Mr. Birhanu kasa, a civil engineer by profession and have more than 20 years of experience in the field of construction and consultancy is presented.

According to the methodology of this research paper primary data was collected through observation, semi structured question, structured question and interview with key informants from the developer (LBC plc.), government offices and renters to assess the case in detail and answer the question listed on the research question. Moreover, the semi structured interview was conducts in depth for the three key informants for the crosscheck of case and the validity of the data.

The analysis of the data was based on sample size determination formula but in this case especially form the renters side the data collected from all the tenants in the case study and all the distributed question are returned. But, two questionnaires from the returned were rejected because of incompleteness and poor quality of the data. Total 16 questionnaires were valid which Z88.8 % of respond rate is, it indicates that the response rate is very good. Based on Babbie's E. (1990) analysis of response rate of 50% is adequate, 60% is good and above 70%is very good.

Hereunder to present the analysis and answer the research question the data presentation classified into the following sub topics, first, background and context of the case study. Second, planning process and development which asses the initiation of the developer and business model. Third, implementation phase which describe the process of land acquisition, design, and construction. Fourth, tenants' socio-economic data and housing condition including management and regulation between tenants, developer and other stakeholders. Fifth, limitation and potentials of the development

## 4.2 Background and context

### General characteristics of the case study area

The selected specific site for this case study is located in kolfe keraniyo sub city, woreda 04. the project initiated by Eng. Birhanu kassa who work as a construction manager and CEO at Birhanu and Loza construction Plc, the innovation and uniqueness of the project is registered get a patent right.

The innovation had a vision to solve the problem of housing in simple construction system which is very cost wise compare to traditional construction system and method and focused to address different type of housing scheme which can deliver and solve the problem of housing shortage in the city of Addis Ababa.

The innovation proposal submitted October 23,2019 for ministry of urban development and construction. After two months the ministry approved the proposal and redirected Ethiopian quality assurance agency by letter no 82500280/2 December 20,2019 for teste of construction material and other quality related issues then after, the EQA approved the quality and give permission for the developer to use new innovation as a construction material.

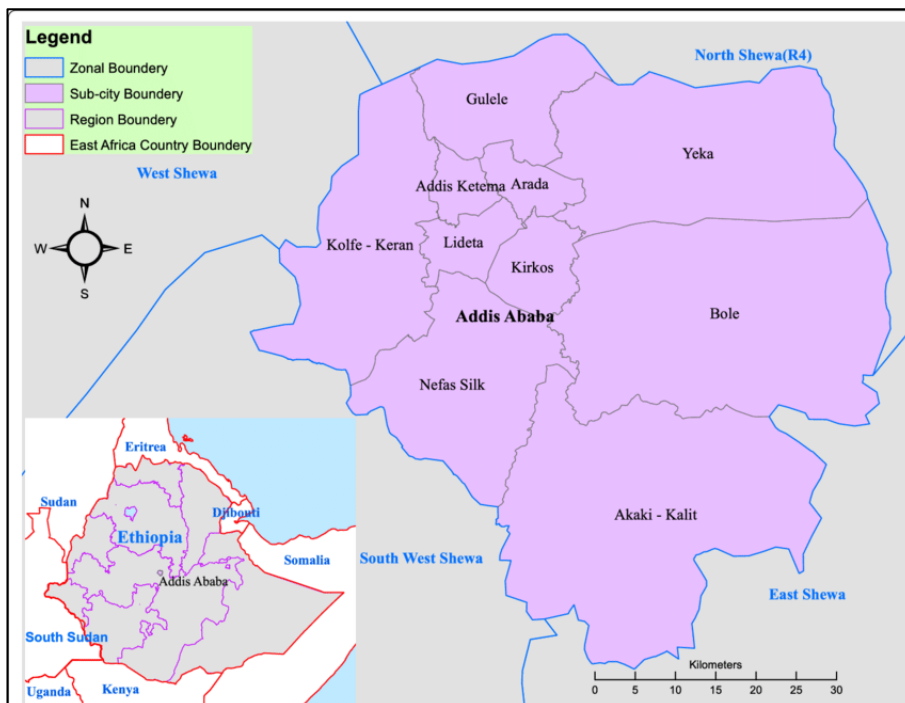


Figure 3: case study area location, Ayer Tena, kolfe keraniyo sub city, Addis Ababa

Source: shapefile from Ethiopian karta agency

### **4.3 Planning and development process**

The planning and development process started from pre development stage which mainly focused on the initiation of the developer and discussion on the idea behind the project then proposal document submission, policy limitation, organizational structure, financial issues, management of the project and partnership with different stakeholder are covered under planning and development process.

#### **Pre development**

The Initiation of the idea was the founder Birhanu kassa, engineer, who work on construction sector and have fifteen plus construction projects and consulting experience on the filed try to create job opportunities and plan to get there hand on building condominium houses in the city of Addis Ababa but after visiting local manufactures kality building elements prefabrication center which supplies materials for the construction and having relation with the company in addition to visiting their warehouse and factory motivate and let the developer to think about pre-fabricated building materials that can produced in low cost. Moreover, the developer get chance to experience the industry of this sector in south African and Angola this leads the developer to set a vision that producing pre-fabricated building elements with low cost and provide houses for tenants and work on it.

According to the interview conducted with the developer, once he had the opportunity to see the British technology, they used to build these types of houses, and he was also able to work on similar construction sites. As he said, they build such houses at a cheap cost in short period of time. And he took a course that's related to this project while he was there and once, he completes that the vision he had was to bring that technology in to our country and some Modifications were made when it comes to our country. This was the intention that the developer start to engage in to produce prefabricated building elements with his own finding and construct rental houses.

#### **Proposal document for the MUDC**

The project submitted as a proposal for ministry of urban development and construction October 23, 2019. the project idea then redirects to EQA office and reviewed by different stakeholders and professional from different sectors and approved by committees. The committee members are Ethio construction technology management workers association, Ethiopian civil engineering association, Addis Ababa

science and Technology university, EiABC, Ethiopian conformity assessment Enterprise, transport works regulatory Authority, Loza and Birhanu CTD, Private observant and Ethiopian standard agency. Finally, the proposal document approved and other tested such as Schmidt hammer test SM engineering Plc. Performed to test the strength and quality of pre-fabricated building element.

**Policy limitation**

Although, the legalization and approval made on the project idea the other constraint was policy limitation that to practice and implement such type of private rental housing development there were no legal rule and regulation to control and manage the development. The housing policy and instruments are limited on how and who is responsible to manage privately developed housing provision schemes but the new emerging policy document which is still under revision and discussion is PPP (private public partnership) document will resolve this issue. However, the developer starts the project by dealing with private landlords to produce the sample project and to get different support from government side

**Organizational structure of the office and management**

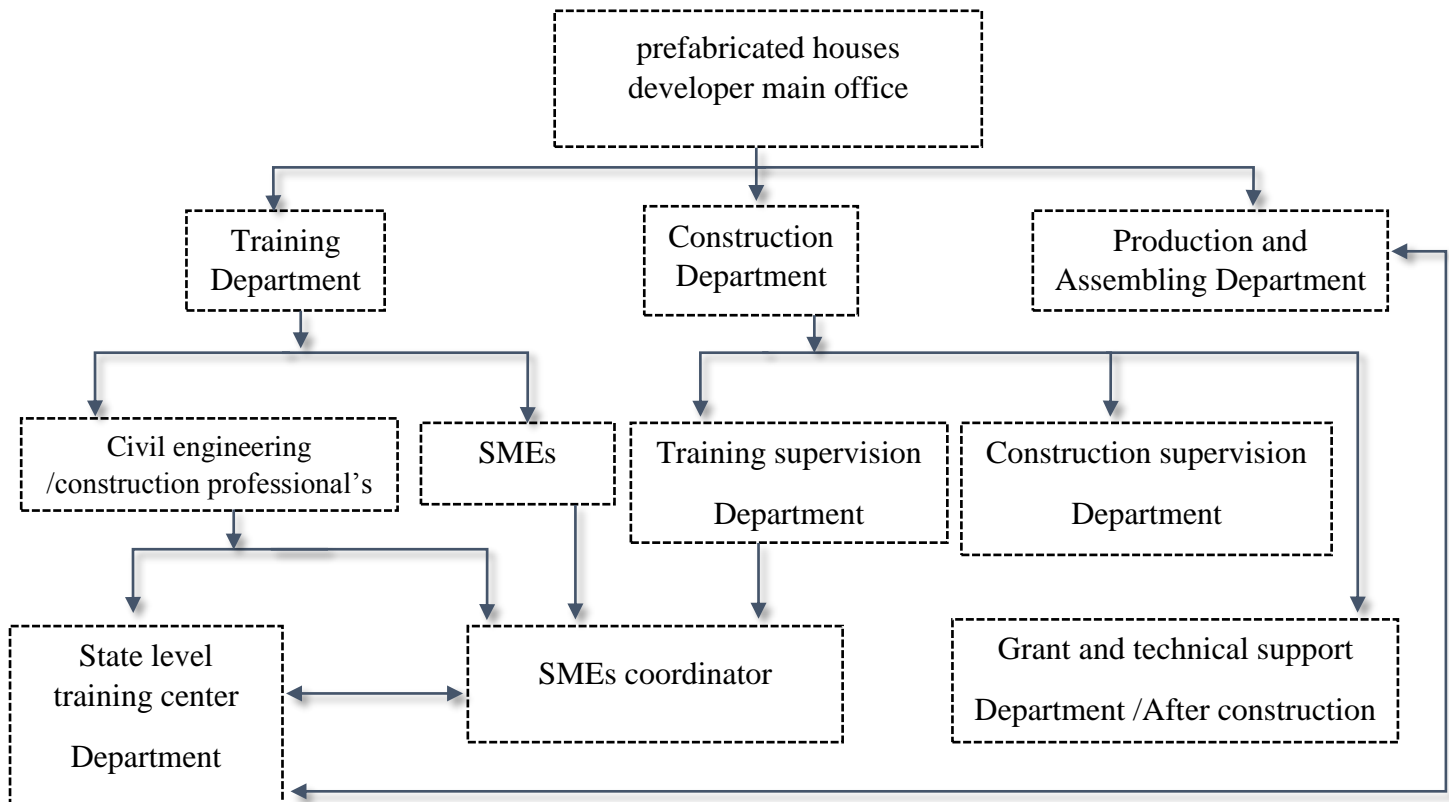


Figure 4: Organizational structure

### **Finance source**

The difficult aspect on this project is access to finance because of the new development scheme and approach of construction. Either the government side or the private financial institution was not committed to fund the project. But the reason behind the financial institute not to let loan was the legal certification issue of the development that takes long process from government side and the complication is to have this legal certification the government need to see the pilot project with full package such as with tenant occupation and service. According to the developer to implement this project the only option was to shift all the assets of former construction company that owned by the developer and resolve the finance issue and take a risk.

### **Partnership**

Partnership requested come from different stakeholders but for now the project partner is Loza and Birhanu Construction Company mainly the other partners are individual landlords that have vacant spaces in their compound. However, in the near future the project had plan to eject the idea in to the market by large scale with different stakeholder

## **4.4 Implementation phase**

This phase is the main part of development to show the applicability of the theories and designs on the ground. Implementing the project from design and manufacturing parts of the houses to the construction and occupancies level. On this phase of development, the design and manufacturing elements of the building elements, acquisition of land, construction and occupancy are main sub titles will be covered below.

### **4.4.1 Process of land acquisition**

The land acquisition process is unique on this specific project and the model gives additional and new strategy for private developers who needs land to implement their projects. The strategy is part of a solution when the proposal submitted there was a letter of request for a plot to develop but the bureaucracy and the process acquiring the land makes very difficult and time taking. at the meantime the project needs to qualified and tested by Ethiopia quality assurance office which helped the developer implement the project so the developer come up with the new idea of acquiring plot from private landlord to develop that was open or vacant lands in private land lords compound the

construction system let parts of the housing elements to be move to a different area because these houses are not only mounted to stay in one place permanently. The land acquisition process had two option these are:

### Option one

Stated that if the landlord only let to rent the vacant plot for the period of three years. Furthermore, the landlord didn't own the houses after the end of the agreement and the developer had full right to take all the parts of the building by disassembling the housing units at the end of the agreement period. In this case the landlord only get money from the rent of vacant plot in the compound for the period of three years only.

### Option two

The option was the landlord should sign the agreement for the period of five years. and the difference between option one and two is; one, the agreement period extended by two years, second after the end of the third year of the agreement the landlord was beneficiary from the houses and get 50% of the rent cost collected from the tenants in addition to that of the vacant plot rent for the next two years until the end of five-year agreement, third, at the end of the agreement which is the five years agreement period the land lord could own the houses and rent for tenants with a new landlord and tenant agreement. The developer should not engage in any form without the consent of the landlord after the end of five-year agreement.

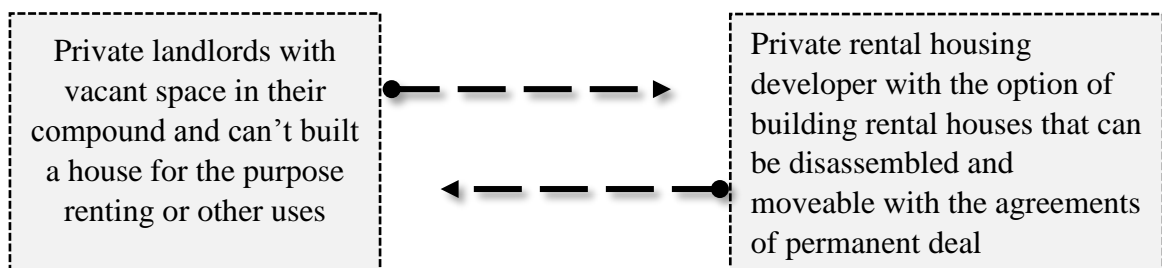


Figure 5: The developer and landlord relation

According to the developer the main constraint during the land acquiring process was there is no formal rule and regulation to agree with the landlord. So, the only option is having a paper agreement with the witness from both the landlord and developer side then based on that agreement the construction process began.

#### 4.4.2 Design and manufacturing building parts

The design and manufacturing parts of the building and assembling process was one of the unique characters that differentiate the project from other housing related projects. This project manufacture parts of the building on site or a precast system with different size and design type this are: one, wall panel a 1 meter by 2-meter (2m x 1m) bord with a thickness/ depth of five centimeter (5cm).two, structural wall parts which used as a supportive element that used for structural purpose these are a right-angle element attached with the wall and the other element is a 2m Hight and a 40 cm width with a depth of 5cm which help as additional structural element for the construction. Three, lentil type of element which used as a horizontal structural element that span openings such as the door and widow part of the building. Fourth, 'U' shaped foundation element with a depth of 15 cm, 90cm length and 25cm width. This element used as a foundation and grade beam that transmits the load of wall in to the ground.

#### Typology

The initial priority was to build and rent one – two bed room typology housing design with kitchen but after building few houses for sample on other area the developer couldn't find a tenant due to extremely low-income rate of tenants. On the other hand, people chose to live and rent studio type design. one of their reasons was rent price and most of the tenants were not permanent residents. Therefore, the business plan reviewed to build only studio type houses for the pilot project.

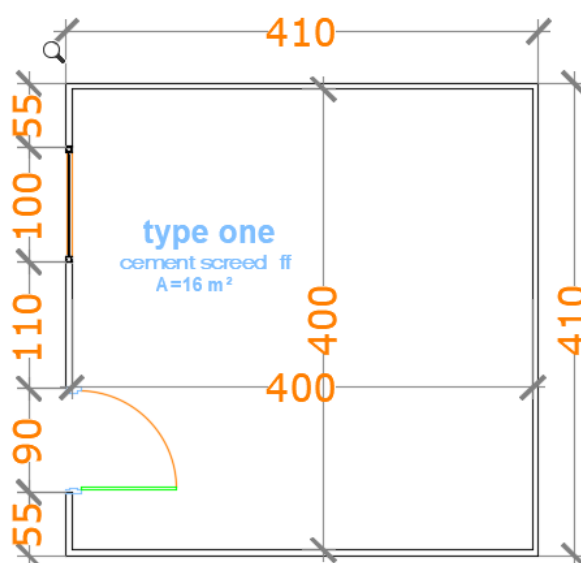


Figure 6: Floor plan of studio type design

## **Manufacturing process**

Material needed for the construction of the pre-fabricated housing elements were OPC cement, sand, 01 cm aggregate, water, fast drying admixture, fiber (false banana fiber), form work prepared by using wooden planks or metal panels and 6mm diameter plain bar for tensile strength.



Figure 7: Manufacturing process of precast elements

## **Preparation of precast elements**

There are ten steps to prepare the precast elements for the construction of the houses. These are:

Step 01: preparation of molds or formworks

Side mold: the length of the side mold is prepared according to the length and shape of the concrete elements. But the height of the side mold has to be 80cm except for the foundation element.

Separating mold: the separating formwork is sheet metal because the formwork will not remove till final curing time so that the sheet metal didn't absorb the water of concrete and makes the concrete strong.

Step 02: making the formworks oily for the purpose of easily removal without punching the concrete.

Step 03: preparing four sides of the formwork fix properly as per the design of the element and make it ready for pouring concrete.

Step 04: insert the first separating mold in the side mold

Step 05: mix the concrete with 1:2:3 ratio of cement, sand and aggregate respectively. Add the admixture chemical according to the manufacturer procedures and the water ratio has to fulfill the standard slump test.

Step 06: pouring concrete mix with a thickness of 2 cm layer measurement as per the design of the element needed to produce.

Step 07: spread the fiber on the concrete in every 2 cm layer of pouring.

Spreading the fiber there are steps the first step is preparing the fiber by passing through 1 cm diameter hole by squeezing then the second step is spread the fiber with average width of 3cm on both direction center to center 10cm.

Step 08: pouring the next layer of **concrete**? Make a precast element then vibrate the concrete by using concrete vibrator and make trowel finish.

Step 09: if the concrete pouring is for producing wall elements the process proceeds by putting the next separating mold on freshly finished concrete panel and repeat the same steps to produce the concrete wall until it reaches 15 layers.

The advantage of producing 15 layers of concrete panels is to minimize the waste of water and helps to produce a lot of precast walls in small spaces.

Step 10: remove the side formwork after 24hr and cover with sacks then pour water for the next 8 days. After 8 days of curing the precast elements is ready for construction and assembling the house.

### **Building permit**

According to the landlord legal title deed the building permit process started. The permit process was done by the home owner or landlord because the building permit office gives permission for the landlord or for the legal representative of the landlord. After the building permit processed or given by woreda 04 building permit office the site preparation started. Moreover, the developer start producing and make ready the precast building elements on the site for the implementation process. woreda building permit office engineers came for supervision to check the process of building according to the regulation set by building permit office and EQA.

#### 4.4.3. Construction or Assembling

This step of the implementation phase was the main and core part of the development according to the developer Mr. Birhanu kassa (civil engineer). The construction was not the same and typical with the current construction system implemented these days in our country starting from constructing the sub structural part of the building to the upper structures. The sub structure part especially the foundation details is eliminated and replaced by a 'U' shaped element and simple construction method which is part of the uniqueness of the project. The construction has mainly three phases: phase one is site clearing and layout preparation, phase two assembling parts of the building and phase three is roof and finishing works.

##### **Phase-one: site clearing and layout preparation**

Preparing the site for construction and making the parts of the building ready for assembling without conventional structural elements including foundation, column and beam and these parts replaced by special design and elements used for construction of these houses. The foundation is simple and only need 40 cm depth layout for the lean concrete and to put parts of a 'U' foundation and grade beam element that can be used as a lock and key function with the wall structure and filled by concrete.

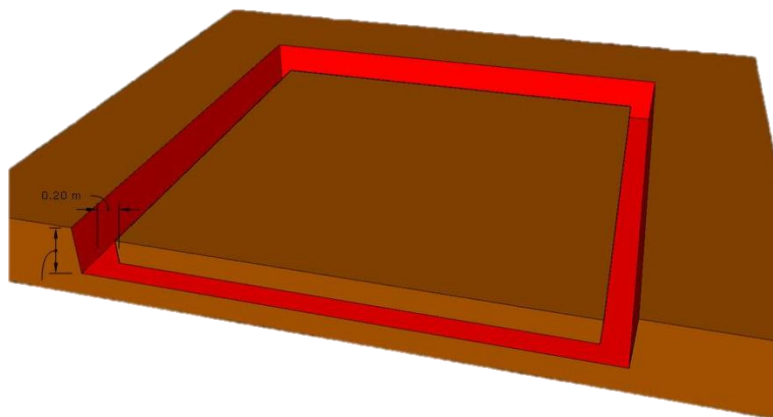


Figure 8: Foundation layout section

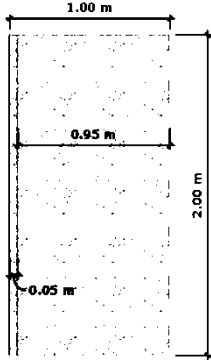
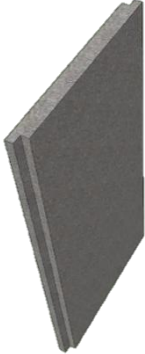
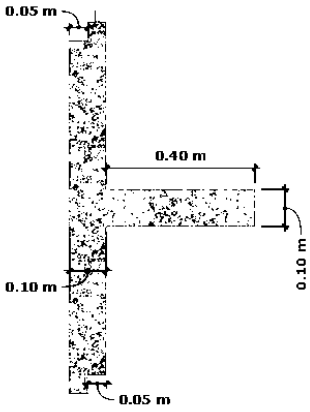

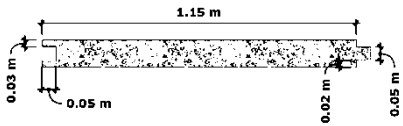

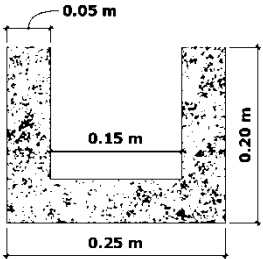
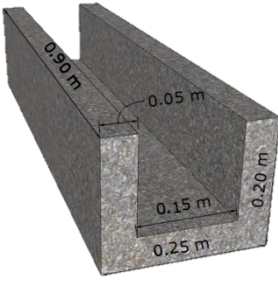
### **Phase-two: Assembling**

On this phase of construction, the parts of the building casted on site are become ready for assembling and the connection between the elements will be ready for welding. Elements or parts of the building prepared for the construction are four type of elements these are the independent wall type, a wall with extended right-angle element which support the wall structure and used as a main structural element for the building the third one is used as lentil beam for the door and widow and the fourth, foundation and grade beam element. the figure below express type of elements used for the building. The construction process to assemble this part of a building only needs one week for one studio type houses at the end of a week the finishing and roof work will be proceed.



Figure 9: On site assembling process

Table 3: Precast building elements

No.	Description of prefabricated building element	Plan / side/ front view	Three dimensional view
1	Wall element (1Mx2m)		
2	Wall with right angle element that used as a structural support (1mx2m and 40cm extrudeed structural sypport )		
3	Wall element used as lentil beam (1.20mx10cm)		
4	'U' shaped foundation element used as foundation and grade beam		

### **Phase-Three: roof work and finishing**

The final stage of the construction was phase-three covering the roof and finishing works after assembling the main elements of the building. These works are installation of door and window, ceiling work, cement screed floor finish, electrical installation and painting.

#### **4.4.4 Target group occupancy**

According to the developer interview the data analyzed by the office indicate that the market is full of low-income tenants who can't afford to rent from a private landlord in the informal renting market. even the studio type house in informal private renting market rent price start from 2500birr – 3000 birrs in average but the price that the developer offers and the size of the house was very perfect for the tenants with respect to their financial capacity.

Moreover, the project idea behind building those houses and selecting the target groups or offering this house for low-income tenants was set as a goal but on the process of implementation to achieve the goal there was no written rules and regulations or criteria to select low-income tenant groups but simple conversation with tenants and according to the brokers suggestion tenants will get the opportunity to rent those houses.

## Flow chart of the development process

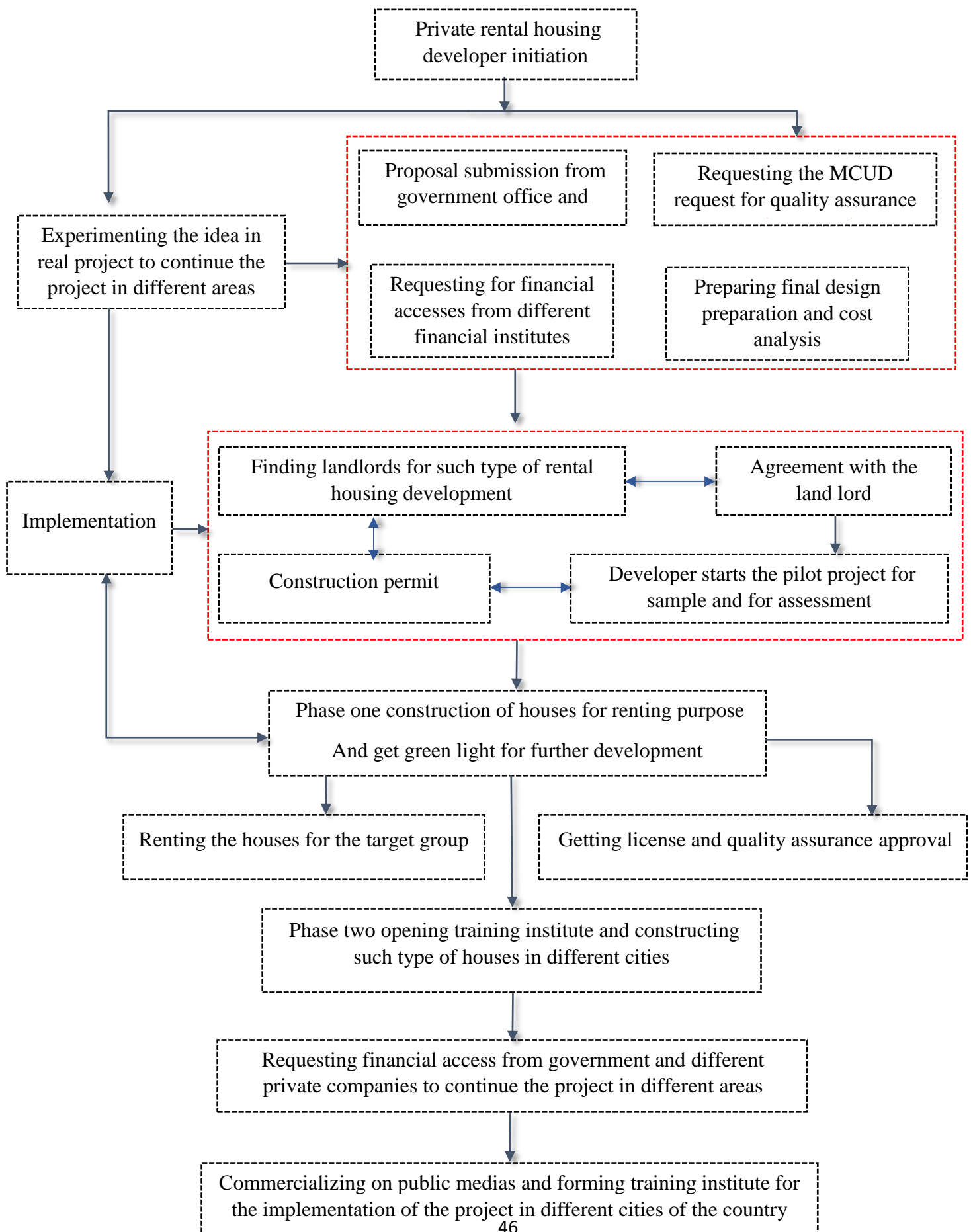


Figure 10: Flow chart of the development process

## 4.5 Tenants’ socio-economic data and housing condition

### 4.5.1, Socio-economic situation

Table 4: Age of tenant’s or household head composition

		Frequency	Percent	Valid Percent	Cumulative Percent
	20-30	4	25.0	25.0	25.0
Valid	31-40	10	62.5	62.5	87.5
	41-60	2	12.5	12.5	100.0
	Total	16	100.0	100.0	

Respondent’s age illustrated on table 01: categorize in three groups based on the data collected the first age group 20 – 30 years cover 25% of tenants house hold head, this age group indicates there are young peoples who has a record of mobility from place to place because of their work characteristics, marital status from our findings they are single and fresh graduate. The other group is 31 – 40 this age group covers 62.5% of the total tenants live in the compound this age group characterized all the household heads are married and need affordable housing in the city. The last age group is 41 – 60, this age group covers 12.5% of the total tenant’s household head and characterized by their low economic status and have extended family members in average 3 – 4 family members in the house.

Table 5: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	7	43.8	43.8	43.8
Valid	Male	9	56.3	56.3	100.0
	Total	16	100.0	100.0	

The gender composition of tenants indicates that 43.8% were females and 56.3% covered by male tenants. In the case study the number of male tenants slightly higher than female this means according to the analysis males are more engaged in using rental houses for living In.

Table 6: Martial status of tenants

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	5	31.3	31.3	31.3
Married	8	50.0	50.0	81.3
Valid Widow	2	12.5	12.5	93.8
Divorced	1	6.3	6.3	100.0
Total	16	100.0	100.0	

The above table 03, shows that the response rate of respondents in relation with their martial statues and categorized in four categories. Tenants which are single cover 31.3%, Married tenants cover 50.0% of the total tenant's size, widows cover 12.5% and the least divorced tenants cover 6.3% this means half of the tenants in the compound were married singles cover the second big number in the data which indicates in the compound or according to this case analysis the coverage of married tenants cover the highest number.

Table 7: household size

	No. of family member	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	12.5	12.5	12.5
	2	4	25.0	25.0	37.5
	3	5	31.3	31.3	68.8
	4	3	18.8	18.8	87.5
	5	2	12.5	12.5	100.0
	Total	16	100.0	100.0	

The household size data indicate that the number of family size from single to five family members in the one house a family the majority of the household size is three in one family which covers 31.3% from the total and there were also five family members in one house which is big in household size and it covers 12.5 %, the household size or a family which has four members cover 18.8%, a family with two-member cover 25.0% and single family or household cover 12.5% from the total sample.

Table 8: Educational level of tenants

Educational level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary education	4	25.0	25.0	25.0
	BSc or BA	9	56.3	56.3	81.3
	Others	3	18.8	18.8	100.0
	Total	16	100.0	100.0	

The educational level of tenant's data revealed 56.3% of tenants are B.Sc. And BA degree holders that cover the highest no of respondents and 25% of respondents are finish their secondary level education. The smallest no of respondents 18.8% have different training certificates and other technical knowledge as educational status.

Table 9: monthly income of tenants

Monthly income		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3500 - 5000	2	12.5	12.5	12.5
	5001 - 7000	6	37.5	37.5	50.0
	7001 - 9000	4	25	25	75.0
	Above 9000	4	25	25	100.0
	Total	16	100.0	100.0	

Income earns by tenant's month shown on the table above which indicate that 12.5% of respondents make 3500 – 5000 birrs in average, 37.5% make 5001 – 7000 birrs per month, 25% earn 7001 – 9000 birrs in average and the other 25% of respondents make above 9000 birrs per month which is the highest monthly income out of total respondents.

Table 10: Social groups

Social groups	Frequency	Percent	Valid Percent	Cumulative Percent
Eder	1	6.3	6.3	6.3
Valid Equb	3	18.8	18.8	25.0
none	12	75.0	75.0	100.0
Total	16	100.0	100.0	

On social group interaction and activities 75% of respondents was not part of any social group in and out of the compound and only 6.3% and 18.8% respondents participate in Eder and Equb social groups arrangements respectively.

#### 4.5.2. Employment status and expenditure of tenants

The status of employment shows that from the collected data 87.5% of tenants were employed in private and government organizations. The rest of the tenants 12.5% are not employed but their source of income is remittance.

Table 11: Income source of tenants

Type of work	Frequency	Percent	Valid Percent	Cumulative Percent
private work	7	43.8	43.8	43.8
Government work	4	25.0	25.0	68.8
Valid Both Government and Private	3	18.8	18.8	87.5
remittance	2	12.5	12.5	100.0
Total	16	100.0	100.0	

As indicated from the above data 43.8% of tenants work private works the other 25.0% tenants work in government organization. But there were tenants which work privately and employed in government offices at the same time which covers 18.8%. the other 12.5% of tenants are neither employed nor work their own work they source of income is remittance only.

Table 12: Workers in household/ family member who have source of income in a household

	Family member	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	none	1	6.3	6.3	6.3
	head of a family	8	50.0	50.0	56.3
	above one member	7	43.8	43.8	100.0
	Total	16	100.0	100.0	

The number of family member who work and have source of income in a household only one tenant which covers 6.3% covers from the total number of tenants and 50% of household heads cover the source of income in the family from the total collected data. The other 43.8% of tenants there were more than one family members who have source of income in a house. According to the data the highest number of tenants get their source of income from the head of the household.

Table 13: list of expenditure/Total amount per month

	Monthly expenditure	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	4000-6000	4	25.0	25.0	25.0
	6001-8000	5	31.3	31.3	56.3
	above 8000	7	43.8	43.8	100.0
	Total	16	100.0	100.0	

The above Table 07 shows the response of tenants that they expend their income for different use including for renting, food and other necessary activities according to their interest and potential to spend. The data indicate that there are for category of tenants based on their amount of income expenditure per month, these were group one 4000 – 6000 birr per month this group covers 25.0% and second from 6001 – 8000 birr which cover 31.3% and the last group above 8000 birr which cover 43.8% of total data collected.

### 4.5.3 Neighborhood characteristics

#### Mode of transportation to major amenities

Transportation modes that tenants used to access major amenities are by walking, taxi and city bus. Most of the tenants minimize their cost for transportation by using the least cost price mostly walking the percentage and valuation differ based on the amenities they use. Work place, school, hospital or clinic and shopping areas were the major facilities they access.

#### Work place

Table 14: Mode of transportation to work place

Mode of transportation	Percentage
Walk	12.5
Taxi	37.5
Bus	50
Other	0
Total	100

It has been found out that half of the tenants use city bus to get to their work place.

The other 37.5% of tenants use taxi as a mode of transportation to access their work place the rest 12.5% used walking to get in to their work place.

#### School

Table 15: Mode of transportation to school

Mode of transportation	Percentage
Walk	64
Taxi	18.8
Bus	17.2
Other	0
Total	100

Because of school facilities were at a walking distance in the neighborhood including kindergarten, primary school and high school 64% of the tenant's children use walking to get in to school. 18.8% used taxi as a means of transportation and 17.2% use city bus.

## Hospital or clinic

Table 16: Mode of transportation to hospital/ clinic

Mode of transportation	Percentage
Walk	43.8
Taxi	43.7
Bus	12.5
Other	0
Total	100

The above table 10 shows the response of tenants in relation to their preference and choice of health facilities with in the neighborhood and out and the data indicate that 43.8% and 43.7% tenants use walking and taxi respectively as a mode of transportation to access health facilities.

## Shopping area

Table 17: Mode of transportation to shopping area

Mode of transportation	Percentage
Walk	75
Taxi	6.3
Bus	18.7
Other	0
Total	100

In relation with to get in to shopping area most of the tenants use walking because of there were plenty shopping choices they have around the neighborhood. Therefore 75% of tenants use walking and 6.3% and 18.7% tenants use taxi and bus respectively to get in to shopping areas.

## Mode of transportation

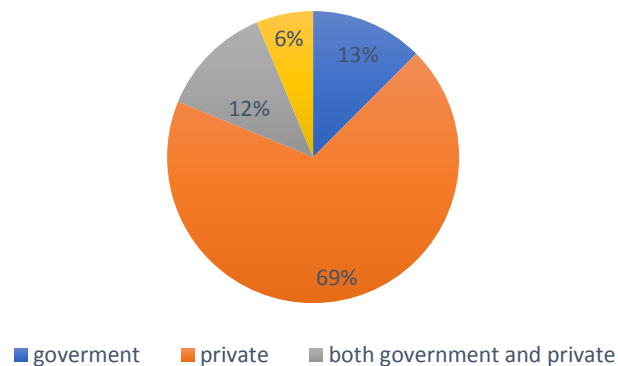


Figure 11: Mode of transportation

#### 4.5.4 Characteristics of dwelling unit and compound

The project implementation site or plot size was 2,324 m<sup>2</sup> which help the developer to implement the project in a massive scale. Moreover, 20 housing units developed on the plot each unite measure 16m<sup>2</sup>.

according to the site observation and site plan one toilet and shower utilities use for four households commonly and there is traditional kitchen in the compound which used as a common kitchen for all the tenants in the compound communally playground and recreation paces are included in the design and there was also security and other service rooms are available at the front gate of the compound.

Accessibility of the case study site based on the observation analysis the existing plan were the site found the site have no difficulties on the accessibility issue and its near to the main road of the city which makes the site more accessible. The secondary artery roads are the main adjacent roads for the compound. The compound has two accessible doors used as a main entrance and secondary entrance for the tenants and the landlord house were detached the rental compound because of security and privacy issue raised by the owner.

Arrangement of dwelling units in the compound designed based on the distribution of utilities and to create semi private environments for the tenants. There are also walk ways and open spaces in the compound used for the communal recreational and meeting spaces.

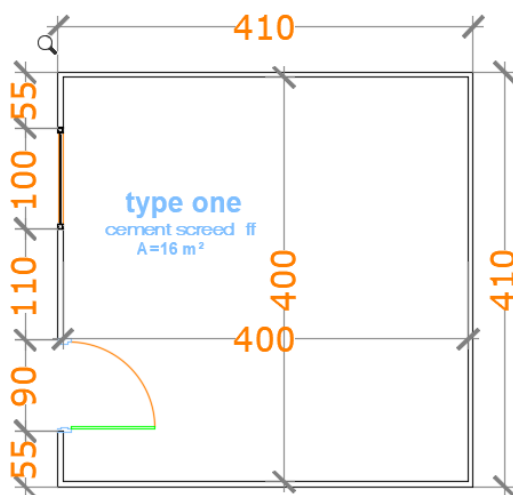


Figure 12: Typology of the house



Figure 13: Project compound

#### 4.5.5 Rental condition

The understated data assess the previous experience of tenants on rent price and legal agreement they have with this private rental housing project.

Table 18: pervious rental cost of tenants

	Rental cost	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1000-2000	4	25.0	25.0	25.0
	2001-3000	7	43.8	43.8	68.8
	3001-4000	4	25.0	25.0	93.8
	above 4000	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

The data states that 25% of tenants pay a rent price in the informal market from 1000 – 2000 birr which is the same price with the case study project the other 75 % of tenants were pay a rent above 2000 birr. The dominate or most of the tenants 43.8% from the total respondents pay a rent 2000 -3000 birr in the informal rental market. 25% of tenants pay 3000- 4000 birr in the informal market and the highest rent cost were above 4000birr which covers 6.3% from the collected data.

Table 19: legal agreement

	Agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	6	37.5	37.5	37.5
	YES	10	62.5	62.5	100.0
	Total	16	100.0	100.0	

Respondents on the legal agreement between the developer the tenants show that above the half of the renters 62.5% have a legal agreement with developer including the date of the agreement expire and other related issues. The other 37.5% still don't have a legal agreement with the developer as they said they ask the developer to have, because of different reason from both sides they didn't the agreement but the developer was willing to sign the agreement. In addition to this, there were no rental increment from the developer side till this report prepared.

#### 4.5.6 Construction of units and Maintenance

The data collected about construction of units and maintenance focused on materials used for construction of the units and maintenance issues related with the housing elements.

##### **Material for construction**

Material used for constructing this unique project are cement, and, aggregate, water, fast drying admixture, fiber (false banana fiber) and 6 diameter plain bar for tensile strength, wood for the roof structure, corrugated iron sheets, strip of iron as a connecting element and plastic ceiling panel are the main construction materials used to build the units of houses.

**Roof and ceiling:** As a roof material the developer use corrugated iron sheet and as structural truss used wood. Plastic ceiling panels used for ceiling finish.

**Wall material:** As a wall material a mixture of cement, and, aggregate, water, fast drying admixture, fiber (false banana fiber) and 6 diameter plain bar for tensile strength) used and precast on site with special design and connection elements that help for assembling and disassembling at any time.

**Floor finish:** Most of finishing materials used for the houses were consider the cost and to minimize it as much as possible according to the formal interview with the developer and observations. So, the floor finish was done by cement screed type of floor finishing.

Moreover, according to the developer all the materials used for constructing this project were reusable, can be assemble again and minimizing the cost of construction were the concept behind for designing and selecting those materials.

**Foundation:** as a foundation element the mixture of cement, and, aggregate, water, fast drying admixture, fiber (false banana fiber) and 6 diameter plain bar for tensile strength mold in a “U” shape form to hold the wall structure without grade beam and lay on 5 cm thick lean concrete.

Table 20: maintenance of housing units

Maintenance requirement	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	7	43.8	43.8
	YES	9	56.3	100.0
	Total	16	100.0	100.0

As shown on the table 14 above 43.8% of tenant's houses maintained according to their request for maintenance on different part of the building. 56.3 respondents didn't have any maintenance issues and didn't ask for maintenance for the responsible body at all.

Table 21: parts of a unit requested for maintenance

Parts of a unit maintained	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	7	43.8	43.8
	Noise (from neighbors and outside)	2	12.5	56.3
	Leakage	6	37.5	93.8
	painting	1	6.3	100.0
	Total	16	100.0	100.0

The data collected from tenants indicate that 43.8% of the respondents didn't want to have any maintenance but 12.5% of tenants have an issue with noise from the neighbors and outside and they request for improvement on the wall and leakage and painting issues 37.5% and 6.3 % of respondents request for maintenance respectively.

Additionally, the maintain ace cost and any related issues covered mainly by the developer the only thing tenants need to do is requesting formally the developer representative and there was a meeting with the developer in different period of time then they could ask any maintenance and related things.

#### 4.5.7 Utility services

The basic utility services are available in the compound. the services water supply and electricity shared by tenants from shared electric and water meter.

The toilet is also commonly shared but not for all tenants according to the unit's arrangement one toilet used for four households.

The other none convenient service is kitchen according to tenants' interview as they stated the kitchen is not enough and well designed in the compound even if there are bachelor tenants which didn't use the kitchen.

Solid and grey water disposal were one of utility services in the compound which have septic tank for the disposal purpose.

Table 22: utility service

<b>Utility services</b>	<b>Accessibility</b>	<b>Percentage</b>
Water supply	Shared water meter	100%
Electricity	Shared electric meter	100%
Toilet	Shared for four tenants	100%
Kitchen	Shared within the compound	100%
Grey water disposal	septic tank	100%
Solid water disposal	septic tank	100%

#### 4.5.8, Safety and security

Table 23:crime against a tenant

Crime records	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	12	75.0	75.0
	YES	4	25.0	100.0
Total	16	100.0	100.0	

The data collected to assess about has any crime been committed against any of the tenants with in the last one-year period of time in the neighborhood was shows that 75% of the respondents there was no crime related issues happen in the neighborhood but 25% said there was a crime commented on them in the neighborhood.

Table 24: crime record against peoples they know

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	15	93.8	93.8	93.8
	YES	1	6.3	6.3	100.0
	Total	16	100.0	100.0	

The data collected to assess about Has any crime been committed against peoples you know within the last one year in the neighborhood was indicated that 93.8 % of tenants know about people that face a crime issue with in the neighborhood. On the other hand, 6.3% of respondents didn't hear and know about such kind of issue at all.

Table 25:crime records

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	14	87.5	87.5	87.5
	YES	2	12.5	12.5	100.0
	Total	16	100.0	100.0	

The record indicates that 87.5% of respondents are not the victim related with this crime record against when they come from school and work places but 12.5% of tenants are victims or there is a crime committed on them when they come from school and work in different time.

Table 26: security issue in the compound

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO	12	75.0	75.0	75.0
	YES	4	25.0	25.0	100.0
	Total	16	100.0	100.0	

Safety and security issues in the compound according to tenants 75% were very confident to say there is no any issue related with security problem in the compound but 25% of respondents said there was an issue in relation with the safety in the compound.

Table 27: safety of the neighborhood

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very poor	1	6.3	6.3	6.3
	poor	1	6.3	6.3	12.5
	good	3	18.8	18.8	31.3
	very good	6	37.5	37.5	68.8
	excellent	5	31.3	31.3	100.0
	Total	16	100.0	100.0	

Safety of the neighborhood was rated in scale of excellent to that of very poor and the data record 37.5% of respondents indicate the very good the level of safety and security which is the highest record ,31.3 % respondents leveled it excellent, 18.8% leveled good, 6.3% leveled poo and very poor.

#### **Most liked and disliked aspects of the units and the compound**

Depending on the question distributed for tenants the answers that collected reveled that more than 90% of tenants like about the units is the simple construction system and cost of rent is the one that everyone appreciate following with the legal agreement they have with the developer and about the compound from the respondents 95% are very happy and like the freedom they get in this compound and they have no reason to compare this private rental housing development with their pervious renting experience. Specially, household heads with young children appreciate and liked the freedom they experience in this compound. Communal space they have as a playground and a meeting with the developer and the security they have for the compound that make their life easy in many aspects that when they compare with other type of renting option, they experience in their life time.

At the meantime, there are problems they mention on the interview section these were the utility bill issue specially electricity and water, the problem is because of the developer didn't pay the bill on time there was a cutoff electric supply and there was no water supply for a month. The other mentioned problem is the shortage of traditional kitchen in the compound there is only one communal kitchen which is not enough and well designed for the renters according to their answers.

### Formal Private rental housing as an option

The question was do you think private rental housing can be a solution for the housing shortage and limitation in the city? This question revealed that 98% of tenants agreed on the idea that such type of formal private rental housing development was a best solution for those who can't afford to rent in informal rental housing market and the government should consider such projects as an option for the shortages of housing in the city. The 2% respondents were not sure about the project and they don't have any idea to say. Moreover, from the 98% of respondents their idea behind supporting the project was their experience in the informal rental housing that in the informal rental housing most of the time there were no Leal agreement between tenants and the landlord so that they were very unprotected from sudden eviction from the house and unplanned incremental of rental cost. With regard to affordability this project is fare in price and consider low-income tenants in the community that can't even afford government subsidized condominiums housing down payment even the studio type as per the responses get form tenants.

#### 4.5.9 Future expectation and aspiration

Table 28: future rent affordability

	Rent price range	Frequency	Percent	Valid Percent	Cumulative Percent
	1500 - 2500	9	56.3	75.0	75.0
	2500 - 3500	2	12.5	16.7	91.7
Valid	above 3500	1	6.3	8.3	100.0
	Total	12	75.0	100.0	
Missing	System	4	25.0		
	Total	16	100.0		

With regards to rent affordability rent price range the tenants will afford in the coming five years indicate that on the survey result 56.3% from the total respondents will afford 1500 -2500 birr rent price range this was the highest percentage group of rent price which followed by 12.5% of respondents afford or willing to pay 2500 -3000 birr group the other 6.3% could afford to pay above 3500 the other 25% of respondents not sure about how much they will afford in the coming five year if the price increase and ask to pay more than 2000 birr.

Table 29: work type

	Work type	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	government work	2	12.5	12.5	12.5
	private work	11	68.8	68.8	81.3
	Both government and private	2	12.5	12.5	93.8
	foreign company	1	6.3	6.3	100.0
	Total	16	100.0	100.0	0

The percentage distribution of work types the respondents will chose in the coming five years with regard to their plan (table23) revealed that 68.8% of tenants need to work in private and wanted to start their own business. The respondents 12.5% choice to work in government institutions and need to continue working there. Additionally, 12.5% of respondents need to work both in private by starting their own business at the same time the wanted to work in government institution. 6.3% of tenants are not ready to work either in private nor in government companies based in Ethiopian instead they want to employed in foreign companies.

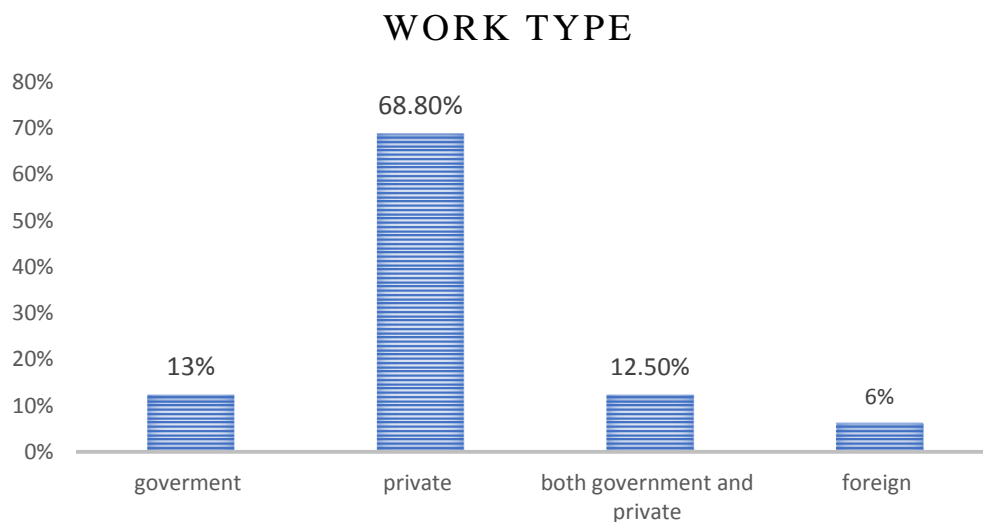


Figure 14: Work type

## **4.6 Limitation and potentials of the development**

The limitations on this project were; financial limitation which was the main challenge that the developer face mainly related with this problem the developer risk the family construction office budget according to the interview. The other challenge was land acquisition by legal form of agreement; it was very difficult because of the uniqueness of the project and the ideas behind the agreement were new for landlords or home owners. And the policy framework is the other limitation which didn't have any related kind of instrument with the idea of private rental housing scheme. The last case was occupancy management to provide the houses for the target groups was the other limitation on this project.

This and other limitations of the projects are mentioned when the assessment of the case was done. Detail findings and discussions are mentioned on the next chapter.

### **4.6.1 Potentials of the development**

The private rental housing option as a provision of housing in different strategy and mechanism was the great achievement of the developer. The housing market historically dominated by owner occupiers and a highly fragmented informal and closed rental market this unmet housing demand that outpace the provision of housing. (Matsumoto T. and Crook j., 2021). As tenants outline in the interview, in this situation developing and providing private rental housing from grassroots development to the implementation then allowed users to benefit from such type of development was the successes.

Knowledge transforming and using experience to solve the housing shortage was the other potential of the development. The developer uses unique construction system and strategies to develop the houses. The model could work as a viable option for resolving housing issue in city level and the cost of development could also initiate small scale landlords who have vacant land in their compound but can't construct a house for rent may use this opportunity. Additionally, if the government willing to set and implement policies related with private rental sector the idea of this development used as a potential for looking other options and mechanisms to alleviate housing shortage.

## Concept diagram of the development

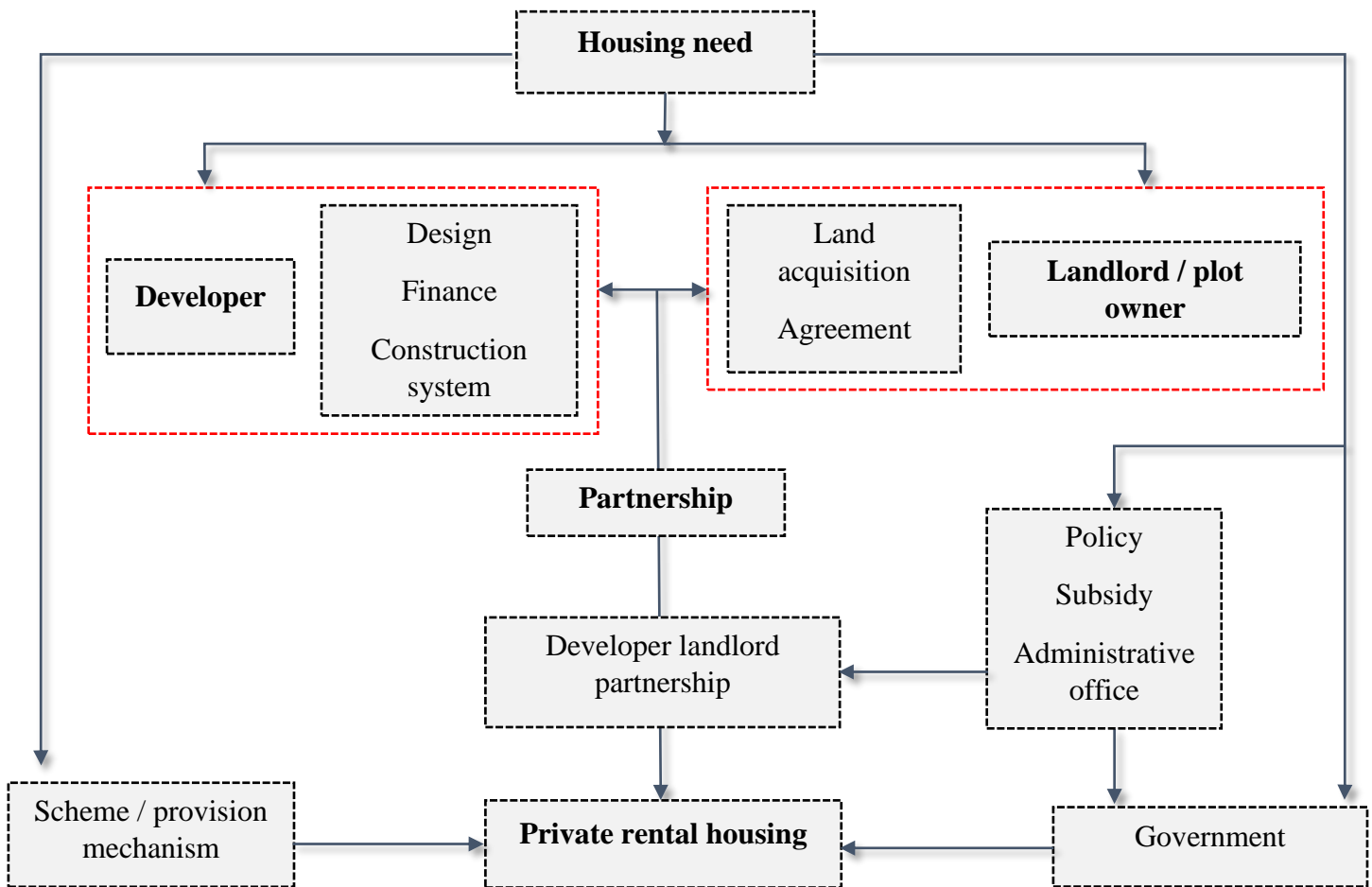


Figure 15: Conceptual diagram of the development

The concept of the development indicated on the above chart explain that the housing need in the city and the supply side scheme or provision mechanism linked by a new partnership arrangement which is developer – landlord partnership. The partnership between the two parties creates a new scheme called private rental housing provision scheme and the other party government side expected to engaged in this process only by providing subsidies for developer, arranging administrative office and creating policy framework for the new approach. In the development process the government burden decrease comparing with other schemes like IHDP.in the meantime, land issues were covered by plot owner and the design and construction finance covered by the developer on this model.

## **CHAPTER FIVE**

### **FINDING AND DISCUSSION**

This chapter of the research report focused on the finding and discussion on the social and economic condition of tenants, legal renting system, institutional framework and the interest of different stake holders on the development of private rental houses based on the data collected and analyzed on the previous chapter.

#### **5.1 Social and economic condition of renters**

##### **Social condition**

Tenants in this specific case study area of the private rental housing development site have social interaction with in the compound but when we see their interaction with the outside of compound community, they have less interaction. As we see from the findings from this research work, they only choose to have social groups only with in the compound if the social group scale is bigger and include the outside the community the percentage of engaging in such groups very limited and small in number to be more accurate 75% o the tenants in the compound didn't have an interaction with in social groups either in the compound nor outside the compound. On the other hand, 18.8% of respondents have a social group which is a monthly "EQUBE" with in the compound and only 6.3% of the tenants participate in "EDER" which is more interactive social group outside the site but only less than 10% of tenants participate in this social group. The reason behind this kind of less interactive number of tenants in the compound was their life style and not decided to live in one place which is they are very mobile or not permeant resident in the city, tenants of short-term workers and 31.3% of tenants were bachelors which don't need long-term commitment in any social group.

Moreover, the social condition tenants with regard to age group versus marital status and gender composition findings show that the age group that cover 31 – 40 covers 62.5% of tenants but married tenants were 50% of the respondents and the gender composition finding indicate that 43.8% were females and 56.3% covered by male tenants. This data revealed that 50 % of tenants were widows, bachelors and divorced which give them to not engage in permanent social groups commitments. The highest age group finding shows 62.5% of tenants are adults and young that they were on transitory period of their life which is a feature of the earlier stage of tenant's lives in this specific research report findings.

### **Economic condition**

The rental condition with regard to rental cost and legal agreement statistics were very difficult to get exact information and the cut price other than the kebele houses and federal Housing Corporation. In the informal rental market both the landlord and tenants often keep their rental relationship quiet, this is to avoid tax or government planning or zoning policy which puts the restriction on renting (UN-HABITAT, 2011). However, the rental conditions of on this private rental housing project differ from other informal rental housing sectors by having formal agreements with tenants and fixed rental price for the period of three or five years according to the agreement with the landlord which fix the period and agreement type on the project stated on sub topic implementation phase.

The finding indicates that 25% of tenants pay a rent price in the informal market from 1000 – 2000 birr which is the same price with the case study project but other 75 % of tenants were pay a rent above 2000 birr. The highest rent cost 43.8% of tenants experience when they were in the informal private rental housing was 2000 – 3000 birrs. In a range of 3000 – 4000 birrs 25% of respondents were paid for rent when we compare this data of rent price with their monthly income per month indicate that 12.5% of respondent's income level per month was below 5000 birr and 37.5% of tenants earn monthly income from 5000 – 7000 birrs in average in the other hand 7000 -9000 and above 9000-birrs monthly income earners 25% and 25% of tenants respectively. The finding indicates that above 50% of tenants earn monthly income below 8000 birrs in general when we compare the highest rent tenants experience before this project was 3000 birr which covers 43.8% of respondents which means that 37.5 % of their income cover only the rent cost but in this private rental housing development project the cost of rent is maximum 2000 birrs which is 25% of the total income, and the difference is 12.5% total in general. Additionally, comparing the total amount tenants earn monthly with their total expenditure including rent cost, 56.3% of tenants expend their monthly income in a range from 4000 – 8000 birr 100% was used by 50% of tenants for monthly expenditure without saving in some cases they may go for credit or loan because of the difference between they earn monthly and their expenditure. Only 25% of tenants can afforded with their monthly income more than 9000 birr and their monthly expenditures ranges above 8000 birrs.

## 5.2 Summery of finding on socio economic condition

Table 30: summery of findings on socioeconomic

<b>Socio -economic data</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	9	56.3
	Female	7	43.8
<b>Age group</b>	20 – 30	4	25.0
	31 – 40	10	62.5
	41 – 60	2	12.5
<b>Marital status</b>	Single	5	31.3
	Married	8	50.0
	Widow	2	12.5
	Divorced	1	6.3
<b>Educational level</b>	Secondary education	4	25.0
	BSc. /BA	9	56.3
	Others	3	18.8
<b>Household head</b>	Male	11	68.8
	Female	5	31.3
<b>Social groups</b>	Eder	1	6.3
	Equb	3	18.8
	None	12	75.0
<b>Household size</b>	1	2	12.5
	2	4	25.0
	3	5	31.3
	4	3	18.8
	5	2	12.5
<b>Income source</b>	Private work	7	43.8
	Government	4	25.0
	Both private and government	3	18.8
	Remittance	2	12.5
<b>Expenditure per month</b>	4000 -6000	4	25.0
	6001- 8000	5	31.3
	Above 8000	7	43.8
<b>Income per month</b>	3500 – 5000	2	12.5
	5001 – 7000	6	37.5
	7001 – 9000	4	25.0
	Above 9000	4	25.0

### 5.3 Legal renting system

Private rental housing system was not a new feature in our country but the diversity of the stock makes it very difficult for the legalization of the system but the new approach private public partnership (PPP) policy will resolve some issues related with private owned rental houses the draft of this approach was discussed with different stakeholders and government officials but not in effect or passed and approved as a policy approach according to interview conducted with Mr. Tadesse kebebe head of housing development and administration bureau in ministry of urban development (MUDC). However, the informal rental housing sector even influence the government home ownership policy approach according to world bank synthesis report, (2019) from IHDP beneficiaries 53% rent their houses informally for private tenants and only 41.6% are live in their houses which indicate the informal rental market dominates government housing provision approaches.

The regulation between tenant and landlord still in consideration by government side but there is also legal rent agreement and rent taxation document currently in effect on the market the documents attached in Appendix B and C. the findings in this research shows that the developer use this document for legal agreement with tenants and the document quoted proclamation number 1731/2005 or (በፍ/ብ/ሕ/ቁ/ 1731/2005).

In the rental agreement document, there are description about the size and description of rental unit, duration and termination of contract, rent setting and rent increase and the signature of tenant and developer in this case but when the landlord start renting the units the agreement should be between tenant and landlord.

According to findings on the legal agreement between the developer the tenants show that above the half of the renters 62.5% have a legal agreement with developer including the date of the agreement expire and other related issues. The other 37.5% still don't have a legal agreement with the developer as they said they ask the developer to have, because of different reason from both sides they didn't the agreement but the developer was willing to sign the agreement. In addition to this, there were no rental increment from the developer side till this report prepared.

## 5.4 Physical condition of the housing

Related with the existing physical condition, maintenance related issues and standards about this type of house was analyzed and the data collected are revealed on the pervious chapter and the findings indicate that the standard of the houses is checked and approved by quality of standards and assurance committee assigned by Ethiopian standard agency (ESA). The committee members are represented from different sectors and organization as indicated on the minutes written on Jan. 27,2020 these are Ethio construction technology management workers association, Ethiopian civil engineering association, Addis Ababa science and Technology university, EiABC, Ethiopian conformity assessment Enterprise, transport works regulatory Authority, Loza and Birhanu CTD, Private observant and Ethiopian standard agency. Then the standard assessed and approved by the above committee members and get permission for implementation. After the implementation and occupation stage by assessing the tenant's feedback on the maintenance and physical condition of the house findings show that 56.3% of tenant's houses maintained for different reasons these are 12.5% of tenants have an issue with noise from the neighbors and outside for this reason, they request for improvement on the wall the other request was on leakage and painting issues 37.5% and 6.3 % of respondents request for maintenance respectively.

The size of the typology is  $4 * 4 = 16m^2$  with a one room or studio type arrangement Because of these tenants with a large number of family members request for extension on the outside of the house for store and other function. But according to the agreement with the landlord this request is not valid and applied in the compound. The other request was to add more typologies specially, one bed room typology according to the data collected from tenants' interview. Again, the developer answer was the typologies were developed on the other sites but there was less interest from users' side to rent those types of one bed room or two bed room types rather they were more interested on the studio types because of different reason but one of the reasons was rent cost.

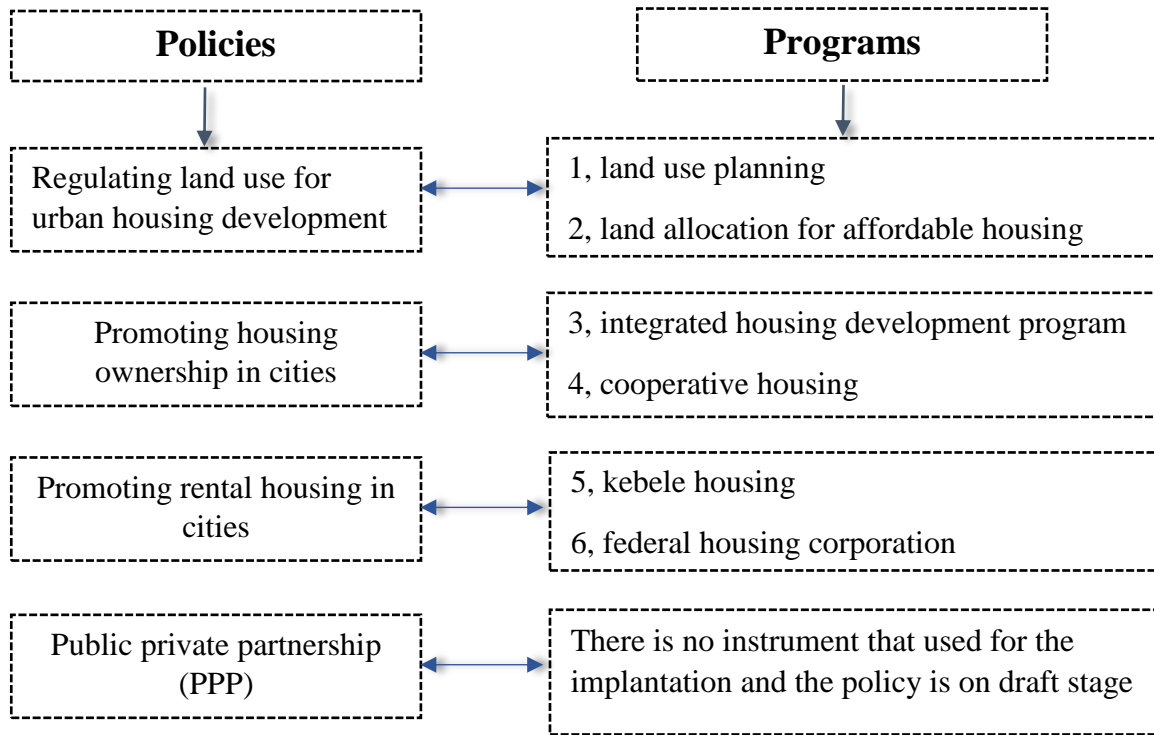
In addition to this, the physical condition of the houses rated 98% excellent by tenants and from observation analysis the house were assessed based on the construction material used for building the houses. So that the result or the finding was the materials used for construction were consider the standards set by quality assurance and the maintenance done regularly and according to the request of tenants makes the houses to maintain their original form and quality for long period of time.

## **5.5 Institutional frame work or policy frame work**

Policy supports and institutional frame were not available to guide the development of private rental houses in the formal sector according to the findings by analyzing the policy frame work of the existing approach in the country but there were draft strategies that consider public private partnership approach but not labeled as policy because of different reason from government side. However, tenants number increase in the city by type and kind According to Ira Gary and Claud Taffin (2013), there are two types of tenants: tenant by constraints and tenant by choice. Tenant by constraints are slum dwellers or squatters, worker who migrated for employment reason, working family who have no access to credit and defaulted borrowers. And tenants by choice are housing starters young couples who wants to remain mobile, middle- and higher-income professionals who don't desire home ownership, students, families who want to downsize after their children grown and all other persons who travel for work or personal reason prefer a short-term residence. But the policy didn't give appropriate attention for this segment and the existing policy approaches are in struggle with the luck of exit plan.

To relate the issue with previous policy approach which more support for cooperative housing before the introduction of the 1986 housing policy which include the regulation decreasing of maximum plot size from 500m<sup>2</sup> to 250m<sup>2</sup>, creating a government enterprise to provide building material to developers and related issues then the approach was overtaken by the condominium housing program but this program lead to un intended and hidden promotion of private rental housing because of the beneficiaries of the condominium houses couldn't pay the debts associated with it and they start to rent it out to higher and middle income groups (UN HABITAT,2011). Moreover, the government didn't respond in timely manner till now the approach of formal private rental housing was not considered. Instead, the government officially announced not to build new condominium houses currently and can't continue the project and as exit plan letting the people who wait the condominium housing and have saving account for condominium houses to form cooperative association and build their own houses with some short of support from government side (interview with MUDC representative, 2021) Mr. Tadesse kebebe head of housing development.

The current existing national urban housing policy frame work mainly focused on home ownership, urban housing development and rental housing in cities (kebele and FHC). The policies operated in six programs.



Source: Matsumoto T. and Crook j.2021..Sustainable and inclusive housing in Ethiopia

Figure 16: urban housing policy frame work and instruments

The policy instruments that support the rental housing sector only limited on government recognized rental housing categories the other informal rental sectors are neglected and affect the rental housing market from findings some instruments used on informal private rental housing markets to collect tax from landlords who develop houses in their compound and rent it out in informal market price. These were first, regulation on tenant-landlord relation has been proposed and only legal agreement document approved by proclamation number 1731/2005 the other part was under discussion. Second, rent control for kebele houses and FHC are in place but for private rental market to establish control on initial rent level and increment percentage was under discussion. Third, perpetuate use of social housing for rent in central areas also consider only kebele houses and FHC.

## **5.6 Stake holders' interest and actors in the development**

The discussion and findings on the interest of stakeholder in this private rental housing development project based on the partnership agreement made between landlord and the developer and its unique approach to deliver a formal rental in private level beside its construction system and design.

The development when it comes to an implementation phase major question were how to get the land and what kind of agreement must made between landlord versus developer, landlord versus tenants and developer versus tenants. These agreements or approaches was the answers for the implementation of the project. To understand the approach, it is important to discusses separately.

### **5.6.1 Agreement between landlord - developer**

This agreement mainly solves the problem of land acquisition to implement the project. The partnership agreement had two sub parts of agreement the first one was to rent the vacant space of landlord in their compound and building the houses for the period of three years to five years. The second one was the agreement stated that the option which gave for the landlord to own the houses or to let the developer to take parts of the building by disassembling and leave the compound after three years of stay.

#### **landlord - developer Sub-Agreement one**

on this sub agreement the landlord should be willing to rent the vacant plot in the compound under his /her own ownership and permit the development of rental houses in his / her compound for the period of three to five years according to the sub agreement two preconditions. Moreover, the existing vacant plot in the compound must accommodate at least three to five rental housing units and the owner of the compound must come up with the legal title deed that shows the ownership of the compound.

On this agreement the finding show that there are lotas of vacant plots in private owned compounds that some of them can build a house for rent or used for trade but on the other side there were home owners that have a title deed but can't develop or construct a house for renting purpose or other because of the limitation they have on finance. So, this project idea come up with renting the vacant plot and at the same time letting the landlord to have additional income generation means in their compound. Moreover, this

approach of the project work on two sets of the community the low-income landlord and the low-income tenants.

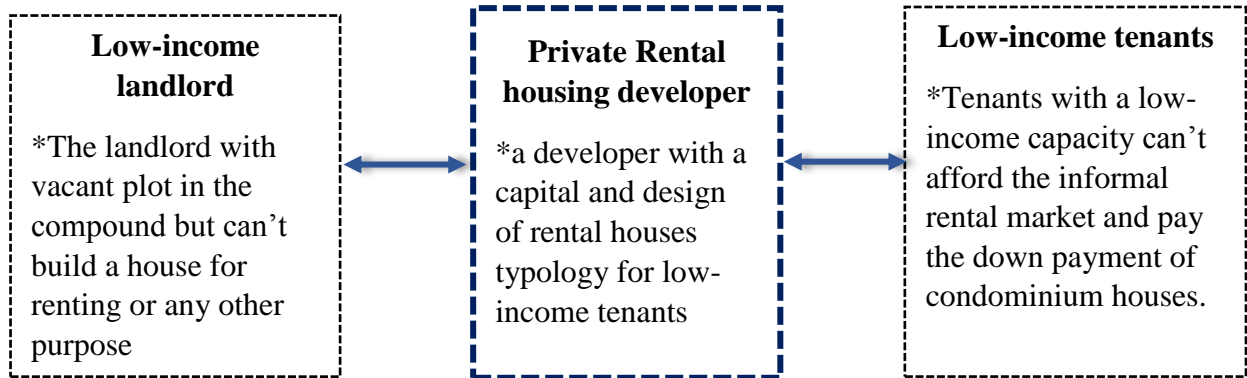


Figure 17: Summarized approach of the developer housing delivery mechanism or approach and pushing factors

### **Landlord - developer Sub-Agreement two**

Sub agreement two between the landlord and developer stated that after the development of the house and occupation of tenants in the compound the landlord has two options to agreed up on and sign the agreement which mainly focused on owning the houses or not to own.

#### **Option one**

Stated that if the landlord only let to rent the vacant plot for the period of three years the landlord didn't own the houses after the end of the agreement and the developer had full right to take all the parts of the building by disassembling the housing units at the end of the agreement period. In this case the landlord only get money from the rent of vacant plot in the compound for the period of three years only.

However, the developer could earn profit from the rent of the houses after covering the cost of total construction, operational cost and rent paid for the vacant land in the period of three years.

#### **Option two**

This option comes up with additional opportunity for the landlord. The option was the landlord should sign the agreement for the period of five years. and the difference between option one and two is; one, the agreement period extended by two years, second after the end of the third year of the agreement the landlord was beneficiary from the houses and get 50% of the rent cost collected from the tenants in addition to that of the vacant plot rent for the next two years until the end of five-year agreement,

third, at the end of the agreement which is the five years agreement period the land lord could own the houses and rent for tenants with a new landlord and tenant agreement.

The developer should not engage in any form without the consent of the landlord after the end of five-year agreement.

### **Gaps on the agreement**

Findings on Landlord – developer agreement had options for developer and the landlords but not for tenants the landlord – developer sub agreement one and two only stated the relationship of both parties and the pre-condition that came with the agreement period but how will tenants continue after the end of the three and five years was not stated clearly. The tenants didn't have any part on the agreement, this was the main limitation on the agreement beside its unique approach of acquiring land from landlords who have vacant lands for development in their compound.

### **5.6.2 Actor's interest and role in the development**

The actors on this private rental housing development are mainly the developer, landlord and government. Their role and interest assessed on this specific case study by semi structured, structured questionnaires and key informant interview.

#### **Developer**

There is no on size fit all solution for the housing challenge that currently increasing Demand but the supply didn't meet the need because of this according to Mr. Birhanu kassa (civil engineer) they came up with a new approach which may help to overcome the outpaced demand over supply. Developing private rental housing by renting vacant plots from landlords.

The interest of the developer was to create business and get profit. As construction company owner and the one that live in the competitive construction era, they come up with a new construction system and new housing delivery mechanism that different from the conventional construction approaches which is very profitable and a solution for housing demand.

The other interest of the developer is to get permanent patent that can work in the construction sector and get licensed to train the idea for small scale enterprises that

work on the construction sector then manage, supervise and control the quality standard and related issues according to legal partnerships with interested stakeholder.

The other interest of the developer was beside the business approach was to solve the housing problem and made an impact on the issue as an engineer and contribute something in country level by realizing the project as an option for housing delivery mechanism, especially for low-income tenants.

Role of the developer: the developer role was to convert the idea of the project into reality by getting permission, patents right, design, paper works, and should engaged in construction process to the efficient utilization of materials, time and his experience on construction sector. Moreover, the developer take risks because of there are no legal grounds for such kind of developments. So, the developer takes risks on his finance, time and career.

### **Landlords**

The interest of landlords differs from land lord to landlord when the developer analyzed when he try to had one but in this specific case study the landlord interest was; one, to had a financial support to construct houses and use as an income source from the rent but the approach from the developer side was to rent the vacant space from the period of three or five years with different options on the houses rent share and owning the houses agreement base on this the landlord was interested only to see the first three years and need to extend the agreement if thing are going good and its profitable according to the landlord interview conducted. Second, the landlord interest is to have houses in the compound for rent and other extra purposes. Third, interest is to have full control on tenants to manage and protect the compound from unnecessary disturbance and utilization of spaces in the compound. Related with the third interest of the landlord the findings show that to solve this issue the developer and the landlords agreed up on to work on this together and let tenants to have another entrance door other than the amin entrance and detached the landlord compound from tenants was set as a solution

Role of the landlord: to get construction permit from land and construction administration office, providing utility service (electricity meter, water meter and others) for tenants, willing to sign the agreement before implementation of the project and respect rights and obligation based on the agreement between landlord- developer.

Finally, the landlord and developer interest were based on win-win approach with defined scope of responsibility and it stated on the agreement.

### **Government**

The government interest and role were according to the data collected from minister of urban development and construction, woreda 04 building permit and construction and woreda 04 tax and revenue office differ office to office.

Interest and role of MUDC: the ministry office interested on the idea of the project and willing to see the impact of such innovation on the housing shortage alleviation process. Minimization of cost of housing development was the other interest of the ministry but the ministry office needs to see pilot project before engaged in such type of model and proved any support of the development. For this reason, the ministry only let the project developer to get quality assurance assessment and interested on technical qualification of the building material before the implementation of the project. Although, interested on the private rental housing development approach which may consider as an exemplary approach and help the approval of public private partnership policy instrument.

Role of MUDC: redirecting the project idea for the quality assurance agency to be approved and write letter for the developer and facilitating related paper works.

Interest and role of woreda 04 building permit and construction office: the office interested on the quality and building material because of the office give permission of construction when the building material was block but this material can resolve the issue for landlords who want to construct houses but the limitation of the building material is one of the complaints by landlords.

Role of woreda 04 building permit and construction office: the role of the office is to give permission for construction and to supervise the construction based on the quality that the Ethiopian quality assurance gave.

Interest and role of woreda 04 tax and revenue office: the office interest is to collect rent tax from the rent that the developer collect from tenants this project let the office to know every tenant's legal agreement as a project. Because of this there is no more secret between tenants and landlord to avoid tax or government planning.

Role of the woreda 04 building permit and construction office: to collect rent tax according to the rule and regulation. Refer Appendices C: government rent taxation system

## **5.7 Development and implementation of the project**

Findings on the development and implementation phase of this project are depends on the analysis from the pre development phase to the implementation phase and occupation of tenants analyzed according to the data collected from different stakeholders on this private rental housing development project on the pervious chapter four data presentation and analysis section. The focus of this chapter only to see the findings related with pre development, development and implementation phase.

The case analysis indicates that such type of development schemes was not part of the policy and difficult to implement. On the pre development phase the founder of the idea on the construction system and construction material to produce prefabricated houses for the implementation of the idea face challenges from different stakeholder before tested and approved by Ethiopian quality assurance agency. After the approval on the material and design the next step was to find land for the implementation and again the developer come up with new land acquisition method the vacant land rent from landlords which was also difficult to find land that can accommodate more than three houses. Financial limitation was the other constraint for the developer.

Findings shows that some similar kind of housing delivery mechanism was practiced by Hawassa city administration in 2017, the city administration try to financially support individual homeowners to construct secondary dwelling for rent that have parcels of land with available space. To support the project the city administration launched a pilot microfinance scheme in order to provide loan to homeowners but the project encountered obstacles due to standard of the houses built for rent, utility and sanitation standard, and there is no responsible body to check the dwellings compiled with prescribed living standard (MUDHC, 2014).

However, the private rental housing project was approved the quality of houses and construction system by EQA and developed by private developer which decrease the role of the government on the development process. The only request from the developer side was access to finance or to get loan from government and policy related

issues. The other obstacles stated on the Hawassa city administration approach resolved by design and agreements done between landlord or homeowners with the developer.

Finally, the other finding on the project development and implantation is the cost variation that the informal rental houses providers and on this specific case that the houses developed by LBC. Construction office is very high. The cost variation in meter square indicates that according to the current construction price that approved and implemented by building and construction permit office is to deliver the informal market renting unit with the same size it costs 16,000 ETB per meter square. Whereas, the private rental housing developer scheme spent 40,000 ETB to deliver 16 m<sup>2</sup> studio type unit which means 2,500 ETB per square meter. The difference is 13,500 ETB until the end of 2021. This makes the project very welcome by the government officials and interested them to see the pilot project.

## **5.8 Limitations and opportunities of private rental housing development**

### **5.8.1 Opportunities or potentials of the development**

In terms of potentials of the development, the findings were more focused on unique opportunities that came with the project implementation specifically on this study. These were first, the project used as income generating option for the low-income landlord. Second, the cost difference that exists between this project and the conventional housing construction and informal rental market. Third, the sustainability and replicability of the project and there is no need of too much professional or skilled workers on the construction of the houses. fourth, the job creation and innovation of design and construction system of the project. These were the best findings on the potential of the project and discussed below in detail.

#### **Income generating and use of vacant spaces/plots**

On the implementation phase of the project finding the vacant plot that owned by home owner in the city was the difficult part especially large plots that can accommodate three to five houses but the findings indicate that most of home owner that have more than 500m<sup>2</sup> plot are low-income landlords compare with that of other landlords with less plot size home owners in the city according to the study findings of the project developer. Because of this reason the project helps the landlords with large plots to generate income and economically support for themselves in addition to having a house

in the mean time for future use that was the best opportunity for landlords that they can't develop their own plot because of financial constraints.

The other opportunity was utilizing such kind of vacant lands in the city center increase land efficiency and land use management and using as an option for housing shortage alleviation was the new approach by the government side. Although, new land allocation needs to provide basic minimum services prior to bring used, meaning that road, utility services (water and electricity) infrastructures cost the government but this approach help to minimize such kind of costs by proper utilization of vacant lands.

### **Cost**

Developing housing projects currently need high number of budgets and commitment from both government side and public sector. This problem is resolved by this project and findings revealed that the government housing providing mechanisms and strategies are very costly and oriented only home ownership approach which is not mainly consider the low-income part of the community and ignore the private rental housing market.

However, this project come up a new approach called a private rental housing scheme with low price of construction system. When we compare the project with the conventionally constructed houses by different landlords in the informal renting market cost to deliver the same size house needs 300,000 ETB in current (2021) construction price and by meter square in the informal market it needs 16,000 ETB. Whereas, the private rental housing developer scheme on this specific case study spent 2,500 ETB per square meter. These difference and a need of additional housing delivery strategy could take as a potential for the government and privet housing developers.

### **Sustainability**

The construction system, replicability of the project makes a sustainable approach of housing delivery mechanism. The design of the housing elements simplicity makes the project applicable in any part of the country and there was no need of professional man power to deliver these houses whereas simple trainings could make non skill laborer to deliver these houses. Such potential of the project shows its sustainability in many aspects such as cost, replicability and construction system.

### **Job creation and innovative**

Innovative approach of these housing delivery mechanism beyond its main objective of delivering the houses for low-income tenants. It also helps to create a job for new graduate students and non-skill laborers. In addition to that of income generating mechanism for low-income landlords or home owners in the middle of the city. This potential of the project was the other aspect that could be part of the opportunities created because of its implementation.

### **5.8.2 Limitations**

#### **Financial limitation**

The financial challenge that the developer faces during implementation phase was due to the lack of funds and there were no financial institute to give loan or credit for the project because of the legalization and the process time taken by quality assurance team to give verification on the project which helps the developer to take credit from banks and to process to implement. At the same time, the quality assurance team and government office need a project sample or pilot project that they can test and check the feasibility of the project from user's side specially tenants. This makes the project very difficult for implementation. However, to resolve this issue the developer takes action to finance the project from the previous construction company owned by the family and take as a credit to finance and start the pilot project.

#### **Legal framework**

##### **1, Informal land acquisition deal**

Process of land acquisition was not simple as the proposals set by the developer which is renting the vacant space from small scale landlords for the period of five years maximum and three years minimum and constructing the houses and the agreement period started counting simultaneously when the construction of the houses started which benefits the landlord only even if the project can be finished within the short period of time.

On the other hand, the agreement between the landlord and developer was informal agreement which is done traditionally by signing the deal with the selected witness from

both sides not in the government office or there was no official document which help both the parties to have legal binding.

## **2, Lack of legal framework or policy**

There are three policy instruments works operating under six different programs and initiatives these are policies first, to regulate land use for urban housing development which has two programs land use planning and land allocation for affordable housing, second policies to promote home ownership in cities with programs and initiatives of integrate housing development program (IHDP) and cooperative housing the third one is policies promote rental housing under two programs kebele housing and federal housing corporation (Matsumoto T. and Crook j., 2021).

Moreover, the current PPP (Public private partnership) is the new approach for housing development but not actively implemented and approved. The rental housing sector also overlooked the private rental housing sector which is dominate housing option for low- and medium-income level tenants but the policy frame work only give recognition for kebele housing and federal housing corporation. This limitation was one of the challenges for the developer even if the government officials appreciate the project and willing to give permit but not give credentials to be one of the viable options for housing delivery mechanism.

## **3, Tenants' insecurity of tenure**

From the assessments of the project the findings indicate that there is a limitation on the agreements between developer and landlord/ home owner. The insecurity of tenants was the big challenge for the developer specially according to landlord - developer Sub-Agreement two option one and option two mentions the time limit of the agreement between the two actors (developer and landlord) but not consider tenants in this case on option one if the developer signs the agreement for the period of three and take the building parts by disassembling the houses then the tenants will again be exposed for tenant insecurity. Finding another rental house in the informal market will be the only option so the project has such limitation related with tenant insecurity.

### **Target group Occupancy management**

According to the interview with the developer and tenants most of them are categorized under low-income economic status but there are some tenants with high economic status and take the house for advantage. This issue can't be solved by the developer because even if the house is targeted low-income tenants but the market is free and there is no binding rule to rent only for those groups and sometimes these groups even don't afford the price for which it's very difficult and a challenge to decrease the rent price below this range without government support and subsidies.

Additionally, there was some interference from the landlord side on the management of the houses, especially on the utility services (electricity and water) because of not paying the bills of utilities and mis understanding between the landlord and the developer there was a time there was no utility service at all in the compound.

## **CHAPTER SIX**

### **CONCLUSION AND RECOMMENDATION**

This chapter of the report is about concluding of the research based on the analysis and findings of the case private rental housing development by Loza and Birhanu plc. At Ayer Tena, Addis Ababa Assessment and the recommendations were based on the fourth normative question; how should the private rental housing sector could be an alternative viable option for housing development in Addis Ababa?

#### **6.1 Conclusions**

The research conclusion drawn below are based on the finding and discussion of the research.

The model of this project private rental housing development mechanism helps the government to re think about rental housing sector that provide by private land lords in an informal way and again to reconsider the approaches and to find a way for exit plan from the previous government led home ownership approach. Moreover, tenants used rental housing as a transitional period for home ownership so that the model can be consider as one of the ladders created in the housing provision strategies.

The project idea and innovative approach minimalize the cost of construction that affect the rental price of the house. So, minimization of construction cost help to provide the rental houses below the informal market rental price. Moreover, it creates job opportunity for the non-skill laborers and university graduates. In addition, it promotes new techniques of construction in the industry.

The financial constraint and delays on the decision from government side to approve and offered permission for construction was the main factors that limit the developer not to engaged in the market in bigger scale.

In addition to this, the agreement made between the developer and the landlord to get land is the unique process and very effective approach for private developers but in the meantime the traditional way of agreement discourage some home owners or landlords to participate in the process of development.

Finally, luck of Legal and institutional frame work to manage and guide the project was another constraint for the developer, landlord and the low-level government officials.

This makes the project less active in the market and to get less visibility to consider as a viable option for housing provision in the sector

## **6.2 Recommendations**

As a solution for the current housing shortage and limited mechanism of housing provision this research report assesses the findings from the case study developed by private company which located at Ayer Tena, Addis Ababa. The following recommendations are the outcome of the findings and answers for the normative question how the private rental housing sector should be an alternative viable option for housing development in Addis Ababa?

The general recommendations are to take this model as alternative solution for the provision of housing the government, landlords and developer have their own part and responsibility for the applicability of the model in large scale. From the existing policy frame work on of the instrument set to promote rental housing on the city by means of kebele houses and FHC which limit and mistreat the private rental housing market but the market increases informally without any controlling mechanisms with all its advantages and dis advantage. So, the government should re think about the policy on rental housing market and consider the private rental houses developed by individual landlords or home owners. Additionally, the landlords and developers need to see the market as a new window of opportunity.

Recommendations on the can be seen in detail as follow by categorizing in to three different actors in the development process. These are recommendation for government, landlords and developers. Finally, the research recommends this issue for further studies.

### **6.2.1 Recommendations for government**

The government could mobilize the private sector to participate in housing development and develop policy instruments for the applicability of the projects that could come from private sectors including the one that currently in discussion private public partnership scheme. To facilitate this the government, need to establish legal, institutional and regulatory frame works with a clear role and responsibility. As a recommendation the following measures shall be take.

**A, preparing landlord – developer, tenant – developer, tenant – landlord legal agreements:** the binding agreement that supported by legal frame work allow the actors to have trust on the project and ensure them to have equal access to information and legal rights with legal responsibilities. According to the interview with the MUDC key informant for this case the government is currently considering the landlord – tenant relation legal regulation which is on step but for this specific model there must be landlord – developer, tenant – developer legal agreement or regulations need to be considered.

To develop such legal agreements will make easy to get land from landlords and collaborate with them in legal bases. Which facilitate and increase the development of such models.

**B, providing legal frame work for private rental housing as a strategy and policy instrument:**

In addition to the current policy instruments the private rental housing shall consider in to one of mechanism to promote the rental sector. Moreover, the government should look at the impact of private rental houses developed by individual home owners on the provision of house with different approaches and models. This model is one of the new approaches from private side to engage in housing development sector. so, the government and responsible body on this case shall consider this and other different model for the provision of housing and revise policy instruments.

The policy frame work let the government to have inclusive policy instrument for low-income tenants that can't afford either the condominium housing scheme or the informal renting market.

**C: establishing responsible office for this program and provide subsidizing mechanism:**

One of the main burdens for the private developer was cases to finance and land on the previous government housing delivery mechanisms. Whereas, in this specific research case the private developer come up with different approach to get the land this approach that minimize the burden of the government on providing land with infrastructure and establishing responsible office for this kind of model will have impact on land provision system, minimizing tenants' tenure insecurity, and put some legal grounds on the rate

of rent cost, increase the rent tax for government and help to control the informal market. However, the financial issue shall be subsidized by government and applying different strategies that promote legal private rental market such as subsidies for developers subsidies for landlord side then this issue undertakes by legal office the model will work in efficient way and could be one of the viable options to deliver houses and to resolve housing shortage.

### **6.2.2 Recommendation for developers**

The developer side shall consider the design and typology of the houses that the choice of typologies different from tenant to tenant. So, only studio typology is not inclusive to the choose of different tenants and land lords. From the findings land lords consider the houses to be rent by themselves after the end of the agreement period then they need to be competent in the market but the limitation of the typologies can be one of the obstacles they will face. So, on the design of the typologies the developer must come up with a new approach such flexible design and different typologies.

Furthermore, the tenants need a space for home-based business activities this limitation on the space of the house shall take in to consideration on the improvement of the design.

Finally, per the findings the prefabricated elements that used for the construction of the houses used welding of connecting elements and cement as a connection between different building parts of the houses this approach decreases the efficiency of the prefabricated elements to reuse on the other site. Therefor the connection design need improvements and need to apply dry connection methods without cement and welding to increase the reusability of prefabricated elements.

### **6.2.3 Recommendations for further studies**

This research paper limited on the specific case study that developed by private developer to deliver private rental houses in different model. Therefore, the findings were limited and not representative for all private rental houses that exist in informal and formal rental market. However, the issue of rental housing in private sector is not studied well according to previous researches conducted in AAU and EiABC specifically and it is difficult to find one done on the private rental sector. And there is limitation of information related with private rental houses developed by individual landlords.

Whereas, to formulate different housing delivery mechanisms such kind of studies should carried on in detail with different research methods. Finally, because of pandemic (COVID 19) collecting data from different respondents was very difficult and limited the researcher to access the tenant's social interaction in detail.

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## **ANNEX I: MANUSCRIPT**

### **ADDIS ABABA UNIVERSITY**

Ethiopian Institute of Architecture, Building construction and City development  
(EIABC)

Housing and Sustainable Development (HASD)

#### **Assessing the Potential of Private Rental Housing Developer for housing development**

The case of Loza and Birhanu construction plc, Ayer Tena, Addis Ababa, Ethiopia

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#### **Abstract**

The housing delivery mechanism in Addis Ababa, Ethiopia is very few and one of the delivery options is rental housing. But only the public rental housing and kebele houses are considered as an option and neglects the private rental housing for decades, the sector rental housing cover more than 55 % including both public and private rental housing stock. From the 55% of rental housing 37% is the share of private rental housing sector that means more than the half of the market. But the government didn't consider the sector as a significant option for housing development and focused only policies which promote home ownership led by government which is unrealistic and unaffordable means of housing delivery. This study examined and assessed private rental housing developer as a viable option for housing development and search the potentials and limitation for developing the sector as one of housing delivery strategies for the future. And it focuses on private rental housing developer and houses constructed by Loza and Birhanu Construction plc. The research used case study method for in depth analysis of the sector; the cases are selected only houses constructed by LBC. Plc. the data were collected using questionnaires, interview, and analysis of documents and related literatures. The end result and findings revealed that private rental housing sector has a positive impact on the housing delivery mechanisms. Furthermore, private rental housing provision strategies needs a policy support by government and appropriate revision on the housing delivery approaches including some policy instruments focused on rental houses developed by private sector.

**Key words:** Rental housing, private rental housing, private rental houses developers, rental housing policy instruments, Addis Ababa.

## **1. Introduction**

Rental housing today makes up a large proportion of the urban housing stock in many African countries and in many other countries around the world according to UN-HABITAT (2011). However, the rental housing sector is much neglected sector in the provision of housing policies and strategies but the demand for new urban housing and private rental housing increase. The rental market in Ethiopian is fragmented according to the most recently conducted census data and the housing provision forecast indicate that 58.8% of housing in Addis Ababa is delivered by the rental sector, 37% is the share of the private sector and the remaining by the public rental sector mainly by the Kebele and federal housing corporation the limitation and the percentage in city level is 2.5% (CSA, 2007). Though the figures tell a lot about the importance of the private rental housing sector in the housing delivery which cover more than half of total rental sector in the market of Addis Ababa; but the attention given is relatively small. Moreover, the demand for the private rental housing in the formal sector reported by World Bank housing survey indicated that many IHDP beneficiaries rent out their units and become landlords the figure showed that 53% of the households are private tenants and only 41.6 % are owners of the units.

Hence, improving the supply of private rental housing is quite necessary and can be the other option for housing provision. It can also improve the performance of urban areas by increasing density and support the economic sustainability of ownership through household rentals. Regarding the rental sector there is few studies specifically on industrial park works housing condition (Selamawit, 2019), Financializations and Rental Housing (Brigid Sammon, 2019) and other studies are more focused on public rental houses (Yehane, 2016) houses and Kebele houses (Yohannes, 2014). But to the best of my knowledge there is no research on private rental sector available according to previous researches conducted in AAU and EiABC specifically and it is difficult to find one done on the private rental sector.

Therefore, the research is in response for the aforementioned gap which is neglected private rental housing provision sector focused on the private rental housing sector development. In addition, this study can be additional resource to the subject matter and relevant to suggest and consider private rental housing sector as additional housing delivery strategy. The research focuses also on the spatial and physical condition of houses and issues related to tenancy was issues discussed in the research.

As a general objective the research were to study and assess about the private rental housing sector developer through the case analysis of *LOZA AND BIRHANU CONSTRUCTION PLC.* for housing development in Addis Ababa. In addition to this, the specific objectives were to study and analysis the development process of private rental housing, limitation and opportunities of private rental housing developer (LBC) for housing development and to identify the possible alternative solutions for housing delivery mechanism and recommend strategy through private rental housing developer (LBC) for housing development in Addis Ababa.

The thematic scope of the study is limited to the analysis and assessment of private rental houses in Addis Ababa developed by private rental houses specifically LBC plc. In relation to development process, implementation process and what limitation and opportunities are there in private rental housing development. The literature review also focused on the private rental sector and schemes the issues raised related to rental housing supply and demand. But issues relate with rent control, policies and financialization are not the main focuses of the research; but discussed roughly for the sake of discussion and recommendations. The research main focuses and answers were posed on the research question only. The spatial scope main focus is on the private rental houses constructed and managed by LBC plc. in Addis Ababa specifically in Ayer Tena area. The selection of the case study and data collection will implement on houses constructed in Ayer Tena area; the case study chosen because it is managed by the developer. Furthermore, the limitation and significance of the study were houses constructed and managed at the same time by the company are few in number and the sample size is reduced, there is no sufficient information and experience by the government side and there are few contextual literatures available on private rental houses development. The significance of the research is that it focuses only on private rental housing, which makes the research unique in terms of identifying the challenge and opportunity of the private rental housing sector and the negligence of the government in delivering rental housing as an option for housing development.

## **2. Literature review**

### **2.1. Rental housing**

It is necessary to understand what housing mean is and the tenure issues related to housing or home ownership before discussing the topic of private rental housing. According to different scholars in different literatures housing defined as in terms of physical and social aspects. According to Omole (2010) define housing as a unit of environment which includes the physical structure used for shelter, all necessary services, facilities, equipment and devices needed or desired for the family's and individuals' physical and mental health, as well as their social well-being. Accordingly, housing is neither a mere shelter nor household facilities alone. It is an essential need that links such individuals and his family to the community in which s/he is involved in.

Moreover, rental housing sector is one type of tenure according to Donner (2000) housing tenure gives occupants certain kind of right at the same time, limitation. So, tenure type can be categorized based on the ownership right which can be limited at some level Donner categorize these tenure types as follow: First, Full Ownership: it is typically used for single-family homes that are owned by the owner, financed with a mortgage loan, and include all ownership rights. Second, Co-ownership: it is usually for multifamily dwellings, which are owned by co-owners, financing with mortgage loan, and entitling to all attributes based on group agreement. Third, Common property: it is usually for multifamily dwellings, which are owned by shareholder of a housing cooperative, financing with capital share, with social functions. Fourth, Shared ownership: Tenants usually have part of the ownership, financing with capital share and limited disposal right. And the last with the least ownership right is Non-ownership: Occupant pays rents and no right to dispose the dwelling. (The owner and occupant are separated in the only type of home.)

#### **Rental housing Definition**

A rental property is one in which the owner receives payment from the occupier in exchange for the occupant's or user's use of the property. Residential or commercial rental properties are available. Rental housing, according to another researcher, is property held by someone other than the resident or a legal body for which the resident

pays a periodic rent to the owner. There is no obligation for the owner to sell or for the resident to buy the occupied unit in pure rental housing developments. It's merely a written or verbal agreement between a tenant and a landlord to rent a home for a set period of time at a set fee (Ira Gary Peppercorn and Claude Taffin, 2013).

### **Rationales behind developing rental housing**

There are lots of reasons for developing rental houses as an option for additional housing delivery scheme but it is rarely promoted scheme comparing with other housing delivery options, but the sector covers a wide range of markets from high income level dwellers to low-income occupants in informal and formal rental housing. Nevertheless, most governments encourage home ownership in developing countries which result negative perceptions on rental housing sector. Instead, they should accept that millions of households live in rental housing (Ira Gary Peppercorn and Claude Taffin, 2013).

The benefits from the rental housing sector are: First, it helps the urban core in developing or redeveloping. Second, it provides shelter to transitional workers and to those who are poor or disabled and the last one is giving short term workers flexibility and mobility.

### **2.2. Rental housing development in Ethiopia**

The Ethiopian housing sector has gone through different polices under different government structures. Generally, the Ethiopian housing policy can be classified under three eras, which are pre-1975 revolution, during the Derg regime (socialist regime), and the current situation.

The housing provision under imperial dynasty or pre-1975 revolution characterized as free market were landlords construct residential houses and leasing urban lands without any kind of restriction and there was no limitation imposed by the government on the buying and selling of houses and it is difficult to say the government had polices and regulation regarding to housing. (Tegegne G/E and Daniel S., 1997). The situation that there were no national and municipal authorities lead to escalation of urban land price and forced the majority of the people live in crowded places which was owned by few landlords.

After the down fall of the imperial dynasty the so-called military regime has come in to power with socialist ideology. The regime come with polices that are categorize into

implicit from 1975-1986 and explicit in 1986 housing policies. The government's implicit housing policy was primarily manifested in Proclamation No.47/1975, and its promulgation was necessary in order to eliminate the huge occupation of urban land that existed at the time. By insignificant number of feudal lords, aristocrats, high government officials, and capitalist. The occupation of urban houses which are suitable for different purposes by few individuals and due to the exploitation of the majority of the population through payment of rent for the land lords have also played its part for the enactment of the law. (Proclamation No. 47/1975 preamble, paragraph 2 and 3) In accordance with this proclamation the transitional military regime had nationalized in the name of the public all urban lands and extra houses as per Article 3 and 13 respectively. Consequently, since the coming into effect of this proclamation, the role of private rental sector was totally abolished and it was assumed to be performed by the government in general and by the special agencies authorized for this purpose. (Tegegne G/E and Daniel S.,1997).

The explicit housing policy in the year of 1986, it had issued a directive around the year of 1984 to ban all kinds of urban land allocation all over the country until a national housing policy would be formulated in light of its socialist ideology. Following the directive's issuance, and until the adoption of Proc. No.92/1986, no new residential houses were built and such decision of the government has exacerbated existed housing shortage. (Tegegne G/E and Daniel S., 1997, P.120)

Then after the socialist regime the following government face the transitional period at that time the ruling government introduced a market oriented economic system which include residential housing development and a new proclamation pro. No. 80/1986 introduced was intended to regulate among others the right to possess land so as to build houses for residential as well as rental purposes.

the earliest attempt of construction of condominium houses provision for low-income groups is one of the recent issues in the housing policies and strategies after long period of time which leads to unintended rental housing promotion. But there is no significant attempt or improvements on issues related with housing policy and strategies for the provision of and regulating the private rental sector.

Additionally, for households in Addis Abeba, median rent share proportion indicate that the occupation of tenants from informal housing (14.8%), formal housing (45%), IHDP (56%). Low-income households essentially afford informal housing or kebele housing rent (Zhang et al., 2019). This data defines that the new approach of the policy

to deliver houses should consider the rental housing market. The context of private rental housing sector in Ethiopia according to CSA 2015/16/ 2007 E.C statical analysis the findings indicate that the total rental units from total housing units in Addis Ababa was 386,497 units which covers 61.45% of total housing units. The kebele and private rental unites cover 38.46% and 57.54% of the total respectively. This result revealed that the private rental market covers more than the 50% of total housing coverage.

The availability of rental units from house renting agencies or other institutions is very limited (2.7% nationwide and 2.5% in cities) (Matasumoto, T. and Crook, J., 2021)

### **3. Methods**

Addis Ababa city residents live in houses delivered by private rental sector is 37% (CSA,2007). But the sector is not formal and besides providing shelter for many citizens it generates income for landlords and the government try to control and tax landlords but not effective because of landlords didn't give the exact information how much they rent? And how many units they rent? So, the main selection criteria are to find formal private rental houses developer for this study.

Therefore, the selection of the case is based on specifically formal rental houses developed by private developer for private rental purpose which are constructed by LBC plc. Since the research objective is to assess the development of private rental housing, limitation and opportunities and to recommend possible alternative solutions for housing delivery mechanism and strategy through private rental housing developer for housing development so as a case study rental house developed by LBC plc. Are selected. Which are located around Ayer Tena, Addis Ababa.

The method selected based on the problem statement and the methodology should also in response to the objective of the research and the research design is the frame work that has been created to find solution to the research question and to come up with best findings. The rationale behind selecting research method is based on how the method suited to the topic and convince to answer the research question. According to Yin (2003) to select the research methodology there are three basic criteria's that are the research question or the content of the research, extent of control over behavioral events, and the degree of focus on historical events or the time frame.

This research was Assess private rental housing development for housing development with the main focus on analyzing the development of private rental housing, living condition of renters, and the impact of socio-economic factors on the housing condition. So, all these factors lead to choose case study method, which will be the better suited for the topic and research questions. Moreover, when the research focus is to answer question how? Why? And what (partially) were studied by using a case study methodology (Yin, 2003).

Moreover, the study was use both primary and secondary data as a source of information for the study. The primary data sources were collected from the tenants in the case study area, officials from agency for government houses (AGH), ministry of

urban development and construction (MOUDC) and Loza and Birhanu construction Plc. (LBC). And the secondary data will collect from relevant documents from LBC Plc., governmental offices which are related to the study, journals was inputs as a secondary data source. For the collection of the data different methods or technique will be implement such as structured and semi structure questionaries, interviews, observation, measurement of houses, sketching, mapping and photograph.

The Data were collected and analyzed in quantitative and qualitative methods. According to Johnson and Christensen (2008, p. 21), “The researchers can use the strengths of one method (e.g., the quantitative method) to overcome the weaknesses of the other method (e.g., the qualitative method), or vice versa, when using both methods in a single study.” Which indicates the weakness for instance the quantitative method approach is measured and test but the qualitative approach is observe and interoperate and the data collection approach will also give as the opportunity to overcome the weakness of qualitative approach which is unstructured and free form but in reverse the quantitative data collection approach is structured and formal.

Generally, the collected obtained from different sources were analyzed and interpreted using descriptive method of analysis; which can be analyze in concept analysis procedure like classification of data based on purpose, summarization and tabulation then described the data in the way what the data is and what in mean by the data summarized. The housing condition study will concern on physical condition, building materials used, infrastructure and services availability. Meanwhile the social and economic condition of the renters was studied in relation with the safety and security, income and expenditure of tenants and the effects on their tenancy.

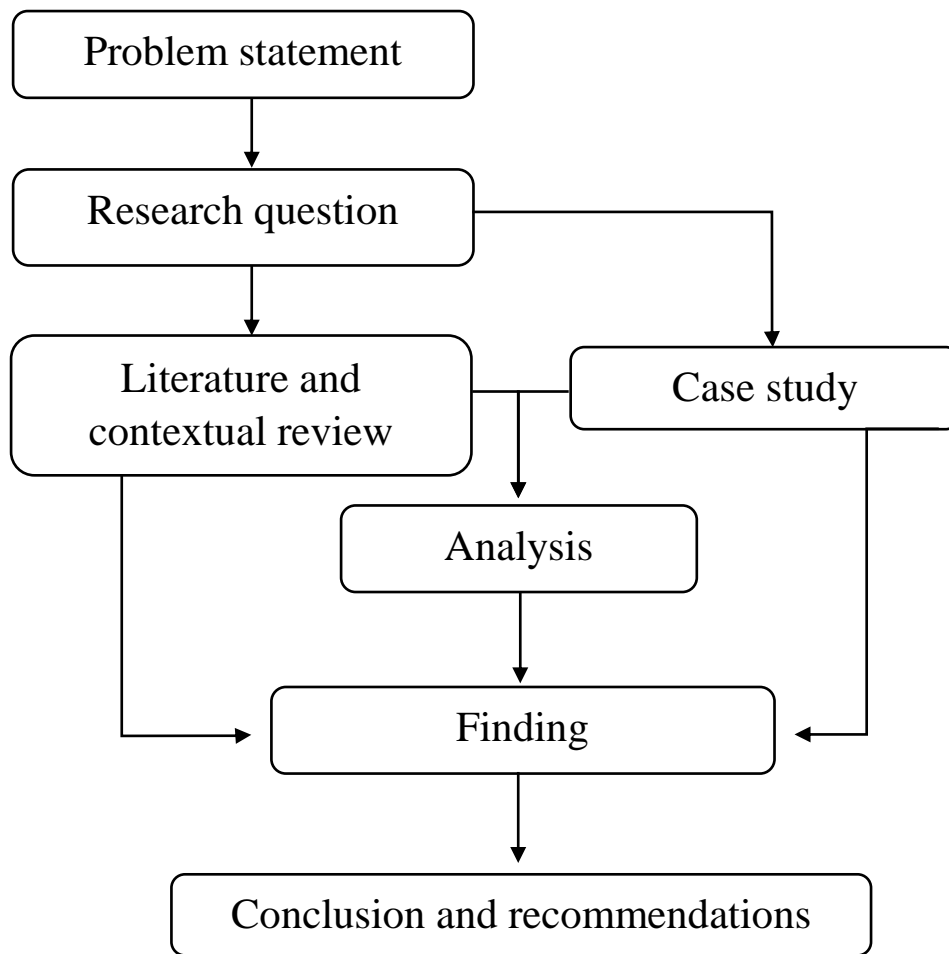


Figure 1: research study process diagram

The reliability test objective is to be sure on the procedures used by the researcher and it can be conducted by any other researcher later and should arrive at the same findings and conclusions. And validity test is used to determine the quality of the research which can include different validity testes like constructive validity, internal and external validity test used on empirical social researches (Yin, 2003).

Moreover, the data collected from different sources will cross checked and triangulate with official documents. This will help to increase the quality of the research.

#### **4. Results and Discussion**

The result and discussion summarized based on specific case study of Loza and Birhanu plc. Working on providing private rental houses with a low-cost design and building material which is the invention of Mr. Birhanu kasa, a civil engineer by profession and have more than 20 years of experience in the field of construction and consultancy is presented.

According to the methodology of this research paper primary data was collected through observation, semi structured question, structured question and interview with key informants from the developer (LBC plc.), government offices and renters to assess the case in detail and answer the question listed on the research question. Moreover, the semi structured interview was conducts in depth for the three key informants for the crosscheck of case and the validity of the data. The analysis of the data was based on sample size determination formula but in this case especially form the renters side the data collected from all the tenants in the case study and all the distributed question are returned. But, two questionnaires from the returned were rejected because of incompleteness and poor quality of the data. Total 16 questionnaires were valid which 88.8 % of respond rate is, it indicates that the response rate is very good.

### Concept diagram of the development

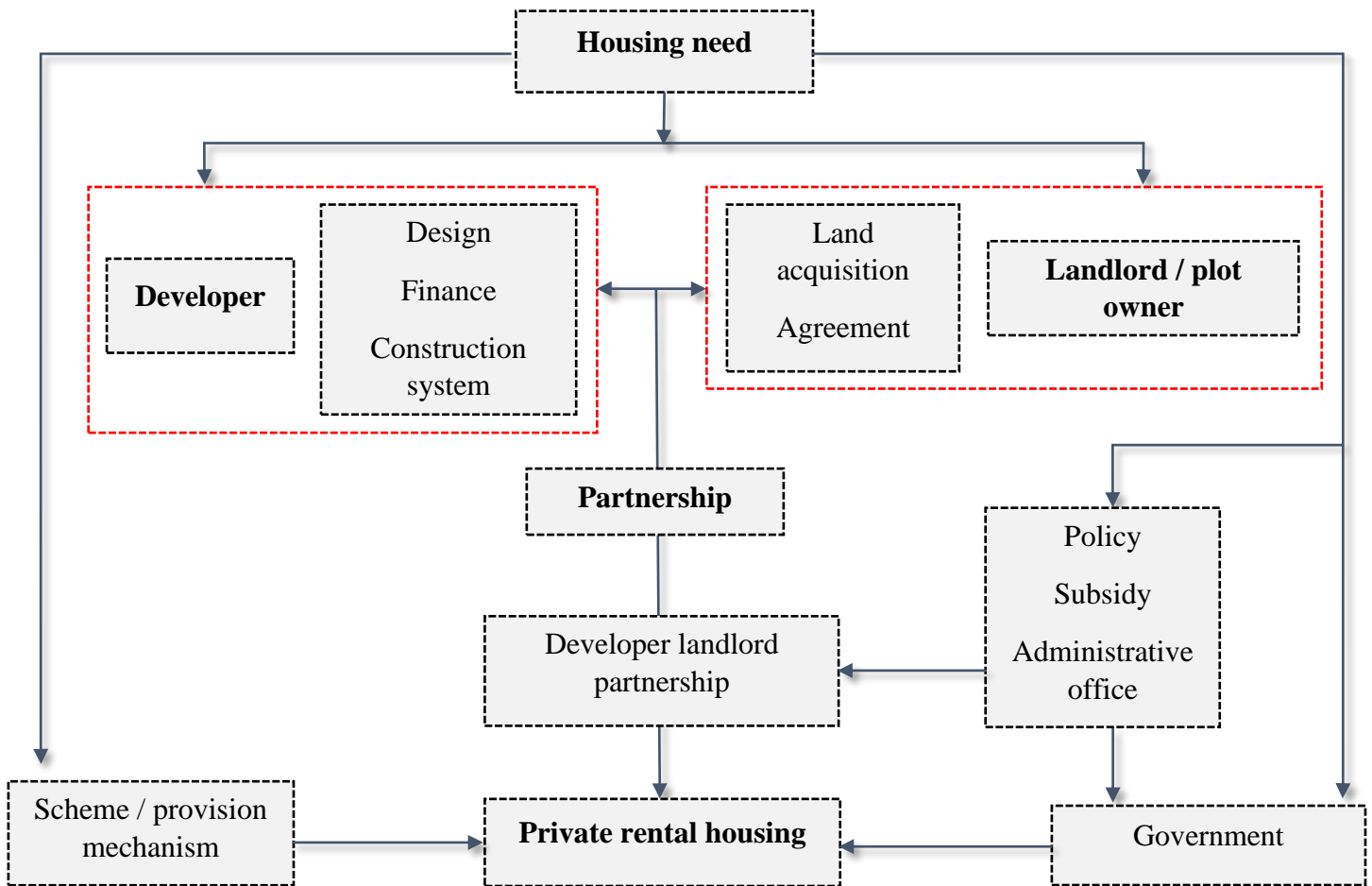


Figure 18: conceptual diagram of the development

The concept of the development indicated on the above chart explain that the housing need in the city and the supply side scheme or provision mechanism linked by a new partnership arrangement which is developer – landlord partnership. The partnership between the two parties creates a new scheme called private rental housing provision scheme and the other party government side expected to engage in this process only by providing subsidies for developer, arranging administrative office and creating policy framework for the new approach. In the development process the government burden decrease comparing with other schemes like IHDP.in the meantime, land issues were covered by plot owner and the design and construction finance covered by the developer on this model.

Table 30: summary of findings on socio-economic

<b>Socio -economic data</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	9	56.3
	Female	7	43.8
<b>Age group</b>	20 – 30	4	25.0
	31 – 40	10	62.5
	41 – 60	2	12.5
<b>Marital status</b>	Single	5	31.3
	Married	8	50.0
	Widow	2	12.5
	Divorced	1	6.3
<b>Educational level</b>	Secondary education	4	25.0
	BSc. /BA	9	56.3
	Others	3	18.8
<b>Household head</b>	Male	11	68.8
	Female	5	31.3
<b>Social groups</b>	Eder	1	6.3
	Equb	3	18.8
	None	12	75.0
<b>Household size</b>	1	2	12.5
	2	4	25.0
	3	5	31.3
	4	3	18.8
	5	2	12.5
<b>Income source</b>	Private work	7	43.8
	Government	4	25.0
	Both private and government	3	18.8
	Remittance	2	12.5
<b>Expenditure per month</b>	4000 -6000	4	25.0
	6001- 8000	5	31.3
	Above 8000	7	43.8
<b>Income per month</b>	3500 – 5000	2	12.5
	5001 – 7000	6	37.5
	7001 – 9000	4	25.0
	Above 9000	4	25.0

#### **4.1 Social condition**

Tenants in this specific case study area of the private rental housing development site have social interaction with in the compound but when we see their interaction with the outside of compound community, they have less interaction. As we see from the findings from this research work, they only choose to have social groups only with in the compound if the social group scale is bigger and include the outside the community the percentage of engaging in such groups very limited and small in number to be more accurate 75% of the tenants in the compound didn't have an interaction with in social groups either in the compound nor outside the compound.

The reason behind this kind of less interactive number of tenants in the compound was their life style and not decided to live in one place which is they are very mobile as a finding, tenants of short-term workers and 31.3% of tenants were bachelors which don't need long-term commitment in any social group. Moreover, findings revealed that 50 % of tenants were widows, bachelors and divorced which give them to not engage in permanent social groups commitments.

#### **4.2 Economic condition**

The rental conditions on this private rental housing project differ from other informal rental housing sectors by having formal agreements with tenants and fixed rental price for the period of three or five years according to the agreement with the landlord which fix the period and agreement type on the project. The finding indicates 75 % of tenants were pay a rent above 2000 birr in the informal market. The finding indicates that above table 50% of tenants earn monthly income below 8000 birrs in general when we compare the highest rent tenants experience before this project was 3000 birr which covers 43.8% of respondents which means that 37.5 % of their income cover only the rent cost but in this private rental housing development project the cost of rent is maximum 2000 birrs which is 25% of the total income, and the difference is 12.5% total in general.

#### **4.3 Legal renting system**

Private rental housing system was not a new feature in our country but the diversity of the stock makes it very difficult for the legalization of the system but the new approach private public partnership (PPP) policy will resolve some issues related with private owned rental houses the draft of this approach was discussed with different stakeholders

and government officials but not in effect or passed and approved as a policy approach according to interview conducted with Mr. Tadesse kebebe head of housing development and administration bureau in ministry of urban development (MUDC). Nevertheless, the regulation between tenant and landlord still in consideration by government side but there is also legal rent agreement and rent taxation document currently in effect on the market. the findings in this research shows that the developer use this document for legal agreement with tenants and the document quoted proclamation number 1731/2005 or (በ ፍ/ብ/ሕ/ቁ/ 1731/2005). According to findings on the legal agreement between the developer the tenants show that half of the renters 62.5% have a legal agreement with developer including the date of the agreement expire and other related issues.

#### **4.4 Physical condition of the houses**

Standard of the houses is checked and approved by quality of standards and assurance committee assigned by Ethiopian standard agency (ESA). The committee members are represented from different sectors and organization as indicated on the minutes written on Jan. 27,2020 these are Ethio-construction technology management workers association, Ethiopian civil engineering association, Addis Ababa science and Technology university, EiABC, Ethiopian conformity assessment Enterprise, transport works regulatory Authority, Loza and Birhanu CTD, Private observant and Ethiopian standard agency. However, After the implementation and occupation stage by assessing the tenant's feedback on the maintenance and physical condition of the house findings show that 56.3% of tenant's houses maintained for different reasons these are 12.5% of tenants have an issue with noise from the neighbors and outside for this reason, they request for improvement on the wall the other request was on leakage and painting issues 37.5% and 6.3 % of respondents request for maintenance respectively.

In addition to this, the physical condition of the houses rated 98% excellent by tenants and from observation analysis the house were assessed based on the construction material used for building the houses.

#### **4.5 Institutional framework or policy framework**

Policy supports and institutional frame were not available to guide the development of private rental houses in the formal sector according to the findings by analyzing the policy frame work of the existing approach in the country but there were draft strategies that consider public private partnership approach but not labeled as policy because of different reason from government side.

The current existing national urban housing policy frame work mainly focused on home ownership, urban housing development and rental housing in cities (kebele and FHC). The policy instruments that support the rental housing sector only limited on government recognized rental housing categories these are first, regulation on tenant-landlord relation has been proposed and only legal agreement document approved by proclamation number 1731/2005 the other part was under discussion. Second, rent control for kebele houses and FHC are in place but for private rental market to establish control on initial rent level and increment percentage was under discussion. Third, perpetuate use of social housing for rent in central areas also consider only kebele houses and FHC.

#### **4.6 Stake holders' interest and actors in the development**

The discussion and findings on the interest of stakeholder in this private rental housing development project based on the partnership agreement made between landlord and the developer and its unique approach to deliver a formal rental in private level beside its construction system and design.

**4.7 Agreement between landlords – developer:** This agreement mainly solves the problem of land acquisition to implement the project. The partnership agreement had two sub parts of agreement the first one was to rent the vacant space of landlord in their compound and building the houses for the period of three years to five years. The second one was the agreement stated that the option which gave for the landlord to own the houses or to let the developer to take parts of the building by disassembling and leave the compound after three years of stay.

#### **Landlord - developer Sub-Agreement**

The agreement shows a landlord willing to rent the vacant plot in the compound under his /her own ownership and gave permission to the development of rental houses in his

/ her compound for the period of three to five years according to two preconditions. Moreover, the existing vacant plot in the compound must accommodate at least three to five rental housing units and the owner of the compound must come up with the legal title deed that shows the ownership of the compound.

The first preconditions on the agreement between the landlord and developer stated that after the implementation the landlord only get money from the rent of vacant plot for the period of three years and couldn't own the rental houses after the end of the agreement but the developer had full right to take all the parts of the building by disassembling the housing units at the end of the agreement period. In this case the landlord only get money from the rent of vacant plot in the compound for the period of three years only. However, the developer could earn profit from the rent of the houses after covering the cost of total construction, operational cost and rent paid for the vacant land in the period of three years.

The other option come up with additional opportunity for the landlord. The option was the landlord should sign the agreement for the period of five years. and the difference between option one and two is; first, the agreement period extended by two years, second, after the end of the third year of the agreement the landlord was beneficiary from the houses and get 50% of the rent cost collected from the tenants in addition to that of the vacant plot rent for the next two years until the end of five-year agreement, third, at the end of the agreement which is the five years agreement period the land lord could own the rental houses and rent for tenants with a new landlord and tenant agreement. At this stage the developer should not engage in any form without the consent of the landlord after the end of five-year agreement.

#### **4.8 Gaps on the agreement**

Findings on Landlord – developer agreement had options for developer and the landlords but not for tenants the landlord – developer sub agreement one and two only stated the relationship of both parties and the pre-condition that came with the agreement period but how will tenants continue after the end of the three and five years was not stated clearly. The tenants didn't have any part on the agreement, this was the main limitation on the agreement beside its unique approach of acquiring land from landlords who have vacant lands for development in their compound.

#### **4.9. Development and implementation**

The case analysis indicate that such type of development schemes was not part of the policy and difficult to implement. On the pre development phase the founder of the idea on the construction system and construction material to produce prefabricated houses for the implementation face challenges from different stakeholder before tested and approved by Ethiopian quality assurance agency. After the approval on the material and design the next step was to find land for the implementation and again the developer come up with new land acquisition method the vacant land rent from landlords which was also difficult to find land that can accommodate more than three houses.

Financial limitation was the other constraint for the developer. Nevertheless, after the implementation the cost analysis comparing with government projects specifically IHDP the cost government to fund 647,007 ETB to deliver one unit of IHDP which means 12,094 ETB per square meter. Whereas, the private rental housing developer scheme on this specific case study spent 40,000 ETB to deliver 16 m<sup>2</sup> studio type unit which means 2,500 ETB per square meter. The difference is 9,594 ETB until the end of 2021. This makes the project very welcome by the government officials and interested them to see the pilot project.

#### **5. Limitation and opportunities or private rental housing development**

##### **5.1. The opportunities:**

On the implementation phase the project need to find vacant plot for accommodation of three to five houses and according to the study findings of the project developer indicate that most of home owner that have more than 500m<sup>2</sup> plot are low-income landlords compare with that of other landlords with less plot size home owners in the city. Because of this reason the project helps the landlords with large plots to generate income and economically support for themselves in addition to having a house in the mean time for future use that was the best opportunity for landlords that they can't develop their own plot because of financial constraints.

The other opportunity was utilizing such kind of vacant lands in the city center increase land efficiency and land use management and using as an option for housing shortage alleviation was the new approach by the government side. Although, new land allocation needs to provide basic minimum services prior to bring used, meaning that

road, utility services (water and electricity) infrastructures cost the government but this approach help to minimize such kind of costs by proper utilization of vacant lands.

**Sustainability:** The construction system, replicability of the project makes a sustainable approach of housing delivery mechanism. The design of the housing elements simplicity makes the project applicable in any part of the country and there was no need of professional man power to deliver these houses whereas simple trainings could make non skill laborer to deliver these houses.

**Job creation:** Innovative approach of these housing delivery mechanism beyond its main objective of delivering the houses for low-income tenants it also helps to create a job for new graduate students and non-skill laborers.

**Limitations:** Due to the lack of fund and there were no any financial institute to give loan or credit makes the project very difficult for implementation. However, to resolve this issue the developer take action to finance the project from the previous construction company owned by the family and take as a credit to finance and start the pilot project.

## **5.2. Legal framework**

### **5.2.1, Informal land acquisition deal**

Process of land acquisition was not simple as the proposals set by the developer which is renting the vacant space form small scale landlords for the period of five years maximum and three years minimum and constructing the houses and the agreement period started counting simultaneously when the construction of the houses started which benefits the landlord only even if the project can be finished with in the short period of time.

On the other hand, the agreement between the landlord and developer was informal agreement which is done traditionally by signing the deal with the selected witness from both sides not in the government office or there was no official document which help both the parties to have legal binding.

### **5.2.2, Lack of legal framework or policy**

There are three policy instruments works operating under six different programs and initiatives other than these the current PPP (Public private partnership) is the new approach for housing development but not actively implemented and approved. The rental housing sector also overlooked the private rental housing sector which is dominate housing option for low- and medium-income level tenants but the policy frame work only give recognition for kebele housing and federal housing corporation.

### **5.3. Tenants' insecurity of tenure**

The insecurity of tenants was the big challenge for the developer specially according to landlord - developer Sub-Agreement option one and option two mentions the time limit of the agreement between the two actors (developer and landlord) but not consider tenants in this case on option one if the developer signs the agreement for the period of three and take the building parts by disassembling the houses then the tenants will again be exposed for tenant insecurity.

### **5.4. Target group Occupancy management**

According to the interview with the developer and tenants most of them are categorize under low-income economic status but there are some tenants with high economic status and take the house for advantage. This issue can't be solved by the developer because even if the house is targeted low-income tenants but the market is free and there is no binding rule to rent only for those groups and sometimes this groups even don't afford the price for which very difficult and challenge to decrease the rent price below this range without government support and subsidies.

## **6. Conclusion and implications**

### **6.1 conclusion**

The conclusion and implication drawn below are based on the finding and discussion of the research. The model of this project private rental housing development mechanism helps the government to re think about rental housing sector that provided by private land lords, further need to reconsider the approaches to find a way for exit plan from the previous government led home ownership approach. Moreover, tenants used rental housing as a transitional period for home ownership so that the model can be consider as one of the ladders created in the housing provision strategies.

The project idea and innovative approach minimize the cost of construction that affect the rental price of the house. So, minimization of construction cost help to provide the rental houses below the informal market rental price. Moreover, it creates job opportunity for the non-skill laborers and university graduates. In addition, it promotes new techniques of construction in the industry.

In addition to this, the agreement made between the developer and the landlord to get land is the unique process and very effective approach for private developers but in the meantime the traditional way of agreement discourage some home owners or landlords to participate in the process of development. Finally, luck of Legal and institutional frame work to manage and guide the project was another constraint for the developer, landlord and the low-level government officials. This makes the project less active in the market and to get less visibility to consider as a viable option for housing provision in the sector

### **6.2. Implication**

As a solution for the current housing shortage and limited mechanism of housing provision this research implicates the following viable solution from the case study developed by private company which located at Ayer Tena, Addis Ababa. The general recommendations are to take this model as alternative solution for the provision of housing the government, landlords and developer have their own part and responsibility for the applicability of the model in large scale. From the existing policy frame work on of the instrument set to promote rental housing on the city by means of kebele houses and FHC which limit and mistreat the private rental housing market but the market

increases informally without any controlling mechanisms with all its advantages and disadvantages. So, the government should re think about the policy on rental housing market and consider the private rental houses developed by individual landlords or home owners. Additionally, the landlords and developers need to see the market as a new window of opportunity. Recommendations on the can be seen in detail as follow by categorizing in to three different actors in the development process. These are recommendation for government, landlords and developers. Finally, the research recommends this issue for further studies.

### **I. Recommendations for government body**

The government could mobilize the private sector to participate in housing development and develop policy instruments for the applicability of the projects that could come from private sectors including the one that currently in discussion private public partnership scheme. To facilitate this the government, need to establish legal, institutional and regulatory frame works with a clear role and responsibility. As a recommendation the following measures shall be take.

**A, preparing landlord – developer, tenant – developer, tenant – landlord legal agreements:** the binding agreement that supported by legal frame work allow the actors to have trust on the project and ensure them to have equal access to information and legal rights with legal responsibilities. Developing such legal agreements will make the process easy to get land from landlords and collaborate with them in legal bases. Which facilitate and increase the development of such models.

**B, providing legal frame work for private rental housing as a strategy and policy instrument:**

In addition to the current policy instruments the private rental housing shall consider in to one of mechanism to promote the rental sector. Moreover, the government should look at the impact of private rental houses developed by individual home owners on the provision of house with different approaches and models. This model is one of the new approaches from private side to engage in housing development sector. Policy frame works let the government to have inclusive policy instrument for low-income tenants that can't afford either the condominium housing scheme or the informal renting market.

### **C, establishing responsible office for this program and provide subsidizing mechanism:**

In this specific research case, the private developer come up with different approach to get the land. This approach minimalizes the burden of the government on providing land with infrastructure. But establishing responsible office for this kind of model will have impact on land provision system, minimizing tenants' tenure insecurity, and put some legal grounds on the rate of rent cost, increase the rent tax for government and help to control the informal market. Still the financial issue shall be subsidized by government by applying different strategies that promote legal private rental market. If the legal office established the model will work in efficient way and could be one of the viable options to deliver and resolve housing shortage.

### **II, Recommendation for developer**

The developer side shall consider the design and typology of the houses based on the tenant's preference. So, only studio typology is not inclusive to the choose of different tenants and land lords. From the findings land lords consider the houses to be rent by themselves after the end of the agreement period then they need to be competent in the market but the limitation of the typologies can be one of the obstacles they will face. Therefore, on the design of the typologies the developer must come up with a new flexible design, different typologies and construction system.

### **III, Recommendation for further studies**

This research paper limited on the specific case study that developed by private developer to deliver private rental houses in different model. Therefore, the findings were limited and not representative for all private rental houses that exist in informal and formal rental market. However, the issue of rental housing in private sector is not studied well according to previous researches conducted in AAU and EiABC specifically and it is difficult to find researches on the private rental sector. and there is limitation of information related with private rental houses developed by individual landlords.

Whereas, to formulate different housing delivery mechanisms such kind of studies should carried on in detail with different research methods. finally, because of pandemic (COVID 19) collecting data from different respondents was very difficult and limited the researcher to access the tenant's social interaction in detail.

**Declaration**

We confirm that the manuscript has been read and approved by all named authors and that there are no other persons who satisfied the criteria for authorship but are not listed.

We further confirm that the order of authors listed in the manuscript has been approved by all of us.

Main contributor(s): Biruk Dereje Terefe

Co-contributor(s): Imam Mahmoud Hassen

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## ANNEX II: QUESTIONNAIRE

### ADDIS ABABA UNIVERSITY

#### Ethiopian Institute of Architecture, Building construction and City development (EiABC)

#### Chair of Housing and Sustainable Development (HASD)

#### QUESTIONNAIRES TO BE FILLED BY TENANTS:

Dear respondents,

This Questionnaire is designed to get the relevant information for the study entitled “Assessing the potential of private rental housing developer for housing development”. The objective of the research is to study and assess the potential of private rental housing sector developer through the case analysis of *LOZA AND BIRHANU CONSTRUCTION PLC.* for housing development in Addis Ababa. This research is only for academic purpose. Hence, your responses will be kept confidential. The soundness and validity of the findings highly depend on your genuine responses. Therefore, I kindly request you to fill the questionnaire carefully.

For any problem and suggestion contact the researcher through the following address:

Email: [biukderejearch@gmail.com](mailto:biukderejearch@gmail.com)

Phone: +251 909047676

**Thank you in advance for your cooperation!**

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Name of interviewer \_\_\_\_\_

Name of respondent \_\_\_\_\_ (optional)

City: A.A    Sub city: \_\_\_\_\_ Woreda: \_\_\_\_\_

#### I, SOCIO ECONOMIC PROFILE

1, Gender    A, Male                       B, Female

2, Age

A, 20 – 30     B, 40 - 60     C, above 60

3, Educational level

A, Illiterate     A, Primary education     B, Secondary education     C, BSc/ BA

D, MSC / MA   
Others \_\_\_\_\_

C, PHD

D,

4, Marital status A, Single

B, Married

C, Widow

D, Divorced

5, Household head, sex A, Male

B, Female

6, years of stay in the city? \_\_\_\_\_

7, How long have you lived in this rental house? \_\_\_\_\_

8, With whom do you live? Family, friend, others?  
\_\_\_\_\_

9, do you have social groups?

Eder  Equb  Mahiber  other \_\_\_\_\_

10, What benefits did you get from the social interaction?

11, Do you have communal spaces that you used for holidays and ceremonies?

12, house hold size? \_\_\_\_\_.

Father	Mother	Children		Relatives		Co dwellers		Total size
		M	F	M	F	M	F	

13, How many of the family members have source of income? \_\_\_\_\_

14, list of income sources in the family

NO.	Family members with monthly income	Relation	Source of income	Monthly in birr
1				
2				
3				
4				

15, did you have any source of income from remittance? How many times per year?

16, list of expenditure

Expenditure	Monthly In birr	Total	Remark
Food			
Rent			
Transport			
Medication / health			
Education			
Water			
Electricity			
Raiment			
Mobile cared /telecom			
Contribution for social affairs			
Recreation			
Others			

## II, FACILITIES AND PHYSICAL INFRASTRUCTURES

17, Electricity

- A, Private electric meter       B, Shared electric meter       C, none   
 D, others \_\_\_\_\_

18, Water

- A, Private water meter       B, Shared water meter       C, buying from  
 common water tap  
 D, buying from neighbors       E, others \_\_\_\_\_

19, Kitchen

- A, private with in the house       B, private with in the compound       C, communal   
 D, No kitchen       E, other \_\_\_\_\_

19, Solid and gray water disposal

- A, septic tank       B, Municipal system       C, open ditch       D, others

20, Toilet and shower?

- A, private with in the house       B, private with in the compound       C, shared  
 with in the compound       D, no toilet/Shower       E, public toilet

## III, SAFETY AND SECURITY

21, Has any crime been committed against you Within the last one year in the neighborhood?

- Yes       No

What kind? \_\_\_\_\_

How many times? \_\_\_\_\_

22, Has any crime been committed against peoples you know within the last one year in the neighborhood?

Yes  No

What kind? \_\_\_\_\_

How many times? \_\_\_\_\_

23, Has any crime been committed related to your work going or coming time?

Yes  No

What kind? \_\_\_\_\_

Where? \_\_\_\_\_

When? \_\_\_\_\_

How many times? \_\_\_\_\_

24, is there any safety or security issues in the compound?

25, How do you describe the safety of the neighborhood?

A, very good  B, Good  C, Moderate  D, Poor  E, very poor

#### **IV, Rental Condition**

26, How many houses did you move since you rent house for living in Addis Ababa? And the reason to move out?

27, How much did you pay for rent before you enter in this house?

28, Why do you choose the house? (Price, location, other)

29, How much do you pay for rent? \_\_\_\_\_

30, Has the monthly rent ever be increased? If YES by how much?

31, do you have any legal agreement between you and the owner (tenant owner agreement)? If yes

What are the details? (Price, expire date of the agreement, other)

32, do you face any limitation from the owner in relation to entrance time in the compound? if YES till what time is the door open at night?

33, Can you mention other limitations?

#### **V, PHYSICAL CONDITION AND STATUS OF THE HOUSE**

34, Has the house ever been maintained?

If YES

Maintained part	Level of damage High/medium/low	Frequency of damage	Maintained by	Remark
Wall				
Floor surface				
Roof				
Drainage system				

35, Are there any problem with the house?

If YES

Problems	Level (High/medium/low)	Solutions you take	Remark
Noise (from neighbors and outside)			
Material deterioration			
Leakage			
Collapsed			
Area of the house			
Other problem			

36, is there any communal or shared space in the compound? If the answer is YES

Who is responsible for the management and control of communal or shared spaces?

37, For the house to be effective what should be modified (for improvement)?

38, How do you see the rental houses or your say? Comparison

## **VI, PLANS, FUTURE EXPECTATIONS AND ASPIRATIONS**

39, In the coming five years where do you wish your house to be in the city? and why?

A, Location? \_\_\_\_\_

B, Size? \_\_\_\_\_

C, Tenure type? \_\_\_\_\_.

C, how much rent would you afford? \_\_\_\_\_.

D, Other suggestion? \_\_\_\_\_

40, When do you want to have a house?

41, How do you think you own a house in the future?

42, Do you think rental house can be a solution for housing shortage or limitation in the city? Why?

43, where do you want to live in the future? Why?

44, What kind of neighbor and services do you want in your feature neighborhood?

45, where do you what to see yourself in the next five years?

Educational status \_\_\_\_\_

Economic status \_\_\_\_\_

Job \_\_\_\_\_

Other \_\_\_\_\_

**VII, SKETCH OF THE COMPOUND AND THE HOUSE?**

Materials used for construction and finishing				
	Wall	Celling	Floor	Roof
Material				
Rooms				
Area				

## **INTERVIEW WITH KEY INFORMANTS (DEVELOPER)**

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Name of interviewer \_\_\_\_\_

Name of respondent \_\_\_\_\_ (optional)

Current position \_\_\_\_\_

### **I, PRE-DEVELOPMENT OR PLANNING PROCESS**

- 1, What was the first intention and motivation for developing the project?
- 2, What was the business model? Finance, actors and roles, land acquisition, feasibility,
- 3, What was the factors to decide the scale and type of the project?
- 4, What was the feedbacks from officials or government bodies on the pre development period?

### **II, FINANCING**

- 5, What were the financing sources?
- 6, How much was the project cost? What was the cost breakdown? (Construction, material, legal payments)
- 7, Did the office get loan? If yes
  - 7.1, How much credit money? did you get from whom?
  - 7.2, How much is the interest rate?
  - 7.3, How long is the total payment period?

### **III, IMPLEMENTATION PROCESS**

- 8, How do you get the land to implement the project?
- 9, What are the requirements to choose landlords?
- 10, what are the agreements between landlord, project office and tenants?
- 11, How long did it take to negotiate and get land from landlords?
- 12, is there time limitation on the agreement between the landlord and the project office?
- 13, what constraints were faced in obtaining land?
- 14, Who prepare the design and specification of the houses?
- 15, Affordability of the houses? Profit?
- 16, Did the project benefit the target groups or give priority on the implementation process? how?

17, Did the materials and construction process get license from the respected government office? If YES

Who are those governmental offices?

18, How much time and money did you spent for the licensing issue?

19, How much time did it take to construct a unit of house?

20, How many employees participate in the construction process

21, How long does it take to get design permit for construction?

22, Did the office face any challenge in acquiring building permit?

23, Is there any policy frame work to implement such kind of project? If not, how did you manage it?

#### **IV, MANAGING THE HOUSE**

24, What were the major criteria to give out the units for renters? and who decide on that?

25, Who collect the rent and pay bills?

26, what is the role of the land lord on the management of the houses?

27, Who is responsible to manage if there is a disagreement between tenants and between tenants and the landlord?

28, who control and mange communal spaces?

#### **V, CHALLENGES AND OPPORTUNITIES**

29, what were the major challenges encountered during the development process and implementation phase?

30, what are the expected risks from such kind of housing development scheme?

31, what are the measures taken for the current challenges faced?

32, Is there any challenge on the construction related with design and construction materials?

33, What do you feel about the importance of the project in relation to housing shortage and affordability?

34, What are the feedbacks from the users? Landlords and tenants?

35, Is there any material or design improvement on the house? If YES What are the changes?

## **INTERVIEW WITH KEY INFORMANTS (LANDLORD)**

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Name of interviewer \_\_\_\_\_

Name of respondent \_\_\_\_\_

1, what kind of agreements did you have with the developer?

2, How do you get the information and what makes you willing to engaged in this project?

---

3, what is the current size of your compound and how much area is covered by the project?

4, How did you get the land?

5, when was the rental house build in your compound?

6, what benefit have it brought to you?

7, What are the advantage and dis advantages of the housing development in your compound?

8, what was the challenges and opportunities of this housing scheme?

9, did you live in the compound? if YES what is the relation with the tenants?

10, what is your future plan and say on this housing delivery scheme?

**Key informants: Questions / interview with government officials.  
(Woreda or sub city)**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Time: \_\_\_\_\_

Woreda: \_\_\_\_\_

Sub city: \_\_\_\_\_

1, Name of the office: \_\_\_\_\_

2, Name of interviewer: \_\_\_\_\_

3, Name of respondent: \_\_\_\_\_

4, Profession: \_\_\_\_\_

5, Role or position in the office:

6, What are the rule and regulations related to private rental housing development?

7, Who give permission for construction of rental houses?

8, Who check and approve the standard of the rental houses? In relation to construction material, safety, and other standards?

9, Who is responsible body to collect tax from the rental houses? What are the rules to decide the percentage of rental tax?

10, Who is responsible to check the tenant landlord agreements and in what extent the office involve in the process?

11, How to solve the disagreement between tenant and landlords?

12, Did the office control the rent price? How?

13, What is the gap between the rules and the realities on the ground related to private rental houses scheme?

14, How many private rental houses are there in this woreda?

15, Are there any related studies with private rental housing in woreda or sub city level?

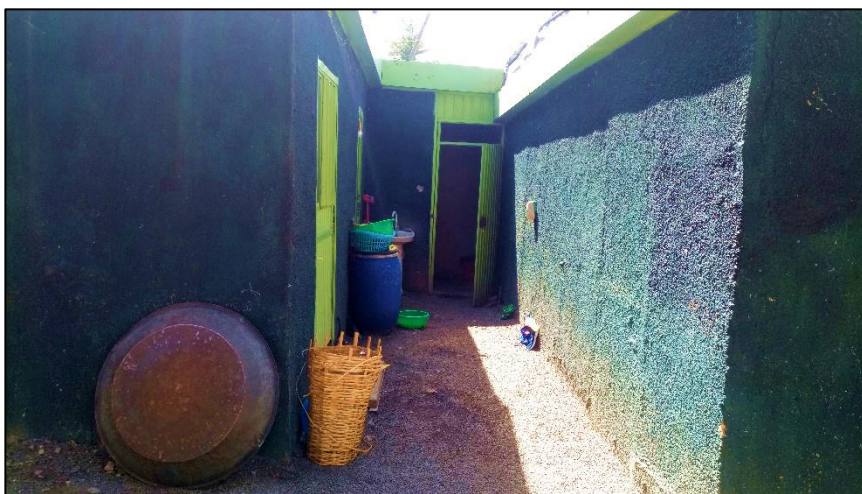
Key informant: Questions / interview with government officials.  
(MOUDC)

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Time: \_\_\_\_\_

- 1, Name of the office: \_\_\_\_\_
- 2, Name of interviewer: \_\_\_\_\_
- 3, Name of respondent: \_\_\_\_\_
- 4, Profession: \_\_\_\_\_
- 5, Role or position in the office:
- 6, What are the rule and regulations related to private rental housing development?
- 7, Is private rental housing considered as a housing development option in government level?
- 8, If 'yes' for question no. 07 is there any policy framework?
- 9, If 'NO' for question no. 07 is there any plan from government or studies by government body that recommend private rental housing as option?
- 10, What is your response as an official that private rental housing developer involved in developing rental housing? and how did the legal framework accommodate this?
- 11, what will be the major challenges for private rental houses developer from gov't perspective?
- 12, Do you think is there a policy gap for developing rental houses by private sector or there are other reasons? Please describe it?
- 13, Is there any way of subsidizing private rental housing scheme by government body?
- 14, What are the rules and regulation to collect tax form private rental houses?
- 16, Is there any rent controlling mechanism for the private sector?
- 15, What is the gap between the rules and the realities on the ground related to private rental houses scheme?

## APPENDICES A: CASE STUDY HOUSES PICTURE



**APPENDICES B: LEGAL AGREEMENT BETWEEN TENANTS AND LANDLORD OR DEVELOPER**

ወር..... ቀን..... ዓ.ም .....

**የቤት ኪራይ ውል ስምምነት**

አከራዮች . . . . 1ኛ. \_\_\_\_\_ (ዜግነት ኢትዮጵያዊ)

አድራሻ:- አ.አ የካ ክ/ከተማ ወረዳ 1 የቤት ቁጥር

2ኛ. \_\_\_\_\_ (ዜግነት ኢትዮጵያዊት)

አድራሻ:- አ.አ የካ ክ/ከተማ ወረዳ 1 የቤት ቁጥር

ተከራይ . . . . . (ዜግነት ኢትዮጵያዊ)

አድራሻ:-..... ክ/ከተማ ወረዳ ..... የቤት ቁጥር .....

እኛ አከራዮች ሕጋዊ ባልና ሚስት ስንሆን የጋራ ንብረታችን የሆነውን በአዲስ አበባ ከተማ በቀድሞው ወረዳ .....ቀበሌ ..... በአሁኑ.....ክ/ከተማ ወረዳ .....የቤት ቁጥር ----፣ የካርታ ቁጥር \_\_\_\_\_ ፣ ካርታው የተሰጠበት ቀን በ \_\_\_\_\_ ዓ.ም፣ የቦታው ስፋት \_\_\_\_\_ ካ.ሜትር፣ የቦታው አገልግሎት ለመኖሪያ ከሆነው ቤት ላይ አንዱን ክፍል ተከራይ ለመኖሪያ አገልግሎት እንዲጠቀሙበት ከግንቦት ----- ቀን 2011 ዓ.ም እስከ ግንቦት -- ቀን 2012 ዓ.ም ድረስ ለ1 ዓመት በወር ቡብር \_\_\_\_\_ 00 /...../ ሂሳብ ያከራየናቸው ሲሆን የገንዘቡም አከፋፈል በተመለከተ በዛሬው እለት በዚህ ውል ደረሰኝነት የ3 ወር ቅድሚያ ክፍያ ብር \_\_\_\_\_ ብር/ ተቀብለናል። ቀሪውን ክፍያ የተከፈለው ሲጠናቀቅ በየ3 ወሩ ጊዜ ቅድሚያ ለመቀበል ተስማምተን ቤቱን ማከራይታችንን በየፊርማችን እናረጋግጣለን።

እኔም ተከራይ ----- ከላይ አድራሻውና የካርታ ቁጥሩ ከተጠቀሰው ቤት ላይ አንዱን ክፍል ለመኖሪያ አገልግሎት እንድንጠቀምበት ከግንቦት ----- ቀን 2011 ዓ.ም እስከ ግንቦት - ---- ቀን 2012 ዓ.ም ድረስ ለ1 ዓመት በወር ቡብር -----/..... ብር/ ሂሳብ የተከራየሁ ሲሆን የገንዘቡም አከፋፈል በተመለከተ በዛሬው እለት በዚህ ውል ደረሰኝነት 3 ወር ቅድሚያ ክፍያ ብር -----/ .....ብር/ ክፍያለሁ። ቀሪውን ክፍያ የተከፈለው ሲጠናቀቅ በየ3ወሩ ቅድሚያ ለመክፈል ተስማምቼ በድርጅቱ ስም ቤቱን ማከራየቴን በፊርማዬ አረጋግጣለሁ።

1. አከራይና ተከራይ በምናደርገው ስምምነት ውሉ ታደሶ መቀጠል ይችላል። አከራይም ሆነ ተከራይ ቤቱን መልቀቅም ሆነ ማስለቀቅ በሚፈልጉበት ጊዜ ከ2 ወር በፊት ቅድሚያ ማስጠንቀቂያ በመስጠት ለመልቀቅም ሆነ ለማስለቀቅ ተስማምተናል።
2. ተከራይ ቤቱን ከተረከቡበት ቀን ጀምሮ የተጠቀሙበትን የሙብራት፣ የውሃ ክፍያ ይከፍላሉ።
3. ተከራይ የተከራዩትን ቤት ለሌላ ሰብተኛ ወገን ማስተላለፍ ወይም ማከራየት አይችሉም።

4. ተከራይ ለንግድ አገልግሎት በተከራይቶ ቤት የሚያወጣትን የንግድ ፈቃድ በተመለከተ መንግስት የሚጠይቀውን ማንኛውን ግብር ይከፍላሉ።
5. ተከራይ ቤቱን በሚለቁበት ጊዜ በአያያዝ ወይም በአጠቃቀም ጉድለት የተነሣ ለሚደርሰው ብልሽት ተከራይ በግል ወጪያቸው አድሰውና አስተካክለው በተረከቡበት ሁኔታ እንደነበረ ሊያስረክቡኝ ተስማምተናል።

ይህ ውል በሁለታችን ተዋዋይ ወገኖች ሙሉ ፈቃድ በፍ/ብ/ሕ/ቁ/ 1731/2005 መሠረት በሕግ ፊት የፀና ነው። ነገር ግን ከሁለት አንዳችን ወገን ውል ለማፍረስ እና እንደውሉ ለመፈፀም ያልቻለ ወገን ቢኖር ውሉን ላከበረ ወገን ብር 1000.00 (አንድ ሺህ ብር) ክፍሎ ውሉና ገደቡ በፍ/ብ/ሕ/ቁ/ 1889/1890 መሠረት በሕግ ፊት የፀና ነው።

**የአከራዮች ፊርማ**

**የተከራይ ፊርማ**

1. -----
2. -----

-----

APPENDICES C: GOVERNMENT RENT TAXATION SYSTEM

**አዲሱ የቤት ኪራይ ግብር**

ተ.ቁ	ወር ኪራይ ገቢ	የግብር ማስከፈያ ምጣኔ	ተቀናሽ ብር
1	ከብር 0 - 7,200	0 %	0
2	ከብር 7,201-19,800	10 %	720
3	ከብር 19,801-38,400	15 %	1,710
4	ከብር 38,401- 63,000	20 %	3,630
5	ከብር 63,001- 93,600	25 %	6,780
6	ከብር 93,601-130,800	30 %	11,460
7	ከብር 130,800 በላይ	35 %	18,000

ምሳሌ:- በወር የ1500 ብር ቤት አክራይ በአመት 18,000 (አስራ ስምንት ሺህ ብር) ያገኛል።

ይህ ገቢ ተራ ቁጥር 2 ላይ የሚያሳርፈው ሲሆን የግብር ስሌት እንደሚከተለው ይሆናል።

አመታዊ ግብር = (አመታዊ ገቢ X 50%) X የማስከፈያ ምጣኔ - ተቀናሽ ብር)

$$= (18000 \times 50\%) \times 10\% - 720$$

$$= 180$$

❖ ይህ የሚሰራው ግብር በግምት ለሚከፈሉ (የሂሳብ መዝገብ ለመያዝ ለማይገደዱ) አክራዮች ሲሆን ታሳቢ ተቀናሾ ደግሞ ለአዲስ አበባ እና ድራድዋ ነዋሪዎች ነው። የክልሎች ታሳቢ ተቀናሽ ሰለሚለያይ በአዲስ አበባው እና ድራድዋው 50% ቦታ የራሳቸውን እየተኩ ማሰብ ይቻላል።

በኮልፌ ቀራንዮ ከ/ከተማ አስተዳደር ግብር ከፋዮች ቅ/ጽ/ቤት  
በታክስ ከፋዮች ትምህርት እና ድጋፍ የሰራ  
ክፍል የተዘጋጀ



Technical documents that show the material used for construction are evaluated with different tests and approved by SM engineering PLC.

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

LAB. NO. : 0798/2020  
CLIENT : Berhanu Kassa  
OWNER : Prefab House Made of concrete and Fiber  
PROJECT : Prefab House  
SAMPLE TYPE : Concrete Fiber Block (5\*20\*40)  
TEST FOR : Wet Compressive Strength  
DATE REPORTED : 27/01/2020

**TEST RESULT FOR COMPRESSIVE STRENGTH OF Concrete Fiber Block**

Sample No.	Date Poured	Date Tested	DIMENSION (CM)			Weight (gm)	Gross Volume (cm <sup>3</sup> )	Gross Unit Weight (gm/cm <sup>3</sup> )	Gross Pressure Area (cm <sup>2</sup> )	Load (KN)	Compressive Strength (kg/cm <sup>2</sup> )	Compressive Strength (Mpa)
			L	B	H							
1	30/12/2019	27/01/2020	40	5	20	8659.00	4000	2.11	200	155.44	79.23	7.92
2	30/12/2019	27/01/2020	40	5	20	9503.00	4000	2.38	200	146.54	74.69	7.47
3	30/12/2019	27/01/2020	40	5	20	8863.00	4000	2.22	200	126.84	64.65	6.46
4	30/12/2019	27/01/2020	40	5	20	9123.00	4000	2.28	200	158.34	80.70	8.07
5	30/12/2019	27/01/2020	40	5	20	8813.00	4000	2.20	200	116.72	59.49	5.95
Average											71.8	7.18

Class	Average of five bricks (MPa)	Individual brick (MPa)
A	20	17.5
B	15	12.5
C	10	7.5
D	7.5	5

Class	Average of 6 unit (N/mm <sup>2</sup> )	Individual Units (N/mm <sup>2</sup> )
A	4.20	3.80
B	3.50	3.20
C	3.00	3.80

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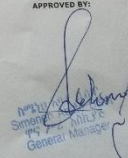
**SM ENGINEERING PLC**  
Geotechnical Engineering Services  
Tel: +251911481055

LAB. NO. : 0798/2020  
CLIENT : Berhanu Kassa  
PROJECT : Prefab House Made of concrete and Fiber  
SAMPLE TYPE : Concrete Fiber Block (5\*20\*40)  
TEST FOR : WATER ABSORPTION OF concrete Fiber  
DATE REPORTED : 27/01/2020

**TEST RESULT FOR WATER ABSORPTION OF concrete Fiber**

Sample No.	Date Tested	DIMENSION (CM)			Dry Weight, w1 (gm)	Saturated Weight, w2 after 24hr (gm)	Absorption (%) = (w2-w1)/w1 * 100
		L	B	H			
1	27/01/2020	40	5	20	8859.00	9141.00	3.18
2	27/01/2020	40	5	20	9503.00	9853.00	3.68
3	27/01/2020	40	5	20	8863.00	9252.00	4.39
4	27/01/2020	40	5	20	9123.00	9225.00	1.12
5	27/01/2020	40	5	20	8813.00	9158.00	3.91
Average							3.26

Class	24 hr Immersion (%)	
	Average of five bricks (MPa)	Individual brick (MPa)
A	21	23
B	22	24
C	No limit	No limit
D	No limit	No limit

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

LAB. NO. : 0798/2020  
CLIENT : Berhanu Kassa  
OWNER : Prefab House Made of concrete and Fiber  
PROJECT : Prefab House  
SAMPLE TYPE : Concrete Fiber Block (5\*20\*40)  
TEST FOR : Dry Compressive Strength  
DATE REPORTED : 27/01/2020

**TEST RESULT FOR COMPRESSIVE STRENGTH OF Concrete Fiber Block**

Sample No.	Date Poured	Date Tested	DIMENSION (CM)			Weight (gm)	Gross Volume (cm <sup>3</sup> )	Gross Unit Weight (gm/cm <sup>3</sup> )	Gross Pressure Area (cm <sup>2</sup> )	Load (KN)	Compressive Strength (kg/cm <sup>2</sup> )	Compressive Strength (Mpa)
			L	B	H							
1	30/12/2019	27/01/2020	40	5	20	9327.00	4000	2.33	200	215.25	109.71	10.97
2	30/12/2019	27/01/2020	40	5	20	9167.00	4000	2.28	200	196.31	100.06	10.01
3	30/12/2019	27/01/2020	40	5	20	9078.00	4000	2.27	200	195.85	99.42	9.98
4	30/12/2019	27/01/2020	40	5	20	9331.00	4000	2.33	200	212.63	108.37	10.84
5	30/12/2019	27/01/2020	40	5	20	9215.00	4000	2.30	200	212.10	108.10	10.81
Average											105.2	10.52

Class	Average of five bricks (MPa)	Individual brick (MPa)
A	20	17.5
B	15	12.5
C	10	7.5
D	7.5	5

Class	Average of 6 unit (N/mm <sup>2</sup> )	Individual Units (N/mm <sup>2</sup> )
A	4.20	3.80
B	3.50	3.20
C	2.00	1.80

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