

Addis Ababa
University
(Since 1950)



ADDIS ABABA UNIVERSITY
SCHOOL OF SOCIAL SCIENCE
DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL
STUDIES

Thesis Titled

**CHALLENGES OF PRIVATE RESIDENTIAL REAL ESTATE
DEVELOPMENTS IN ALLEVIATING THE HOUSING DEMAND
IN ADDIS ABABA**

BY

MINYAHIL SHELEMEW

August 2016

Addis Ababa

**CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE
DEVELOPMENTS IN ALLEVIATING THE HOUSING DEMAND
IN ADDIS ABABA**

A Thesis submitted to the department of geography and environmental studies in partial fulfillment of the requirement for Master of Arts in urban and regional development planning.

BY

MINYAHIL SHELEMEW

ADVISOR

SOLOMON MULUGETA (PHD)

**August 2016
Addis Ababa**

DECLARATION

I **Minyahil shelemew**, Registration number GSE/ 0293/05 .do here by declare that this Thesis is my original work and that it has not been submitted partially; or in full, by any other person so far an award of degree in any other university/institutions.

Name of participant: minyahil shelemew

signature.....Date.....

This thesis has been submitted for examination with my approval as college supervisor.

Name of Advisor: Dr Solomon Mulugeta

signature.....Date.....

APPROVAL

The undersigned certify that they have read and hereby recommend to Addis Ababa university school of social science to accept the thesis submitted by Minya hil shelemew, and entitled ' Challenges of private residential real estate developments in alleviating the housing demand in Addis Ababa', in partial fulfillment of the requirement for the award of a Masters Degree in urban and regional development planning.

Name of Supervisor-----signature-----

Date-----

Name of Internal Examiner-----signature-----

Date-----

Name of External Examiner-----signature-----

Date-----

Name of Head of Department-----signature-----

Date-----

Abstract

The study is set out to assess the prospect of current challenges of private real estate development in alleviating the housing demand in Addis Ababa. Hence, it stands to identify the major challenges that the industry is facing and tries to recommend the remedial actions to be taken.

Extensive survey of theoretical and empirical literatures made to support the paper with applicable and worth full ideas. Primary data are also collected from the study area using both open ended and close ended questionnaires, structured interviews and by referring to documents and reports of the different governmental institutions. Simple quantitative techniques are used to analyze the data collected.

The findings of this research show that the land acquisition for private residential real estate is through auction and negotiation. The large amount of land is stopped for the last decade following the abuse and misuse of resource. Now a days the only option of acquiring land is through auction system to work in joint venture with the previously land that has held as stake holders. Most real estate are admitted the 70/30 land use system, but they are providing only few public service provisions. The sector is highly challenged to the shortage of loan from financial institutions despite the fact that it is highly vulnerable to risk. The developer's source of finance is the schedule payment system that their clients pay. The sector is also characterized by time and cost overrun caused by lack of financial source, cost escalation of construction materials etc. The high income segment of the society and member of the Diaspora are the main customers of the industry. The middle and low income groups of the society are marginalized by the untouchable cost of houses. Even the industry is not alleviating the real demand of housing that the city is encountered, but it is increasing the housing stock of the city.

Finally, in order to enhance the housing problem, the findings suggested that clearly defined and explicit parameters of land issuance system, measures of control time and cost overrun, alternative mechanisms of financial provision scheme, strict reinforcement and incentives to accommodate the marginalized part of the society and the establishment of a concerned institutions recommended as a remedial action to the challenges the industry is facing.

Acknowledgement

I would like to express my sincere and heartfelt gratitude to my thesis advisor doctor Solomon Mulugeta for his genuine professional and technical advices and criticisms. I am grateful to him for his unpreserved effort without which the completion of this research paper would have not been possible.

I am eternally indebted to w/ro Hanna Aberra, my collogues at AALDMB who helps me to get open and warm assistance of material and facilitating conducive situation for interview with the managements of AALDM bureau.

Table of Contents

Contents	Page
CHAPTER	
ONE.....	1
1.INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the problem.....	2
1.3. Objectives of the study.....	4
1.3.1. General objectives of the study.....	4
1.3.2. Specific objectives.....	4
1.4. Research Questions.....	4
1.5. Significance of the Study.....	4
1.6. Scope of the Study	5
1.7 Background of the Study Area.....	5
1.8. Limitations of the Study.....	6
1.9 Organization of the Paper.....	6
CHAPTER Two.....	7
2. Review of Related Litration.....	7
2.1 .The Concept of Housing.....	7
2.1.1 Housing Needs and Housing Demand.....	7
2.2 Theoretical Literature of housing.....	8
2.2.1 Human right to housing	8
2.2.2 Housing Supply	9
2.2.3 The productivity of housing	10
2.2.4.Housing and Social Issues.....	10
2.3 Empirical Literature.....	12

2.3.1. The Evolution and Approaches of Housing Policy.....	12
2.3.1.1. Government Action to Enable the Housing Sector.....	15
2.3.2 Housing Policy in Ethiopia.....	16
2.4 Real Estate	17
2.5 Real Estate Development	18
2.6 Housing Demand And Real Estate Development.....	19
2.6.1 General Overview	19
2.6.2 Stakeholders of a Real Estate Project	19
2.6.3 Types of Real Estate Properties.....	21
2.7 HOUSING DEVELOPEMNT IN ADDIS ABABA	23
2.7.1. Housing Demand in Addis Ababa.....	23
2.7.2 History of Housing Development in Addis Ababa.....	24
2.7.2.1 Condominium housing	26
2.7.2.2 The private Real Estate Sector	26
2.8. Under Taking of Real Estate Development in Addis Ababa.....	27
2.8.1. History of Land Management in Addis Ababa	27
2.8.2 Land Administration.....	28
2.8.3 Demand and Supply of Land	28
2.8.4 Aspects Related to Land Lease Program.....	29
2.8.5 The Real Estate Development Process.....	30
2.8.5.1 The property development process-----	31
2.8.5.2 Development Site Appraisal-----	31
2.8.5.3 Development Valuation -----	32
2.8. 2.8.5.5 Marketing for development -----	32
5.4 Development Finance-----	32
Chapter Three	34
3. Methodology.....	34

3.1 Data Source /Data Type.....	34
3.2 Sampling Procedure and Techniques.....	34
3.3 Data Collection Tools.....	35
3.3.1. Questionnaire Design	36
3.3.1.1. Questionnaire for Real Estate Developers-----	36
3.3.1.2. Questionnaire for Residents-----	36
3.3.2. Structured Interview.....	37
3.4 Methods of Data Presentation.....	37
Chapter four.....	38
4. ANALYSIS AND DISCUSSION.....	38
4.1 Respondent Composition	38
4.2 Land Acquisition	40
4.2.1 Philosophies of land division	40
4.2.2 Considerations in land management	41
4.2.3 Developers' undesired actions.....	43
4.2.4 Modalities of land transfer.....	43
4.2.5 Controversies between land authorities and real estate developers	46
4.2.6 Real estate land lease determination.....	47
4.2.7 Possession of requested land.....	49
4.3 The Development of Real Estate Project.....	51
4.3.1 Residential real estate designs.....	52
4.4 Financial matters.....	55
4.4.1 Private real estate financing	55
4.4.2 Cost Overrun	58
4.5 Income Groups Addressed by Real Estate Developments	62
CHAPTER FIVE	65
5. Conclusion and Recommendations.....	65
5.1 Conclusion.....	65

5.2 Recommendations	67
References -----	x
Annex 1 -----	x
Annex 1 -----	x

List of Tables

	Page
Table 2.1 development strategies and the housing sector from late 1940's to 1990's-----	13
Table 4.1 No of Questionnaires Distributed and Collected from Different Respondents-----	38
Table 4.2 : bench mark lease price in Addis Ababa-----	48
Table 4.3 : The floor levels of apartments built by different developers-----	54
Table 4.4: Minimum own contribution and period of repayment of loans Classification-----	57
Table 4.5: Causes of Cost overrun and the magnitude of their effects based on questionnaires filled by 10 real estate developers.-----	59
Table 4.6: Income Status of Addis Ababa City Residents-----	62
Table 4.7: Income Status of Residents Who Requested for the Questionnaire -----	63

List of Figures

	Page
Figure 2.1 Private villa real estate houses in Addis Ababa-----	22
Figure 2.2 Private apartment real estate houses in Addis Ababa -----	22
Figure 2.3 Private commercial real estate houses in Addis Ababa-----	23
Figure 4.1 No of Questionnaires Distributed and Collected from Different Respondents-----	39
Figure 4.2: Response rates for the questionnaires distributed-----	39
Figure 4.3: Track of the rapidity with which developers took their land-----	50
Figure 4.4 : Land pos session by real estate de velope rs in percentage-----	51
Figure 4.5 : Provision of different facilities by private real estates-----	53
Figure 4.6: The percentage of land allotted for apartments-----	54
Figure 4.7: Financial sources for private real estate developers -----	55
Figure 4.8: Scheduled payment procedures-----	56
Figure 4.9: Relative Influence percentage from developers' point of view-----	61
Figure 4.10: Response rate of Residents Who Requested for the Questionnaire -----	63

Acronyms

AACG	Addis Ababa City Government
AAHA	Addis Ababa Housing Agency
CSA	Central Statistic Agency
EIA	Ethiopian Investment Agency
IHDP	Integrated Housing Development Program
LDMB	Land Development Management Bureau
MoFED	Ministry of Finance and Economy
RED	Real Estate Developers
VAT	Value Added Tax
FDRE	Federal Democratic Republic of Ethiopia
REDS	Real States Developers
IHDP	Integrated Housing Development Program
TEG	Transitional Government of Ethiopia
EPRDF	Ethiopian People's Revolutionary Front
MoUDHC	Ministry of Urban Development, Housing & Construction

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Real estate development is the basis of our urban activities. Its development shares with any other sectors of production and in the economic growth of an urban. At the start of the third millennium, 50% of the world's population lives in urban areas within the next decades this figure is expected to 56%. What is even more challenging is the fact that 98% of the projected global population growth during the next two decades will occur in developing countries .the vast bulk of this increase (86%) will also occur in urban areas. This population increase implies that about 39,000 new dwelling units are required each and every day in the developing countries during the next two decades of later for population growth alone .The urbanization process has not been coupled with adequate delivery of housing in developing countries thus giving birth to the development of informal settlements, which provide housing to most low-income groups (Erguden 2001).

Like any developing countries, urban areas in Ethiopia are diversely affected by the problem of housing. It is well known that the highly accelerated urban growth that Ethiopia is witnessing is primarily a product of high rates (2.3%) of natural increase in population and rural –urban migration. This highly accelerated urban growth rate is naturally begun reflected in the rapid spatial expansion of the existing urban centers as well as in the emergency of new towns. However, is not back- up by its economic development (Abadi Beyene, 2007).

Addis Ababa is the largest city in Ethiopia and also one of the biggest municipalities in Africa. It has a total urban area of about 540km². The city is located fairly at the center of the country at 9°148"N and 38°44'24"E. It has an average altitude of 2400 meters above the mean sea level making it one of the few cities on earth to be located at such high altitudes.

The city has a diverse population group that is comprised of different ethnic factions living peacefully. According to the latest census conducted by the Central Statistical agency (CSA 2007), the city had a population of more than 2.7 million people. The population of the city grows rapidly averaging an annual growth rate of 4.7%. This is a very high growing rate that is more than double than 2.3 % of the total population growth rate of the country. According to

estimates made by the same agency the population of the city would be more than 3.1 million by the end of this year.

Housing in Addis Ababa has been one of the most critical issues since the establishment of the city and the dawn of human habitation on the land. According to census information compiled by CSA in 1994, for the entire administrative council there were 404,783 households in 376,568 housing units with an average of 5.2 persons per household. In 2007, for the capital city 662,728 households were counted living in 628,984 housing units, which results in an average of 4.1 persons to a household. As can be observed from the data, the number of housing in the country has doubled but the number of people living in a single unit has shown a reduction in number. Even if this is a good sign that shows the number of dwellings is growing more than the population, recent polls have suggested that there is still a deficit of almost 482,000 houses between the demand and the housing unit available.

In order to solve the housing deficit the Addis Ababa city government has launched an ambitious “Addis Ababa Grand Housing Development Program” (condominium housing) with the objective to construct up to 65,000 condominium (50,000 (10/90 and 20/80), and 15,000(40/60)) housing units per year (AACG, 2012). The aim of this program is to provide low and middle income urban dwellers with decent shelter.

In line with this large scale housing production there are residential real estate developers who are initiated to provide houses that is affordable and accessible to all income groups.

The real estate sectors in Addis Ababa has started to flourish and showed robust growth since the year 1997 despite the problems the sector has encountered which include farness of construction sites and lack of infrastructure on land allocated for them which imposes additional cost on providing access road and utility lines which have an implication on the high cost of the dwellers. In addition, lack of incentives regardless of provision of land and others, rules and regulations related to VAT and surtax made the housing price soaring, making it the developers of this sector are much more concerned about providing housing for the high income group and not the middle and low income groups which make up the majority of inhabitants.

1.2. Statement of the problem

The housing sector in Ethiopia, as in the rest of developing countries, is not considered as an important component of urban economy. Though efforts have been made to provide adequate

housing by adopting various policies and strategies, the level of intervention was not sufficient enough to meet the demand for houses.

In 2012, it was estimated that a total of 929,548 housing units are needed to overcome the housing deficits in the urban areas of Ethiopia including Addis Ababa. This represents about 42 percent of the total housing stock, indicating the magnitude of the housing problem in the country. Exacerbated by geometrically growing population number, the housing problem of the nation is becoming acute every day especially in the capital city whose housing situation is marked by big backlogs, substandard physical substances and lack of infrastructure facilities. Including all housing types, the average available living space in 1994 was only 4.3 m²/person as compared to the African average of 6.5 m²/person. Over half of the housing stock is constructed out of temporary (i.e. mostly mud plastered) materials and deteriorates from time to time.

In Addis Ababa, shortages of residential buildings is especially acute for low-income households that account for over 80% of the city's population. The general impression is that demand is extremely high for those less complex houses that came largely from lower and middle-income households. Demand for more complex and high quality buildings mostly come from higher income groups of the society who represent less than 10 percent of the population seems less acute compared to the former (Tarekegn Assefa 2004).

High levels of urban population growth coupled with low levels of income, sky-rocketing prices of housing, and failed policies among things, have outstripped the financial capacity of the local government and the urban society to finance the minimum acceptable housing unit in the city. A wide gap has thereby been created between the supply and demand. The current housing backlog is estimated to be 482,000 units. Besides 35,000 to 40,000 houses have to be built each year for new families in need of homes mainly the urban poor AAHA 2012.

Currently the city's housing principle is following the free market economic policy adopted in 1991 that create conducive atmosphere for private sector particularly the real estate developers to participate in housing development (Azeb Kelemework Bihon, 2004 AAHDPO).

A lot of investors are therefore turning their faces towards the real estate sectors. Foreign investors as well are becoming more interested in the sector since the existing housing problem creates a potential demand for their market.

This research, therefore, attempts to examine challenges that the private residential real estate industry is facing Addis Ababa. How real estate developers acquire land, the income group

(the target group) benefitting from the sector and its significance in the contribution of alleviating housing demand and stock.

1.3. Objectives of the study

1.3.1. General objective

The general objective of the study is to identify and analyze challenges of residential real estate in alleviating the housing demand in Addis Ababa.

1.3.2. Specific objectives: To

- assess the social group addressed by the residential real estate.
- assess the issuance of land to the real estate developers.
- assess the contribution of the industry in alleviating housing demand and stock of the city.

1.4. Research Questions

In order to address in the light of the above problem statements this study will attempt to answer the following questions

1. To what extent has the real estate development program has contributed to the alleviation of the urban housing shortage.
problem?
2. Who are the beneficiaries of the real estate development programs?
3. How do real estate developers acquires land?

1.5. Significance of the Study

This study is mainly conducted for the purpose of academic reasons as part of partial fulfillment of Master of Arts in Geography specializing in Urban and Regional Development Planning. But the overall findings of the study are expected to:-

- be important to developers, lenders and buyers of real estate products.
- reveal the effects of residential real estate development.

- have of importance to responsible (concerned) bodies to adjust their strategy for the future.
- indicates critical overall conditions of real estate development. and
- encourage other researchers to conduct further study on the issue.

1.6. Scope of the Study

Since real estate activity covers much of the world and divers in idea and operation the scope of this study is limited to residential real estate development in Addis Ababa with special emphasis on the questions stated as such, the and spatial scope of the study is limited within the jurisdiction (boundary) of Addis Ababa.

1.7 Background of the Study Area

Historical Origin of Addis Ababa

Following the founding of Addis Ababa in 1886 as capital of Shoa province a wide spread building programs were under taken from march 1887. After the coronation of emperor Minilik II as king of kings in 1889, Addis Ababa became the political, administrative and religious hub of the country (Garreston,2000:11). Currently the city is also the diplomatic capital of Africa, housing numerous embassies and international organizations, including the United Nations Economic Commission for Africa (UN-ECA) and the African Union (AU).

Geography

The capital city of the country, Addis Ababa, which is located in the heart of the country surrounded by Oromia has a geographical position of 9°1'48'' N and 38°44'24'' E. The city has an average altitude of 2400m above sea level at the foot of the 3000m high Entoto mountains with the lowest and highest annual average temperature between 9.89°-26.64°c respectively the city covers an area of about 540m² is planned for various land use categories. The urban development pattern of the city of Addis Ababa reveals the horizontally expand nature of the built up region and uncontrolled pattern feature urban development.

Population Growth

The urban population of Ethiopia is concentrated in few urban centers, predominantly in Addis Ababa. Addis Ababa has experienced highly accelerated population growth. The rapid population increase of the city has been mainly attributing to annual urban population increase and internal migration. According to the country's 2007 population and housing census, out of the total population of the city 47.6% were migrants from the rural and other urban areas in Ethiopia (CSA, 2007:161).

Thus, the study area of this research is Addis Ababa and in order to discuss the issue of real estate development in the city and its challenges, three sub cities (Bole, Nifas Silk Lafto and Yeka sub-cities are taken as a show case of the entire city.

1.8. Limitations of the Study

There were a number of problems that made it difficult to conduct this study that could help the researcher to produce the state of the art to research output. The major limitations will be:-

- a. Unavailability of real estate executioners' desk.
- b. Real estate development is a business activity and hence, unwillingness of developers to give data.
- c. Real estate development by its nature is linked with a number of institutions, so that time, financial and versatile skill constraints.
- d. Non-organized database system at the Addis Ababa city administration land development and management bureau (AALDMB).

1.9 Organization of the Paper

This research paper consists of five chapters. The first chapter deals with introductory part of the research which include background of the area, statement of the problem, research questions, objectives of the study, scope of the study, significance of the study research, background of the study area and limitation of the study. The second chapter is concerned with review of related theoretical and empirical literatures. The third chapter discusses the method of the research. In the Fourth chapter analysis and discussion of the data collected are presented. The last chapter is devoted to conclusions and recommendations.

CHAPTER TWO

2. Review of Related Literature

2.1 .The Concept of Housing

Housing is a basic and indispensable human need which determines healthy living conditions. It encompasses and determines developmental, psychological, healthy social and economic aspects of human life (Davis.,2006).More over there is a clear correlation between housing quality and development status of a country .Decent housing is a precondition for productive and stable society .Auxiliary services and community facilities ,social amenities, and services form an integral part of the housing concept (Gerald et al 1997). Adequate housing also means adequate privacy, space, security, lighting, heating, ventilation, physical accessibility, structural stability basic infrastructure such as water supply, sanitation and waste management facilities, suitable environmental quality and health related factors, adequate and accessible location with regard to work and basic facilities and all of which should be available at an affordable cost (Samson et al 2012).

2.1.1 Housing Needs and Housing Demand

It would be essential to make a distinction between housing needs and housing demands. Housing needs refers to the number of dwelling units which are regarded as socially desirable in terms of structural quality, rates of occupancy, sanitary and other facilities and which fulfill certain standards of health ,privacy ,etc.

Housing demand, on the other hand, reflects only part of this socially felt needs for housing(UN-HABITAT ,2010).It refers to the desire(willingness) for housing supported by economic ability to satisfy the desire. Thus, housing demand is influenced by affordability(economic capacity) and willingness to buy, construct and rent.

2.2 Theoretical Literature of housing

2.2.1 Human right to housing

According to UNCHS, a decent home at an affordable cost is something which everyone has the right to accept, and it is the responsibility of government to ensure its availability (UNCHS,1996). Many countries also supported the view that the human right to adequate housing is recognized in various international human rights instrument. The universal declaration of human right :which was adopted in 1948 ,states in article 25 :1 “Everyone has the right to standard of living adequate for the health and well-being of himself and of his family including food ,clothing, housing and medical care and necessary social services ,and the right to security in the event or unemployment, sickness, disability, widowhood, old age or other lack of lively hood in circumstances beyond his central”

The legal recognition and obligations inherent in housing rights, at the most basic level do not [emphasis added] imply the following:

- A. That the state is required to build housing for the entire population:
- B. That housing is to be provided free of charge by the state to all who request it :
- C. That the state must necessary fulfill all aspects of this right immediately upon assuming duties to do so :
- D. That the state should executively entrust either itself or the unregulated market to ensure this right at all :or
- E. That this right will manifest itself in precisely the same manner in all circumstances or locations.”

States do not ” misinterpret and abrogate” responsibility, especially towards disadvantaged groups. It was also found that recognition of housing right must be seen and interpreted to imply in the most general sense.

- A. That once such obligations have been formally accepted the state will endeavor by all

appropriate means possible to ensure everyone has access to housing resource adequate for health ,well being and security ,consistence with other human rights

B. That a claim or demand can be made up on society for the provision of or access to housing resources should a person be homeless ,inadequately housed or generally incapable of acquiring the bundle of entitlement implicitly linked with housing rights.

C. That the state, directly upon assuming legal obligations ,will undertake a serious of measure which indicate policy and legislative recognition or each of the aspect of the right in question .

2.2.2. Housing Supply

In market economics, where housing is supplied competitively by many firms, locational difference in the cost of inputs supplying housing will be based on differences in the cost of inputs, such as land labor ,and building materials, and on the efficiency of the housing development process.

Competitive versus uncompetitive housing supply

Competitive supply

When the supply side is competitive, the long run price of housing will be determined primarily by production costs rather than demand; increase in housing output and not into price increase.

In competitive supply

When housing is not supplied competitively, however, costs will become in elastic in response to demand. In such cases, housing prices will depend not only on input costs and production efficiency but also on the responsiveness of housing output changes to shifts in housing demand.

Factors that affect both cost of housing production and the responsiveness of housing supply are public sector action to provide infrastructure, to regulate the housing sector and to limit extent, to direct production of public housing. Many writers argue that “the most important housing sector distortions typically originate from the supply side “.

According to Mayo,1994, a well –functioning housing sector is;

- Productive and efficient, using resources to get the best possible housing for the funds expended.
- Responsive to the needs and resources of all segment of the population ,including the poor ,enabling them to be adequately housed at reasonable prices ,and
- Environmentally sound, accommodating growth without damping consequences for the natural and urban environments.

2.2.3. The productivity of housing

As a starting point, housing should not be looked at as a problem area which require major social spending but as a means for promoting and mobilizing savings, expending employment and economic activity particularly as a tool for poverty alleviation (Erguden ,2001).

In many developing countries and countries with transition economies, housing is seen as a well fare issue, requiring the transfer of physical and financial resources to household, unable to house themselves adequately. On the other hand, it is highly attractive investment which attracts potential investors. The durability and low maintenance requirements of housing make housing a n investment with long and stable flow of incomes, i.e rent. It is a major motivation for household savings and the most significant components of household consumptions.

To understand the productivity of housing consider the spending of 100 birr on housing. In the first instance, this buys 100 worth of resource in the built or improved houses. However, with in the macro- economic process the workers and other recipients of income will go out and spend some of their incomes received .this will generate further income (Via ,expenditure),and it will result multiplying income by a factor of 2 ,(UNCHS,1996 : p.41)

In addition housing production has backward linkage in that, it can add to the production of input materials and forward linkage like renting income expenditure in household equipments ,and housing amenities.

2.2.4. Housing and Social Issues

The causal relation between housing and health, social exclusion, education and employment is summarized by Patrick Mullin, John Western, & Bridget Broadbent,(2001).According it is presented as follows.

Housing and Health:

Research has demonstrated a clear relationship between housing and health, with poor housing impacting negatively on people's health. Thus, by implication, good housing is necessary for good health. Yet the health problems emanating from poor housing tend to be minor. The key issue is the way the most disadvantaged live in the most inadequate dwellings and thus experience negative health outcomes.

Overcrowding can have a negative impact on mental health. It particularly affects low income households, with the health outcomes taking the form of depression, sleep depression, fatigue, and family disorder. Living in low income high rise apartments, specifically public housing has been shown to be associated with mental health problems, including depression. Several studies have found that those living in low income rental accommodation have overall stress scores compared with those who are home owners.

Homelessness has a series of negative health consequences. Poor health is both caused by and exacerbated by homelessness. Those sleeping rough, living in hostels, residing in bed and breakfast accommodation, etc, have a higher risk of death and disease than those who are well housed.

Housing and Social Exclusion:

In the United States, African American ghettos in large US cities are amongst the clearest cases of social exclusion. They have increased in number since the 1970's because of the loss of secure, well paid, and unskilled manual work (for men), with the socially excluded /coming disproportionately to be concentrated in certain public housing projects. Unemployment, poverty, crime, family dissolution, teenage pregnancies, female-headed families, substance abuse, etc, have all increased dramatically in these areas, in combination with the geographic consequences of racial discrimination, African American ghettos, then, have become major sites for the socially excluded.

Housing and Employment:

Research on the link between housing and employment has focused on five main areas: where people live relative to the job locations; the specific problem of public housing areas and job locations; the significance of residential mobility (i.e changing houses) for accessing job; the

link between occupation and tenure; and the effects of the new economy on the job- housing relationship. Overall, the work is disparate and imprecise.

Its relation with job locations is that, on the fringes of urban development, the quality of housing is usually reasonable-except for those people who can afford only the caravan parks. However, local jobs are scarce and, on average, commuting costs and travelling times are very high. Should one become unemployed one's chances of getting another job will not be as good as if one lived closer to the center and nearer to the vacancies that arise.

Housing and Education:

A clear link has been shown between housing and education, but the relationship exists under very specific circumstances, with the key intervening variable being the socio economic circumstances of households. Negative education impacts on children occur when they are homeless, when they live in overcrowded conditions, when they are slum dwellers, and when they live in noisy accommodation. Positive education outcomes have been shown for children living in owner occupied housing.

2.3 Empirical Literature

2.3.1. The Evolution and Approaches of Housing Policy

As mentioned in many publications, frame work for thinking about development and policy has changed in important ways over the past two decades. Erguden (2001) summarizes the evolution of housing policy by tracing back to the 1960's to the mid 1960's. Accordingly the housing policy evolution indicates that an early focus on physical planning public housing have given way to "self help" housing projects (which mostly served middle income households and provided to be an unstable option to addressed the needs of the poor due to high subsidy involved). In recent year the emphasis appears to be on the "enabling approach" which is concentrated on maximizing the contribution of all actors in housing production within supportive roles of regulatory framework.

According to Rossiter(2000), housing sector was and still is subject to the development orientations and strategies that the world has been following. The following table shows the

development strategy that the world has been following from the late 1940's and its implications to the housing sector.

Table 2.1 development strategies and the housing sector from late 1940's to 1990's

Modernization Strategy From the late 1940's to early 1970's	Basic needs/Redistribution with growth from early 1970's to mid 1980	Structural Adjustment From 1984 to the late 1990's
<p>-Social policy at this time where characterized by the provision of western style hospitals ,prestigious educational establishment and the provision of purpose built housing schemes build to modern minimum standard to house the new urban workers .</p> <p>-Government subsidizes were introduced to expand the delivery of health ,education and housing service to the poor .</p>	<p>-At this time the orthodoxy in housing policy for low income population shifted from conventional state housing ,which had failed to meet need, on any meaningful scale ,to site and service and upgrading initiative .</p>	<p>-The focused in this period were freeing up the constraints on market such as housing market .</p> <p>-the start of enabling approach in which there was the theoretical movement away from large scale government project which are specially focused to policy and institutional environment .</p> <p>-But there was still a very strong focus on projects and programs concentrating on shelter and infrastructure.</p>

Source : adapted from Mehate (2004).Integrated urban Housing Development.

Theo Schilderman (2004) ,review of the housing policy is consistent with Erguden(2001) assessment. Likewise Davis (2006) summarizes the various approaches employed by governments in their campaign against housing poverty. These ideas are:

A. Government Production and Financing

Supply Side Approach

Certain governments historically have directly confronted their nation's need for affordable housing by undertaking major construction campaign, using government's funds entirely to finance the development cost. This policy must often be utilized when there is shortage of supply, inadequate capacity within the private sector to build housing, and government policy favor public ownership of housing; but it has various demerits which would be unsustainable.

Demand Side Approach

A less restrictive method of providing affordable housing is to subsidize the supply side, giving households a subsidy to locate and rent housing within the private sector. The private sector relies upon (the subsidy) to reduce and manage housing, while the government provides assistance focused on bringing its affordability within reach through subsidy. The approach allows greater flexibility to consumers since the location and quality of housing is selected by each household and not by the government.

B. Enabling Approach

An effective yet lower cost housing strategy will indirectly support all types of appropriate housing schemes. It relies most heavily on private sector to conduct and finance (including household savings, self-help work, and borrowing) new or up grading housing. The support focuses on:

1. Facilitating market forces, which enable households to choose a place to live; the type of house to build; opportunities to rent to borrow money etc. through stimulating the supply and demand of housing and creating conducive regulatory framework, and market information environment.
2. Creating equitable housing development by targeting most government assistance to the poor
3. Supporting the development with public investment and infrastructure.

2.3.1.1. Government Action to Enable the Housing Sector

In many countries, markets serve as the primary housing delivery mechanism; hence its effectiveness and efficiency are important. It is the responsibility of the government to create an enabling framework for a well-functioning housing market. Government interventions are required to address the need of disadvantaged and vulnerable groups that are insufficiently served by markets. Accordingly, Habitat Agenda –Section IV B -3 argues that, to ensure market efficiency, governments at the appropriate levels and consistent with their legal authority should:

- (A) Assess housing supply and demand on a gender disaggregated basis and collect, analyze and disseminate information about housing markets and other delivery mechanisms, and encourage the private and nonprofit sectors and the media to do the same, while avoiding duplication of efforts;
- (B) Avoid inappropriate interventions that stifle supply and distort demand for housing and services, and periodically review and adjust legal, financial and regulatory frameworks, including frameworks for contracts, land use, building codes and standards ;
- (C) Employ mechanisms (for example, a body of law, a cadastre, rules for property valuation and others) for the clear definition of property rights;
- (D) Permit the exchange of land and housing without undue restrictions, and apply procedures that will make property transactions transparent and accountable in order to prevent corrupt practices;
- (E) Undertake legislative and administrative reforms to give women full and equal access to economic resources, including the right to inheritance and the ownership of land and other property, credit, natural resources and appropriate technologies;
- (F) Apply appropriate fiscal measures, including taxation, to promote the adequate supply of housing and land ;
- (G) Periodically assess how best to satisfy the requirement for government intervention to meet the specific needs of people living in poverty and vulnerable groups for whom traditional market mechanisms fail to work.

(H) Develop, as appropriate, flexible instruments for the regulation of housing markets, including the rental market, taking into account the needs of vulnerable groups.

2.3.2 Housing Policy in Ethiopia

Before 1975, the government of Ethiopia has shown little interest in intervening in the area of housing, as cited in, Azeb (2004). During the period 95% of the privately owned land in Addis Ababa was in the hands of 5% of the population .the first considerable interest of the Ethiopian government in the urban housing policy dates back to 1959 when the department of housing was established in the ministry of public works and urban development (Azeb (2004). Initiative was emerged to administer and control the housing and land related matters by the department of housing established in 1959.

The other major action by the military regime (1974-1991) was the issuance of proclamation No 47/1975, that nationalized all urban land and extra housing units. The main damage that proclamation No 47/1975 did to the urban housing sector was none other than disruption of the housing market itself.

Mainly due to the above reason for instance Addis Ababa suddenly found itself facing an acute housing shortage. More than anything else it was the sudden freeze in the production of affordable rental accommodation that hit the sector the hardest. Private sector production of rental dwelling units was made unlawful by the proclamation. The public sector was neither willing nor capable of producing affordable rental accommodation. The military government started to promote housing cooperatives but its effectiveness in terms of addressing the growing housing problem was limited. (UN habitat 2007)

The post Dergue era is a period the country is experiencing major change in economic policy when TEG liberalized the economy and enhanced private –participation in the provision of goods and services. As a result, different actors take part in housing provision like real-estate developers, housing cooperatives, individual houses owners, and the government itself.

It is provided by the constitution of FDRE that land is the property of the state and people of Ethiopia and that its use is subject to specific regulation by the law. Accordingly, proclamation No 272/2002 was issued to provide for the re-enforcement of lease holding of urban land. As a result, lease has been the sole /primary land holding system to transfer urban land to users to the extent possible and in accordance to the master plan.

Currently the government has launched a bold housing strategy with the aim to alleviate the housing problem the country has encountered. The existing housing policy emphasizing on mobilizing all stakeholders involved in housing supply. As a result private individual homebuilders, housing cooperatives, real estate developers, NGOs and the like actors are participating in housing supply.

The government is also active participant in housing production with the leading program called IHDP (The Integrated Housing Development Program). IHDP was first implemented in Addis Ababa between 2004 and 2006. Based on this experience the government has designed a federal five HIDP that would be implemented across the major cities and towns of the country. The program aimed to construct about 400,000 houses between 2006 to 2010, in about major urban centers of the country. The remaining 500,000 housing backlog are expected to be delivered by private individual home builders, housing cooperatives, real estate developers and other participant in housing production. This indicates that the country's housing policy has a room to participate different stakeholders in housing production. According to Mayo (1994) the goal of policy is /should be /a well functioning housing sector one that best serves the interest of all its participants and which helps to achieve broad social and economic goals.

2.4 Real Estate

Real estate is complex legal theories and very unusual fact situation .real estate has an attractive topic for centuries (Prentices-hall ,ink,p-1,real estate principles).generally real estate is land and the improvement made to land ,and the right to use them (Gerald et.al.(1997).Often one thinks of land as only the surface of the earth. But it is sustainably more than that land starts at the center of the earth, passes through the earth's surface ,and continues on into space (.Gerald et.al.(1997).According to them, an understanding of this concept is important because given a particular parcel of land ,it is possible for one person to own the rights to use its surface (surface rights) another to own the rights to drill or dig below its surface (sub surface rights),and still another to own the rights to use the air space above it (air space).

In real estate development, anything affixed to land with the intent of being permanent is considered to be part of the land and therefore, real estate (.Gerald et.al.1997).thus houses, schools factories, fences, road principles and land scarping are real estate. As a group they referred to as improvements because they improve or develop land.

In general Real Estate or individual property is a legal term (in some jurisdictions) that encompasses land along with anything permanently affixed to the land such as buildings, real estate (immovable property) is often considered synonymous with real property (also sometimes called a reality) in contrast with personal property (also sometimes called chattel or personality). However for technical purposes some people refer to distinguish real estate referring to the land and fixtures themselves from real property, referring to ownership rights over real property, referring to ownership rights over real estates (legal dictionary, 2004 cited in Dinesh Mehat 2004)

1. Real Estate (immovable property) is also called “real property” land and anything permanently affixed to the land, such as buildings, fences and those things attached to the buildings such as light fixtures, plumbing and heating fixtures or other such as items that would be personal property is not attached.

2. May refer to rights in real property as well as the property itself (land and real estate management).

Real estate for this study are those developments (houses) made by the real estate developers in Addis Ababa and that are only allocated to residential purpose. The term “real estate” also implies only residential development.

2.5 Real Estate Development

Real estate development is a game for the entrepreneur and one, which will test skill of prediction and decision making. It is a game where amateurs create a tremendous amount of confusion and a game where professionals make significant blunders ((David Listokin, 2004).

It is a business where products created can generate regular ongoing cash flows for the developer and investments over long period of time and also which works with the physical features land forms of our environment and can be created in lands, water or air.

It is also a business which responds to the changes of the technology, social economies, demographic architecture, laws, entertainment and industry by reflecting these changes in planning process and forms.

2.6 HOUSING DEMAND AND REAL ESTATE DEVELOPMENT

2.6.1 General Overview

House as we were told several times is one of the basic human needs. Humans have several needs. Among these shelter, food and cloth are the most important ones, thus they are collectively called sustenance needs. As this is the case, humans have always strived to have their own shelter and be protected from different dangers of the external world. The purpose of housing has been different throughout the human history. For the hunters and gatherers of pre historic times, the main purpose of a shelter may be protection against beasts of the wild or the rainy weather. In modern cities, houses provide protection against blunders, untamed animals or the outside cold. Whatever the case may be, housing is very important. That is why the problem of providing adequate housing has long been a concern, not only of individuals but of governments as well. Thus, the history of housing is inseparable from the social, economic, and political development of humankind. (David Listokin, 2004)

Even if the role of housing has changed through the centuries and the human civilization has sky rocketed at a proportion that humans have reached a level of constructing a lot of houses within short period, the housing problem is still rampant and a topic of constant debate. In modern urban centers, the problem seen in the housing sector can be attributed to different factors that are both natural and human made.

Some of the different factors are:

- 1) Population explosion
- 2) Deficiencies in construction methods
- 3) Lack of integrated urban development policy
- 4) Lack of skilled labor in the housing sector
- 5) Deficiency of capital for the housing sector
- 6) Constant changes in master plan re-development

2.6.2 Stakeholders of a Real Estate Project

There are various groups involved in the real estate sector. These groups have their own roles in the real estate industry. However; they should collaborate with each other to help the real estate sector grow and utilize its full potential in solving the housing problem.

The different units involved in the real estate sector are discussed below:

The Government: the government prepares land lease policies, organizes different administrative units at various levels, and sometimes builds real estate properties etc... the government, as in the case of its role in other sectors, will have the upper hand. The government establishes the legal frame work through which every stake holder carries out its tasks. Without these rules and regulations, no bound will be set up and each group does as it pleases which as a consequence results in lawlessness and rampant corruption.

Real estate developers: real estate developers are companies, government agencies or individuals that are involved in transferring built up areas to consumers. The definition of real estate developer can encompass other dimensions as well based on the condition in the country. For instance, according to the Addis Ababa city administration directive on conditions of land request and authorization services defines real estate developers as one who builds houses which can accommodate 50 or more households through rental, transfer or sales. Real estate developers most of the time tender contract documents, follow up the construction from the inception to completion, and transfer built up areas to clients either through rental or sale. However; there are some real estate developers who will be involved in the design and construction of real estate properties themselves. This is a common case here in our country.

Architects and consulting firms: are those that convert the developer's concepts in to a design. Architects accomplish this in accordance to established rules and regulations. They should also adhere to the master plan in doing so. Architects after design may also get involved in consultation activities. These encompass diverse activities such as acting on the behalf of developers, making sure the construction is being accomplished according to the design and as per the prepared schedule, making payments on behalf of the developer and conducting inspections up on preliminary and final acceptance.

Contractors: are those that carry out the building duties as per prepared drawings and specifications. Contractors are independent bodies and have the responsibility of accomplishing their jobs in accordance to the contract they have vowed to uphold. In case of real estate development, contractors could be separate entities involved only in the construction or institutions that are involved with both the construction and marketing of built up properties. Since contractors are signing parties in the first case, they are legally bound by the general and the specific terms of the contract. Failure to follow through with the stated rules may result in termination of the contract or sometimes punishment at a court of law.

Financing bodies: these are institutions like the bank and insurance mainly related to the overall financing of a real estate project. Banks give credit service to developers and encourage them to pursue their tasks without any worries for finance. Banks may require collateral equivalent in value to the

amount of money requested. But in real estate development cases the collateral required to secure a huge sum of money needed for such immense projects, is minimal. Governments do this to encourage the development of real estate across their respective countries.

Public service providers: these are institutions that are responsible to deliver important services like water, electrical and telephone to real estate developers. Usually contractors are responsible for such activities. They contact these agencies before completion of the project and transfer a unit well equipped with all the important facility.

Customers: are end users of the areas developed by real estate developers. Customers buy or rent units from the developers and use them for their day to day activities.

There are a lot of stake holders other than the major ones stated above. These include construction material manufacturers and suppliers, attorney, accountants, market researchers, real estate brokers, urban planners and environmental consultants.

2.6.3 Types of Real Estate Properties

Real estate properties could be classified in to different categories taking in to account various factors. For instance based on the purpose it intends to serve real estate could be Residential, commercial or industrial.

Residential real estate: residential real estate consists of such buildings as single family houses, condominiums, town house and manufactured homes. Residential real estate properties are mainly constructed for the sole purpose of providing shelter for an individual or a group of them. However there is a difference among these various groups of residential real estate properties. The main classification among these groups lies on their method of construction.



Figure 2.1 Private villa real estate houses in Addis Ababa (source: Google image)



Figure 2.2 Private apartment real estate houses in Addis Ababa (source: Google image)

Commercial Real Estate Properties: these refer to vacant land developed by commercial developers for the purpose of using the real estate for commercial gains. Commercial real estate consists of apartment buildings for rental purposes, mixed use buildings, hospitals and schools.



Figure 2.3 Private commercial real estate houses in Addis Ababa (source: Google image)

Industrial real estate properties: these types of real estate properties include warehouses, manufacturing properties, and assembly properties. Industrial real estate properties are built for the purpose of serving industrial commercial functions. That is they are places where the different materials required by other industries or the public at large are manufactured to be sold to these consumers.

2.7 HOUSING DEVELOPEMNT IN ADDIS ABABA

2.7.1. Housing Demand in Addis Ababa

Addis Ababa is a large city. It has a total urban area of 522 Km². This is immense and makes it one of the largest metropolitan areas in the whole of Africa. Addis has also one of the fastest growing populace with annual growth rate of 3.4%. The provision of shelter in the city is very poor. Even if a large proportion of the city's area is covered by residential housing units, the majority of the houses are sub-standardized (They do not comply with the standard set by the city's municipality).

In Addis Ababa, there is a strong demand for housing. But the effective demand is very low. Effective demand entails the ability to pay unlike a simple demand that is only related to the need of owning a house. In 2011, the overall housing demand of the city rose to 700,000 housing units. Besides, 18% of the city core houses that is 42,840 housing units are dilapidated and needed immediate replacement. In addition to these, 25% of the housing in the city is illegal housing. The re-densification

process that was believed to be the major way of relieving the housing problem required additional construction of 50,300 houses. AALMDB (2014)

The greater part of the increase in the demand is attributed to the net immigration of people to the city (about 1.69% per annum) than natural increase. According to implementation strategy of the proposal, private builders will be the major actors in the housing construction and they are expected to supply 64% of the housing demand. The second major actors are the formal-informal sector accounting for 18%. The construction materials used in this form of construction is inferior in quality than those used in formal construction. The proposal also expects the housing sector to provide 7.4% for rental. Moreover the private real estate sector should provide 8% of the total housing demand. AALMDB (2014)

2.7.2 History of Housing Development in Addis Ababa

Addis Ababa is the capital city of Ethiopia. It is also the largest city in the country with a population of more than 3.1 million (CSA, 2007). It is also seat of the different international, continental and regional organizations. The housing sector in Addis Ababa is growing at a tremendous rate as the population of the city is escalating and its importance as business centre increased. But the growth of the sector was not as fast as it is in recent years.

The history of the housing sector in the capital can be divided in to three distinct time phases. These are:

The imperial period: Where land was owned by a select few close to the royal circle. During this time, only those who have the land were allowed to build houses and most land lords used these opportunity to build houses. They rented most of the houses to other people and collected large sums of money from their real estates. Sometimes they may float their land on a system called “Weled Aged”. This is a form of leasing where person rents land from the land lord for certain years say 30 or 40, builds his/her own property on the land, use it for the stated period of time and gives back the land at the end of the lease hold period.

This system has significantly affected the development of the housing sector. It has impeded citizens from exercising their rights to build their own house. That is why the people of the country got united to overthrow the regime in 1974.

The socialist period: The first task of the government, during this time passed proclamation No. 47 in 1975 which paved the way for the confiscation of all the land along with the whole property on it, previously held by the land lords. The government established two systems to administer housing in the capital. One was the agency for the administration of rental houses and the other was kebele administration units (UN-Habitat, 2010). The agency for the administration of rental houses was a new

phenomenon in the country. It built several rental apartments across various parts of the capital. The apartments are equipped with all the necessary facilities. Moreover, they were rented with minimum cost.

The kebele administration was responsible for the so called Kebele houses. These are houses confiscated by the government under the proclamation no 47 of the 1975. The houses were given to the people who were living in them with before the proclamation with minimal rental prices. This was an important move on the side of the government. Even if the houses were not their own, it allowed citizens exercise their housing rights without fear of losing the houses as it was the case during the imperial era.

The period also saw the establishment of settlements organized by associations of different type. Most of these early associations were organized by people working in the same institution or factory. They received areas of land from the government, hired contractors and follow up the housing project from the inception to the completion. These were just clients not real estate developers.

The major impediment to the growth of the housing sector is mainly attributed to the socialist economic system of the time. The economic system prevents the formation of private property. Government is only allowed to participate in the business sector. The case of real estate development is not different. Since private real estate development is a business that results in huge turnovers, it was not encouraged by the government. This was a huge blow to the sector.

The capitalist period: After the overthrow of the Dreg regime by the EPRDF in 1991, the country entered a new era in terms of economic ways. The nation started exercising the capitalist system which allows the private sector to flourish. Following this, the private real estate sector started to manifest its influence in the country's economy.

The Addis Ababa city administration, by November 1994 passed the urban land lease holding regulation or the so called proclamation 3/1994. These regulations established a lease hold system in which the administration, then called region 14 administration, allocates all plots above 175 m² in area by auction. Plots 175 m² or less is distributed through a lottery system (Gerald et.al., 1997). These were mainly distributed to individual house builders. By the time plots of area between 78 and 175 m² were leased for birr 0.5/m² while Plots smaller than 78 m² were leased free of charge. For the larger plots, the market determines their price.

The lease system started in early November, 1995. As of the mentioned period seven auctions were held resulting in the sale of 30 plots. Here is the early activity of the city administration in terms of leasing land.

The then ministry of works and urban development, after a careful scrutiny into the problems associated with the lease system embarked on a very ambitious project. The ministry unveiled the integrated housing development program (IHDP). The program is a government-led and financed housing provision program for low-and middle-income households in Ethiopia. The program was launched in

2004 (1996 in the Ethiopian calendar) by Mr. Arkebe Oqubay, the then the Mayor of Addis Ababa. The program was launched having the following aims in sight. The main objectives were:

- a) Increase housing supply for the low-income population
- b) Recognize existing urban slum areas and mitigate their expansion in the future
- c) Increase job opportunities for micro and small enterprises and unskilled laborers, which will in turn provide income for their families to afford their own housing
- d) Improve wealth creation and wealth distribution for the nation

2.7.2.1 Condominium housing

The main types of housing project proposed by the ministry were condominium housing models. The initial models of the houses were designed by M.H. engineering. The firm took 31 projects and became lead architects in those early days.

The UN-habitat report of 2010 had the following to say regarding the original condominium designs prepared by MH engineering; “Their design proposals were based on the logic that because the houses themselves could not be of such fine quality because of the low-cost nature of the project, ample outdoor green space had to be accommodated on site to make residents feel proud of their surroundings and ‘remove the stigma of housing for the poor’. They attempted to address the inevitable difficult cultural transition of some occupants in moving from low-rise buildings to high-rise buildings through providing a well-designed neighborhood, provision of communal buildings, and a strong connection to land. Unfortunately, the demands placed on increasing the density of sites resulted in the modification of the original master plan and their design principles, specifically the loss of the original clarity of the master plan objectives and a sizable percentage of outdoor green space.”

2.7.2.2 The private Real Estate Sector

The other area of development the government is giving incentive to in terms of solving the housing problem is the private real estate sector. The real estate sector together with the construction sector accounted for 15.7% of the GDP in 2009/2010. the real estate sector accounted for 9.9% out of the 15.7% mentioned above. (MoFED, 2010)

The Addis Ababa city investment agency has given several licenses to real estate developers since its establishment. The agency has given 125 licenses to real estate developers till 2009. Over 2.7 million meter square of land has been given to real estate developers between 2004 and 2007. The agency also reported that the sector is growing at an average of 12.3% in the past five years to 2008/09

The private real estate sector, even if it has its own setbacks, has contributed a lot in solving the housing problem of the city. Its achievements were not obtained by the sole activity of the industry alone;

the government has offered a lot of incentives to help the growth of the sector. For instance real estate developers benefit from simplified and transparent investment and business licencing procedures by the Ethiopian investment agency (EIA) or the Addis Ababa city administration, communal grounds, rights of ways etc... without fixed upper limits exempted from lease payments, the rights to be free from lease payment for 50 m2 plot, on which only land tax is payable.

2.8. UNDERTAKING OF REAL ESTATE PROJECT IN ADDIS ABABA

2.8.1. History of Land Management in Addis Ababa:

The distinction between the different government systems in Ethiopia's modern age owes to the discrepancy in the overall land management system. Land is one of the most valuable entities of the country. Its proper handling is sensitive as such. Among the various aspects related to it, one is owning or building construction or housing development purposes. This issue is of a huge concern because of the complexity and vastness that it contemplates.

Imperial era: in this period private ownership of land and property was the reality. Urban land and extra houses were in sufficient amounts in hands of the then land lords. They build rentable units or tenements and very small number of multi-story offices and apartments in the Addis Ababa. However, these were made without planning approval and building permits. In addition, as described by many historians, both urban and rural lands could be sold, rented, leased, inherited or transferred as a gift.

Dergue regime: The military government brought and put into effect many changes in the country, one of the major being the proclamation of 47/1975. The proclamation issued the nationalizing of extra houses & land. Under it, all land and rental units were nationalized and the freedom of possession and transaction of land was ended. Unfortunately, no compensation was given to the previous owners. Samson et.al, 2012, mentioned that the relationship between lesser and lessee had been abolished. The emergence of new participants, individuals and cooperatives, in the system took place. Government acted as regulator, provider of public infrastructure and supplier of built up space. Urban land management was operated under the then Ministry of Housing and Urban Development. Apparently, this was not well managed. Valuation and registration of land were not undertaken in the books of accounts.

Present rule: In 1991 the market economy shifted to free market economy. This undoubtedly has affected the land market as well. Rent system which was majorly enacted in the socialist regime shifted to lease system. The constitution clearly put that all urban land should be in lease system. The lease law was enacted in 1986 E.C and revised in 1994 E.C. In the constitution, land is described as public property & owned by the Ethiopian people and government.

The 1995 constitution article 40/3 stated that land, as one of the natural resources, is the common property of Nations, Nationalities and Peoples of Ethiopia and the right of ownership is exclusively vested in the state and peoples of Ethiopia. As described above, land had still remained state property, but new actors such as real estate developers emerged. This dual land tenure or occupancy terms arrangement influences the operation of land and real estate market. The problem is being aggravated by the market size imbalance and pending lease law articles. [Addis Ababa City Administration, 2004]

2.8.2 Land Administration

Land in any perspective is most crucial entity in a country. It is praised in almost all significant activities that take place in development processes. Infrastructure, Socio-cultural aspects, communal amenities, economic prospects, sovereignty and many more are closely tied to the existence and provision of land. Government puts in a lot of effort in assuring the proper handling and administration of this precious component.

When it comes to urban land, the rapid urban development has contributed to major changes in the physical, economic, social, political and administrative structures of the cities. In real estate industry, one of the basic elements is land. In fact, as the term itself is defined, it is land and anything permanently fixed to it.

In order to manage this grand portion of government authority, the city administration has introduced certain offices. The Addis Ababa City Land Development and Management Bureau, Land Information and Technology Bureau, Office of Land Banking and Transfer are to be mentioned. There are taskforces at the woreda level, district level, and city level, which are led by the respective higher officials. The first Bureau, for example, has a responsibility of assigning appropriate taskforce to demarcate returned land [which might be owned illegally by investors, squatters, different institutions or organizations], with x and y coordinates and plan and bank it with the municipality.

2.8.3. Demand and Supply of Land

In the Dergue regime, large-scale private housing construction by real estate developers and private rental of housing were prohibited. In fact, private investment above Birr 250,000 was legally prohibited by policy guidelines. It was after 1992 that some changes were made in this real estate industry. Following the lifting of capital ceilings, the broadening of investment areas open to private sector participation along with equal access to credit, and establishment of the Ethiopian Investment Authority, a number of investment certificates on real estate have been issued (Yusuf et.al, 2009).

Problems identified as means of the mismatches in land demand and supply are described below as presented by the city administration's researchers in 2004;

From the supply side:-

1. shortage of finance for infrastructure
2. suppliers institutional capacity limitation and inefficiency
3. private suppliers perception of land
4. mixed physical condition of ownership

From the demand side:-

1. Orientation problem - everybody who requires working and living space needs to have its own land which will raise demand figures
2. speculation or misguided assumption
3. Capacity problem of developers - their entrepreneurial and management skills, research potential and financial power.
4. Capital inflow being small because of the country's past negative image and competitive advantage

From the market point of view:-

1. Inefficiency - the large market shareholder, the government, supply does not respond to the demand in terms of size, time and location. Private suppliers' market is not well organized.
2. There is no well-organized real estate and brokers' information. Where and when to buy and sell real estate is not visibly organized
3. Transaction cost and registry reliability are not important factors for well-functioning real estate market. The problem is that the transaction cost is significant; the legal cadastre registry is not efficient and reliable
4. Imperfect competing market. The competition of lease and rent is not a perfect one especially with the pending legal provisions of lease law. Mehate (2004).

2.8.4. Aspects Related to Land Lease Program

Article 89, section 5 of the 1995 FDRE constitution states that government has the duty to hold, on behalf of the people, land and other natural resources and to deploy them for their common benefit and development.

There had been mixes in the past in trying to bring the lease policy into effect. The constitution of also declared under Article 40 that both urban and rural land is a common property of Nations, Nationalities and Peoples of Ethiopia and cannot be sold or exchanged by any means. Accordingly, the urban land leasehold Proclamation is applied for private land uses

and investments for a specified period. However, the proclamation was not applicable for the previously occupied urban land for housing before Proclamation No.80/1993 came into effect. The land occupied before Proclamation No.80/1993 entered into the leasehold system, if and only if it is transferred for a third party except in the case of inheritance (Habtamu, 2012)

2.8.5 The Real Estate Development Process

The real estate development process is a very complex process that houses many different activities within itself. Unlike many mass production industries, each real estate project is unique and the development process is so much a creature of the political process that society has a new opportunity with each major project to negotiate debate and reconsider the basic issues of an enterprise economy, i.e. who pays, who benefits, who risks, and who has standing to participate in the decision process. Thus, the development process remains a high silhouette topic for an articulate and sophisticated society. The best risk management device for the producer group, which is usually the lead group in the initiation of a project, is through research so that the development product fits as closely as possible the needs of the tenant or the purchaser, the values of the politically active collective consumers, and the land use ethic of the society (Mayo,1994)

The real estate development process is such a complicated and diverse process, that a number of models are devised to explain and understand it. Some of these models are:

- i. **Equilibrium models:** assert that the real estate development process is structured by the effective demand.
- ii. **Event sequence models:** focus on the management aspect of the real estate development process.
- iii. **Agency models:** analyze the agents that are involved in the real estate industry and the roles they play in the industry.
- iv. **Structure models:** try to identify the forces that shape and structure the real estate industry and their relationships.

Put in a sequential series of steps, the real estate development process generally progresses in the following manner.

1. Inception of an idea
2. Refinement of the idea
3. Feasibility
4. Contract negotiation

5. Formal Commitment
6. Construction
7. Completion and formal opening
8. Asset and property management

The real estate development process involves:

1. Property development
2. Development site appraisal
3. Development valuation
4. Property development financing
5. Marketing for development

These processes themselves are so broad and sophisticated further classifications and descriptions will be given in order to have an adequate grasp of the ideas and challenges they present.

2.8.5.1 The property development process

The property development process is the first stage in the real estate development process and the broadest compared to the other stages. “Urban Planning and Real Estate Development”(Yusuf et al. (2009) explains property development as a five-phase process.

- | | |
|---|---------------------------------------|
| 1. Concept and initial considerations | 4. Contract and construction |
| 2. Site appraisal and feasibility study | 5. Marketing, management and disposal |
| 3. Detail design and evaluation | |

2.8.5.2 Development Site Appraisal

Once a potential site has been identified, or a number of sites put up for selection, it is necessary to analyze the respective merits or otherwise of each before a formal valuation can be conducted. In many ways, this stage of appraisal is one of the most important in the development process and, given the ever tighter margins within which development takes place, deserves more attention than it has sometimes received. (Yusuf et al,2009).

Before site appraisal can start, the developer’s goals and objectives with regards to the project must first be considered. Setting out goals and objectives requires consideration of the developer’s motivations business capacities and financial situations. Once the goals and objectives have been established, site appraisal may commence.

2.8.5.3 Development Valuation

Simply put, development valuation merely involves the computation of what can be attained once development is completed minus the cost to produce. Although development valuation seems to be a pretty straightforward and simple calculation, it is prone to errors due to personal supposition. Therefore, it is advisable to perform this task with the at most professional care and sound judgment to rid it of errors. Nonetheless, if the reliability and integrity of the appraisal information is compromised, it won't be possible to produce an error proof development valuation report. Development valuation is carried out for different purposes some of them being:

- Calculating the likely value of land for development
- Assessing probable level of profit where the costs of land and construction are known
- Estimating level of rental income needed to justify the development decision
- Establishing a cost ceiling for construction

2.8.5.4 Development Finance

A variety of ways exist in which finance for property development can be obtained from a wide array of agencies. The choice normally rests upon the status of the developer and the degree of risk attached to the proposed project. It can almost be stated that every deal dictates its own terms. (Yusuf et al,2009).

Sources of development finance

Some of the sources of finance for the aspiring developer are listed below.

- Insurance companies and pension funds
- Banks
- Trusts and bonds
- Internal finance
- The construction industry
- Property companies
- Government

2.8.5.5 Marketing for development

The days of certain markets, easy lettings and malleable tenants have gone, and, for the foreseeable future they are unlikely to return. Property as a product has become more difficult to sell, and those responsibilities for selling it perforce required bringing a higher degree of professionalism to the

market. Users' needs have to be more closely identified and more carefully matched with product design. As with other property services the agency function to date has been performed against a background that has rested heavily upon constant attitude towards transaction in land and property by owners and occupiers. (Yusuf et al. 2009)

Chapter Three

3. Methodology

3.1 Data Source /Data Type

Primary Data Source

Both primary and secondary sources of data were used for the study purpose. To obtain primary data from private real estate developers and residents of real estate questionnaires were distributed. Using those questionnaires information regarding problems they have faced which investing in this industry and the challenges that the residents have faced and related information to the topic at hand are gathered. Both close ended and open ended questions were conducted regarding the opportunities and challenges of the industry.

Structured interview were conducted with the authorities of the Addis Ababa administration investment, building permit and control authority, land development and management bureau, bank branch managers and selected agents of real estate developers. Here open ended questions are given for the authorities and agents of respective organizations to elaborate on their roles, challenges and opportunities and future prospects on supporting the sector's development and alleviating the housing and housing related problems of the city.

Secondary Data Sources

The study revealed more of secondary data obtained from documents of the Ministry of Urban Development and Housing (MoUDH), documents from different bureaus of the city administration like Addis Ababa Investment Authority, land development and management bureau, building permit and control authority. In addition to this, different books, reports, training manuals, unpublished articles, official documents, dissertations and thesis, the internet and other relevant materials were extensively assessed for the purpose at hand.

3.2 Sampling Procedure and Techniques

The general population which is subjected to this study are, those actors involved in the development of private residential real estates and residents who became beneficiaries of the industry.

Sample from Real Estate Developers

According to a recent survey made by Addis Ababa Building Permit and Control Authority the total number of licensed real estate were 263 and from these 124 residential real estate developers are operating. Again from these 124 functioning RED's only 51 have started transferring homes to the buyers .so the general population of real estate developers are 124 and i have planned to make my survey on 10% of the total population. So, $(124 * 10 / 100 = 12)$ twelve real estate developers are systematically selected from the total population. Out of the ten sub cities in Addis Ababa, those with higher concentration of real estate development sites are selected for this research. Thus Bole sub city having 67 RED's, Nefas Silk Lafto sub city having 22 REDs, and Yeka sub city having 26 REDs are selected. By dividing the total population from these three sub cities 115, to the sample size (12) it is possible to identify sample REDs from the total list of population($115 / 12 = 9.6^{\text{th}}$ nearly 10^{th}). That is every name of REDs listed at 10^{th} gap were selected . For instance if the first sample lays at 2^{nd} the next will be 12^{th} , 22^{th} , 32^{nd} , and the like up to the last sample is drawn. In this case i have systematically selected 7 REDs from Bole sub city , 2REDs from Nefas Silk Lafto sub city and 3 REDs from Yeka sub city.

Sample From the Real Estate Buyers/Beneficiaries

There were about 766 houses transferred to residents/buyers with in the 12 systematically selected. Since this researcher have planned to make 15% survey among from the buyers $(15 * 766 / 100 = 115)$ one hundred fifteen buyers are randomly selected. Simple random sampling method is preferred to this purpose. Because of the characteristics of the residents that most owners are not around when the researcher went to there.

3.3 Data Collection Tools

The methodology used in preparing this thesis involves questionnaire approach and interview approach. The questionnaire approach will help to build statistical basis for my thesis. The interview approach will help to qualitative knowledge obtained from the literature review as well as from the result of the quantitative data obtained using the questionnaire approach.

3.3.1. Questionnaire Design

For the purpose of conducting a scientifically sound research, I have designed two types of questionnaires aimed at the two bodies that have major stakes in the real estate industry of Addis Ababa. i.e real estate developers and real estate residents. The rationale behind each question in each of the questionnaire will be discussed in the following subsection.

3.3.1.1. Questionnaire for Real Estate Developers

This questionnaire is directed at the real estate developers in Addis Ababa. I have included challenges from different categories that i hypothesize are the ones usually encountered on real estate projects. These categories include those of housing demand, financing of projects, regulation and application of land management system, categories of their client in terms of social stratum and disputes between the different parties involved. I have also included different solutions for the problem stated for the developer to recommend based on experience and intuition.

3.3.1.2. Questionnaire for Residents

This questionnaire was designed to identify problems in the real estate industry of Addis Ababa from the home owner's prospective. Among those involved, the home owner stands to lose the most during the construction, financing and transfer of real estate project. Each question of the questionnaire was carefully designed to determine what challenges homeowners of real estate houses face and to suggest a sustainable solution based on the identified problems.

The first few questions try to identify the home owner economic status and how he/she is financing the purchase of the property. This question will give answer to which part of the society has its housing demand meet and how we can further meet housing demands using different financial sources. The subsequent questions ask about troubles encounter, if any, during the transfer of house.

3.3.2. Structured Interview

Interviews which are structured, were used to collect data from those samples selected purposively. In order to supplement the data collected via questionnaire, the interview was conducted from city administration's authority, building permit and control authority, land management and development bureau, bank managers and selected agents of real estate developers.

3.4 Methods of Data Presentation

Both qualitative and quantitative method of data analysis and interpretation are deployed to analyze, interpret and present the primary and secondary data collection to the study purpose. A critical review of theoretical and empirical literature is made to support the finding with applicable ideas. Simple statistical technique like average and percentage are used to examine the quantitative and comparative words to the qualitative data. Tabulation, graphs and charts are used to show the pictures that the data tends to depict.

Chapter four

4. ANALYSIS AND DISCUSSION

4.1 Respondent Composition

The population of this research is composed of private real estate developers, real estate residents, loan officers and government officials concerned with housing and land administrations. Although the city boasts a large number of private real estate developers somewhere close to 263 to be specific, only a number of these respondents are actively engaged in the property development business. The samples of this research population include 12 private real estate developers and 115 residents from real estate houses. From the questionnaires distributed, 10 from the private real estate developers and 102 from the real estate residents were collected.

Table 4.1 No of Questionnaires Distributed and Collected from Different Respondents

Respondents	Total number of questionnaires distributed	Total number of questionnaires collected
Real estate developers	12	10
Real estate residents	115	102
Total	127	112

The respondent's rate can easily be calculated from the above table using the following formula

$$\text{Respondent Rate} = \frac{\text{Collected Questionnaire}}{\text{Total Questionnaire Distributed}}$$

The real estate beneficiary's response rate 0.887 is higher than the real estate developers response rate which is 0.83. This fact implies that the problem of the real estate industry greatly affects and concerns the residents of real estate houses. After all, the residents of real estate houses are the clients and beneficiaries of the industry. Finally the response rate of the real estate developers which is the lowest among the two maybe the recent scandal real estate developers

have faced with their down sized trust level of buyers and accused of land grab by the city administration and the scrutiny that followed.

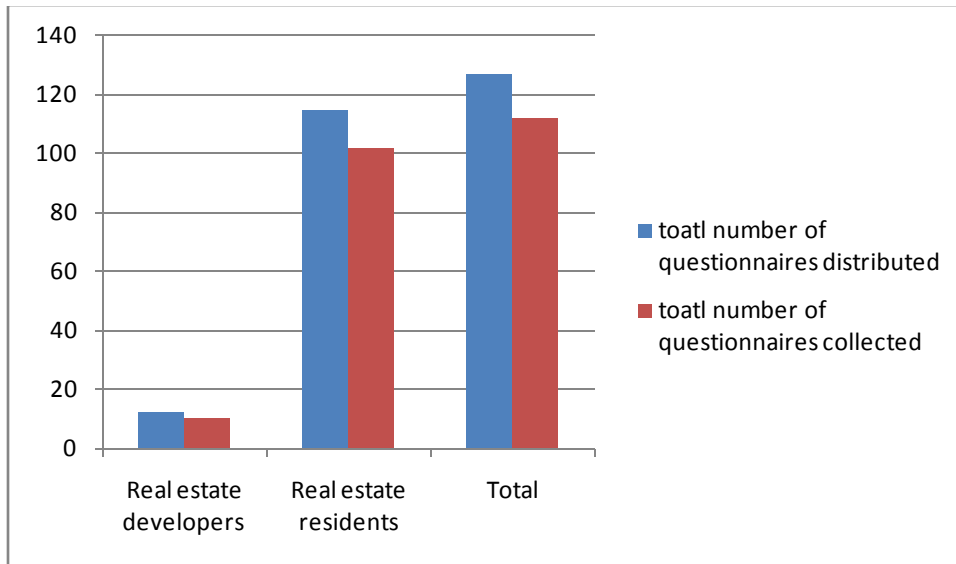


Figure 4.1 No of Questionnaires Distributed and Collected from Different Respondents

The percentage of response can be easily calculated by dividing the number of questionnaires collected by the total number of questionnaires distributed and multiplying the result by 100.

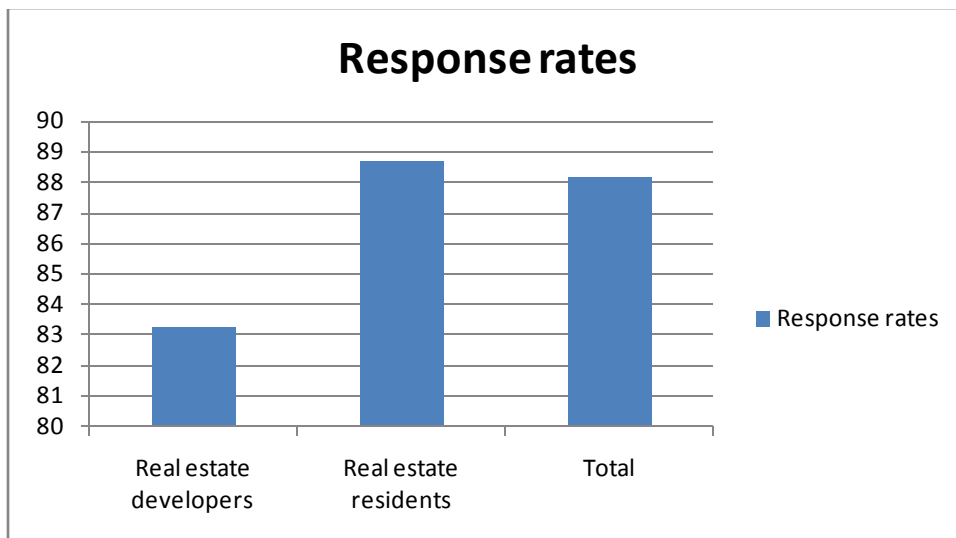


Figure 4.2: Response rates for the questionnaires distributed

4.2 Land Acquisition

Land by itself isn't an important entity. It will be vital when put to use. It is a platform to harvest food when used in agriculture or a source to extract precious stone when used in mining works. One of the means of putting it to possible usage is real estate industry.

Real estate is an investment with the following major objectives as stated in the Addis Ababa City Government regulations No. 20/2005 issued to provide land for Real estate;

1. Encouraging investment
2. Minimizing residence house problems
3. Using land economically and with plan

This topic discusses more based on the third objective mentioned. Land management and allocation are the corner stone of this phase of analysis.

4.2.1 Philosophies of land division

Land in a city is divided into different dimensions basically being: residential, commercial and industrial. Some cities have either one of those as their identifications. In any case, population growth and land use policy are the factors that determine the division of land for **residential**, commercial or industrial plots. These are by themselves interrelated. For instance, if the place to live is far away from place to work or place to buy then it will affect the productivity of the work force. It would also incur more time to travel and/or more budget to provide transportation and build road infrastructure. Till recently, the planning philosophy was to divide and supply land and not focused on maintaining the above correlation. But this has become the reason for the unpleasant and unorganized nature of the city.

The trend also circled around providing wide areas for single purposes in the cities. This is because of the then availability of land in cities and because it was common even in the developed countries.

From the interview this researcher made with a senior officer in Developed Land Transfer Office in the city administration, it is learnt that land is so scarce. Built up area is increasing which affects environmental response of the land. The concept of a compacted city is

being observed. Addis Ababa has no land left. Thus, the only option is to revise the utilization of the land it possesses. This brought the idea of 'redevelopment'. Redevelopment has the following benefits:

1. New feature for the modernization of Addis Ababa
2. Many additional job opportunities
3. Additional investment opportunities
4. Better means for the realization of the land use policy

But this also poses certain hardship since large part of the city is not built according to plan. This all needs to be restructured i.e. people need to be displaced and they have to be properly managed. The following need to be considered

- Proper allocation of land and shelter for the displaced
- Handling of lease process related with the previous possession of the displaced
- Management of the huge work force needed to execute the whole practice in every sub-city
- Putting the previous land to Land Bank and supply to the demands of developers

4.2.2 Considerations in land management

This researcher conducted interview with the special advisor of Land Development and management bureau in the city administration with the above topic. There is a structural master plan approved in 1994 E.C and LDPs (Local Development Plans) were designed accordingly. But these have been violated to a certain degree. In the interview, the researcher have told that when the needs are high, the land designated for residency could be set to industry that of urban agriculture could be made to condominium housing. Moreover, plots separated for green area are sometimes violated. The area of Addis Ababa is now two folds when compared to that of the year 1994 E.C when the master plan was devised. Some parts of the city are in-plan, within the Addis Ababa administration but practically, under the rule of Oromia state. This is because of the rapid growth in development and need for more land. Except for the green belt of Addis Ababa found around Entoto, the rest areas are covered in development plan.

Planning revisions are being made on the master plan. Regional planning concept is also being put to use. To plan for Addis Ababa's future, it is imperative to rethink that of the parts of the neighboring state Oromia found around Addis Ababa.

- a. Road facility and width must conform with that of the border area
- b. Sewage layouts must be in line with that of the border cities
- c. Water distribution system must be integrated between the two since water facilities are in Oromia

This all must be thought carefully when managing the planning concept. Just to mention an observation here, one of the main roads to get out of the city is what is known as 'Jimma road' through Kara Kore. The width of the road before and after Ayer Tena has a difference of about 7 meters. The Ring Road built till Ayer Tena didn't put the expansive nature of the area during design. Thus now, residents after that location are paying dearly. Regional planning is a very basic tool which should flourish in any development plan.

When one looks at the way land was given to requesting developers, before the year 2000 E.C, proposal was provided by the developer. Its financial capability will be checked and if it has a minimum capital of 100,000 Birr, it will be granted its request. Even License of Trade wasn't asked when the request for land is raised. All these were to encourage the investors in the sector because of the dire shortage in housing facilities. Regrettably, the fact has impacted the city deeply.

- a. There was almost no control over the performance of the developers after the transfer of land. This leads to illegal land sale and putting to a different use.
- b. The revenue or land value that could have been obtained by the government was lost
- c. It also showed the weakness of the city administration in looking out to its own property

After the regulation No. 20/2005 drafted in 1998 E.C, there was given an ultimatum where they were obligated to use 30% of the land for villa and 70% of the land for condominiums/apartments in order to get the required land. But the executions were not according to plan. Only 15-20% of the developers used the land for the intended use. But due to improved system employed, this number had increased in 2003. In the present, the city administration won't just provide land to any developer with proposal.

4.2.3 Developers' undesired actions

Real estate developers, even though, involved in an investment which is an input for the alleviation of shelter deficiencies of the population, are also entangled in various wrong doings. In an interview this researcher made with a resident engineer who worked in real estate Construction Company, this researcher gathered this information.

In the past, developers say that they possessed land and collect money from customers to build houses without fulfilling the necessary requirements. They make advertisements before the completion of the required percentage of construction. Customers will not be sure of the security of their payment and lots were disappointed at the end because of huge delay even before construction. This method is not beneficial since the developer will capture the land value without even keeping its promise.

Developers are mainly concerned for their profit maximization. The future development or environmental impact of the project is not usually put into consideration. Study-based proposal planning is not witnessed on many of the developers, especially on private real estate developers. A city has its own developmental goal that it has to achieve. Any sub-developmental activities have to conform to that rule. The project's future impact on the environment, social conformity, stability to stay desirable for projected life time and being fit in the future growth level of the area must be known beforehand. On this regard, the administration is also to be blamed for not making strict evaluation.

4.2.4 Modalities of land transfer

When developers request land for any reason such as villa, G+1, G+2 buildings, hotels, hospitals or widening of previous investment, they submit their proposals or financial statements to the city administration. Their application would do into a certain process to reach to land lease and transfer bureau. The modalities that existed before were 5. These were auction, allotment, award, negotiation and lottery. These have proved to be unnecessary for the continual of incentives given to real estates.

Now they are only two;

A. Auction: is a modality of transferring lease of urban land to a bid winner fulfilling the competition requirements issued based on the rule of market competition of urban land tenure [Federal Negarit Gazeta, Proclamation No. 721/2011]

B. Allotment: is a modality applied for urban lands by lease to institutions that could not be accommodated by way of tender [Federal Negarit Gazeta, Proclamation No. 721/2011]

A. Auction:

Any developer who wants to get into the residential real estate business will get land only by auction. It is expected to show its capability and financial statement to enter the bid. It will present immovable property as collateral or maintain its cash flow by showing at least the project's 30% cost. In auctioning, land will be prepared, this will be announced in national media, software aided auctioning takes place, and the winning bidder will pay the expected percentage of payment and take the land.

Merits of this modality:

a. It will certainly decrease the vastness of land asked by developers: usually developers ask for a huge plot of land. Before 2000, 50 m² of land was given for free per house hold in a real estate. Thus, developers will calculate the amount of land they will add if they are going to have certain number of customers. If every plot is going to make them pay, they will refrain from putting a large number.

b. It will encourage justified land usage system: developers will be made to request a reasonable amount of land

Demerits of this modality:

a. It rockets the price of land: since its auctioning, there will be an initial price and the land will awarded to the highest bidder

b. It is exposed to induced wrong doings: upon a study made in 2004 E.C, the following major problems were identified as being caused by developers;

- Devaluating the market price of land among lease auction bidders through negotiation
- Pre-negotiating on land up for auction and disrupting bidding information so that unfit bidder will win
- Difference in the area of land that is actually measured and the legal amount transferred by auction
- Execution of lease agreements in a way that will benefit individuals and harm the administration

There is also a special auction/bid. This is specific in its nature and needs proposals like for hospital, 5star hotel and university. For example, if a certain portion of land is entitled for a hospital, then developers who want to build such institution are the only ones who bid.

B. Allotment:

Special types of infrastructures, industries with a capital of over 500,000,000 ETB or mega projects that have significant nature or tendency to bring lots of other investments will be dealt by the method of allotment. Spillover effect must be wide enough in order to be in this method. Here, the request will be sent to the mayor or mayor's representative, then to Land Development and Management Bureau. If this is not accepted by this office, it will be rejected at this stage.

The Land Bank and Transfer Office will receive the request and a team will evaluate the project. The management committee of this office will decide on the viability of the project and will direct the decision to the bureau. Then the bureau will evaluate the decision and agrees to prepare land which is pointed by the developer or a plot which is already selected. Land Development and City Renovation Agency will make the land ready and transfers it to Land Bank and Transfer Office which will present the decision clarification to the Cabinet. Then the Cabinet will endorse it and the land will be given.

Merits of this modality:

- a. It will attract foreign investment: this will support the country's growth since revenue from foreign exchange is high

b. It will avoid the tendency of fraud observed in bidding: since the involvement of the developers themselves is less in the land obtaining process, grouping to change the bidding result will not be an issue

Demerit of this modality:

It is exposed to corruption: there is a lot of money involved in these investments. The investors require the plot of land of their desire. This could create ways for higher officials in the land administration area to be involved in bribery.

Furthermore, others bodies will involve in the review and decision process. Plan and Information Institute will involve in clarification on certain issues such as the appropriate storey height that a given building can have according to standards. The office of building Permit and control Authority receives their modification and recommends to the developer that he rectifies any given revisions.

4.2.5 Controversies between land authorities and real estate developers

There were many developers who obtained land for their purposes .Many of them got their map revoked or portion of their land taken away. The reasons are multifarious. Upon the interviews this researcher conducted, the common ones are

- a. Illegally widening the land they were given.
- b. Sitting their land idle far longer against what is on their lease agreement
- c. Constructing substandard houses on their plots and transferring it to third party
- d. Dividing and selling their land without allowable level of construction• Putting the land to a different use than real estate
- e. Constructing buildings without permit
- f. Putting empty land as collateral and borrowing exaggerated amount of money from bank
- g. Not having full information and Board's decision in their files.

As there are some which accepted the allegations and followed the decisions, there are also many who argued that the decisions are unreasonable. The situations they mention as reasons can be put as follows;

1. Unfinished dimensioning of the plot of land by the administration

2. Unmoved stockpile of earth in the plots
3. Unpaid ransom for displaced residents of that area
4. Controversy over the date they started construction on their land
5. The case of a Green Area being on the plot of land they acquired
6. Displacement of residents not taken effect

The administration also has faults in this regard. It didn't blame the developers 100% for the complications caused. The observed problems in the administration's side are

1. Being late on transfer after permitting the land
2. Not supervising well when problems or controversies arise and actually becoming a supporter on some cases
3. Lack of satisfactory and structured performance
4. Poor Information handling

4.2.6 Real estate land lease determination

The aim of regulation no 29/2002 of A.A city government was to assure economic and social development by adopting a system in which urban land is held and used within time limit. Although the local government has a mandate to set conditions to possess the existing private and public land, the regulation is applicable on vacant land that is not occupied by any body. Although the regulation has an ambitious plan to ensure social development in the city, housing status of the city became worsened every time.

The method of land permit for business is through auction and negotiation, while for housing construction was given by lottery (now this system is suspended).

To provide land through auction and negotiation the Addis Ababa city administration has demarcated the bench mark lease price according to the zoning and land grades stipulated on regulation No 11/2004O, the zones of the land are classified as central business district, transitional zone and expansion zones while the land grade could range from 1-5 based on the availability of different service facilities soil type, road networks and the population residing in the specific location. thus, the bench mark in each zone is determined by linear regression method.

Table 4.2: bench mark lease price in Addis Ababa

Number	Land Zone	Land Grade	Bench Mark Price per m ²
1	Central business district	1	1686
		2	1535
		3	1323
		4	1085
		5	894
2	Transitional zone	1	1035
		2	935
		3	809
		4	685
		5	555
3	Expansion(suburbs)	1	355
		2	299
		3	217
		4	191

Source: regulation no 11/2004

Auction land price

According to regulation no 11/2004 of Addis Ababa City government the highest price offered will be the auction price to determine the least price and the tender shall be Advertised in public place not less than 20 days before the auction date.

Regulation no 11/2004 confirms that the price of land permitted for real estate development for only villa housing type on the expansion area shall be the highest auction price of the area. However if the negotiation price exceeds the auction price the negotiation price shall be implemented.

However, the auction price for real estate developers is determined by using weighted average system of price formula. This method involves the assessment of auction price of particular

location in a time series approach by taxing the price of land in a specific location at different years or time and compute the price by taking the average price all considered years.

Despite the fact that no directives were issued to support this method and is highly subjective as there is no base line how to consider the price of different options, some may take one or two years price while others may consider six or more years and even from the start of land leasing in the city.

Lease free land acquisition by real estate developers

Neither the different proclamation of the city nor regulation no 20/2005 have started an option for acquisition of land free of lease for developers. In spite of this the information obtained from LDMB of Addis Ababa and the sampled developers, developers who proposed to construct full (100%) apartments (condominiums) with a maximum unit areas of 50m² per household can acquire land free of lease and the option is considered as an incentive to attract more developers to provide housing for the middle and low income groups.

To summarize, the method of auction price determination is not supported by appropriate directives, rules and regulations regarding the number years to be considered. Hence it is found to be more subjective and its price a decision is left for an expert of LDMB lease office. The decision could affect either the government or developer.

Moreover, lease free land allocation to developer is not clearly supported by any directives and it is a product of the decisions of municipal officials .therefore this option has benefited a certain developers to acquire land although it is rescinded.

4.2.7 Possession of requested land

The researcher tried to study the execution of the sub cities in transferring requested and approved land to developers. In addition, I also looked if the developers got the land they requested or not. From the real estate developers which filled out my questionnaires, the following data was obtained.

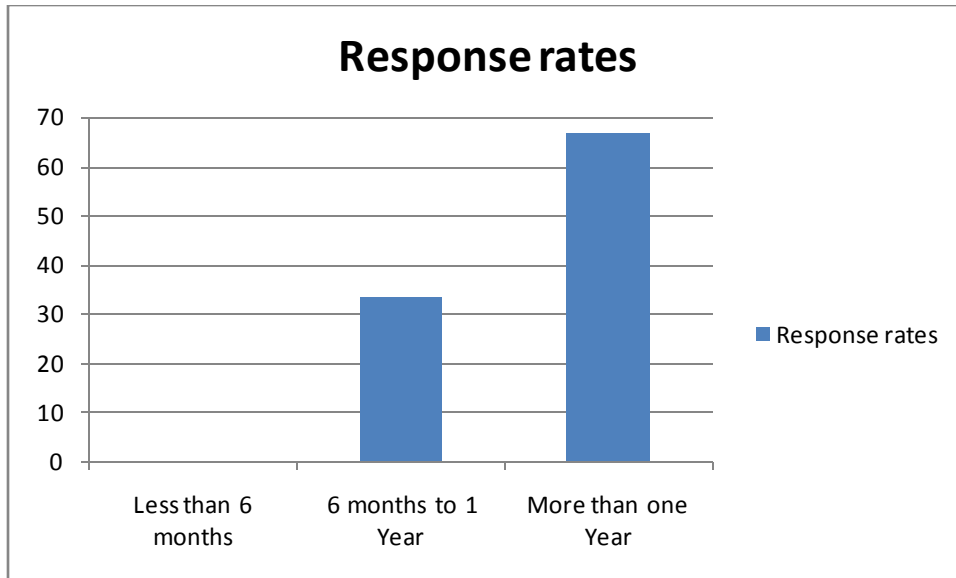


Figure 4.3: Track of the rapidity with which developers took their land.

One developer responded that he has got the land in joint venture with the owner and the other 's responses shown above. This shows that the rapidity with which government is working on processing and transferring land is unsatisfactory. In addition, 44.4 % of the developers responded that they received the land of their request. According to the real estate proclamation of 2005 E.C, the real provider has to hand over the land within 30 days of date of the down payment made by the developer. The reasons for this not taking effect for majority of the time could be;

- The division of the work force assigned in the different areas of land management: even though it is pointed as a solution for the great amount of work undone on the field, the transition from one bureau to 2 or 3 hasn't been smooth. This caused management troubles and uncertainties.
- The problem related to history of land in the city: land hasn't been managed properly in the past. Managing all the data including cases of lease incorporation, inheritance and the like needs time and skill.
- Negligence and insubordination between the employees: because of the large number of customers related to land issues, the employees may not have the right approach to give the required service,.

This researcher also managed to identify the amount of land requested by real estate developers. It is mentioned that the vastness of land that developers want to possess in relation to availability in the city. From the questionnaires this researcher gathered this information.

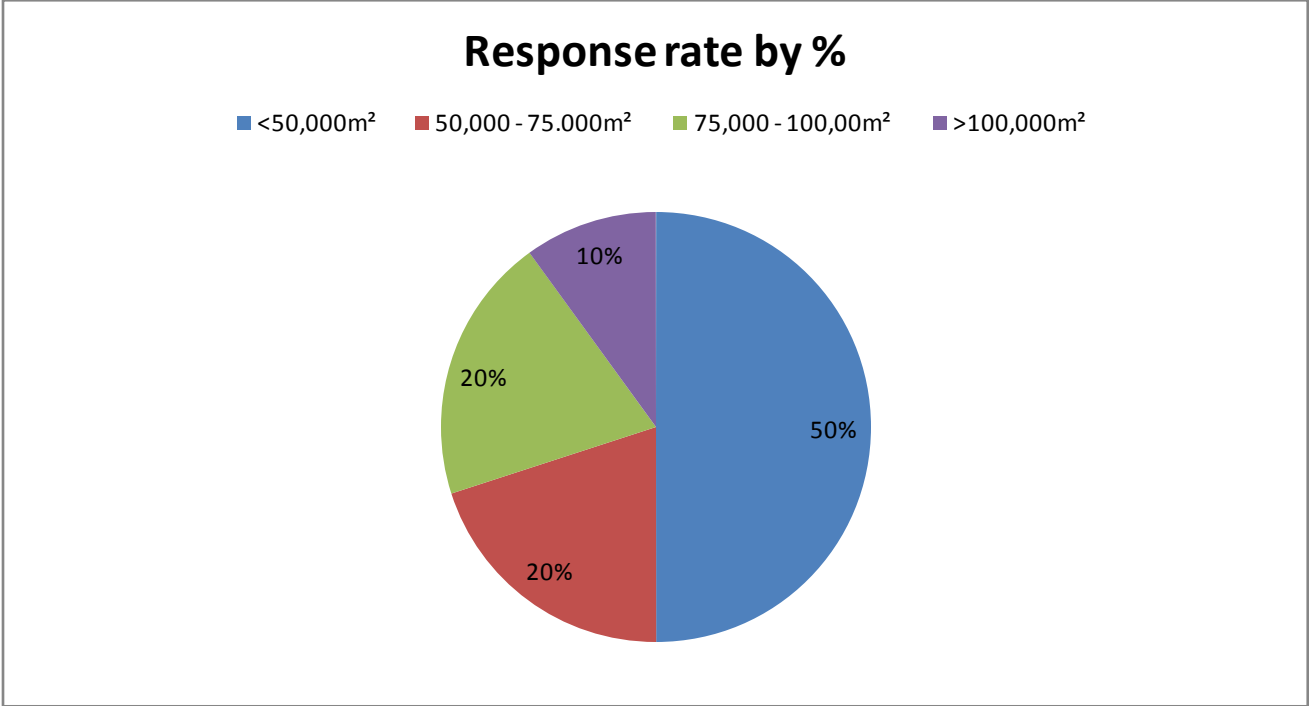


Figure 4.4 : Land possession by real estate developers in percentage

This figure shows that 50% of the developers (the majority) who filled the questionnaire acquired less than 50,000 m² of land. This is a response for the land requested for the first time and it doesn't include the additional plot acquired by transfer from other holders or illegal widening.

4.3 The Development of Real Estate Project

Developing a real estate is an immense project. It requires huge sums of money and mobilizing a lot of resources. It involves acquiring land, getting a building permit, then developing the land and transferring the land to real estate owners. This is just only a few of the major activities. Furthermore, each and every activity is complicated as it involves several partners and stake holders.

In this section, this research shall only analyze the processes involved in real estate after the land has been acquired and made ready for use. It will discuss such matters as the design of houses, their construction and related matters during these processes.

4.3.1 Residential real estate designs

The design of any building should be given a high regard. It is the blueprint which guides each and every bit of the construction process. Along with the specifications, It also forms the technical part of construction contract. And any contract law requires the contractor to follow the design and the specifications. It will also exempt any contractor which has followed the contract appropriately from being a victim of penalty caused by the error of the designer or specification drafter. This extends for any construction activity be it a highway or a dam.

So the design of any construction is as important as the construction, operation and management. According to our analysis and survey, most of the designs for real estate housing are satisfactory and fulfill most of the standards from architectural point of view. Designers have included the basic facilities that any design has to embrace.

4.3.1.1 Private residential real estate

A) Single family housing

In every sample surveyed, each of the houses developed by real estate developer have the following,

- A living room with an additional family room
- Modern kitchen
- Three or more bedrooms
- One master bath and more than one children baths and
- A garage

Regarding the use of space, about 91% of the houses have been built on 60-70% of the land area. 9% of them built on less than 60% of the land area. Architectural use of land area puts that 60- 70% of the land area has to be occupied by a built up space. Regarding this we can see that more than 90% have been strictly been abided by the law.

The other assessment made on the study is concerning the facilities available for residents. The researcher have asked if the real estate incorporated the following;

1. community centre for the elderly
2. school
3. hospital
4. Recreation centers
5. Gymnasiums
6. Shopping malls and
7. Park

The results obtained from the survey is shown in the next bar chart,

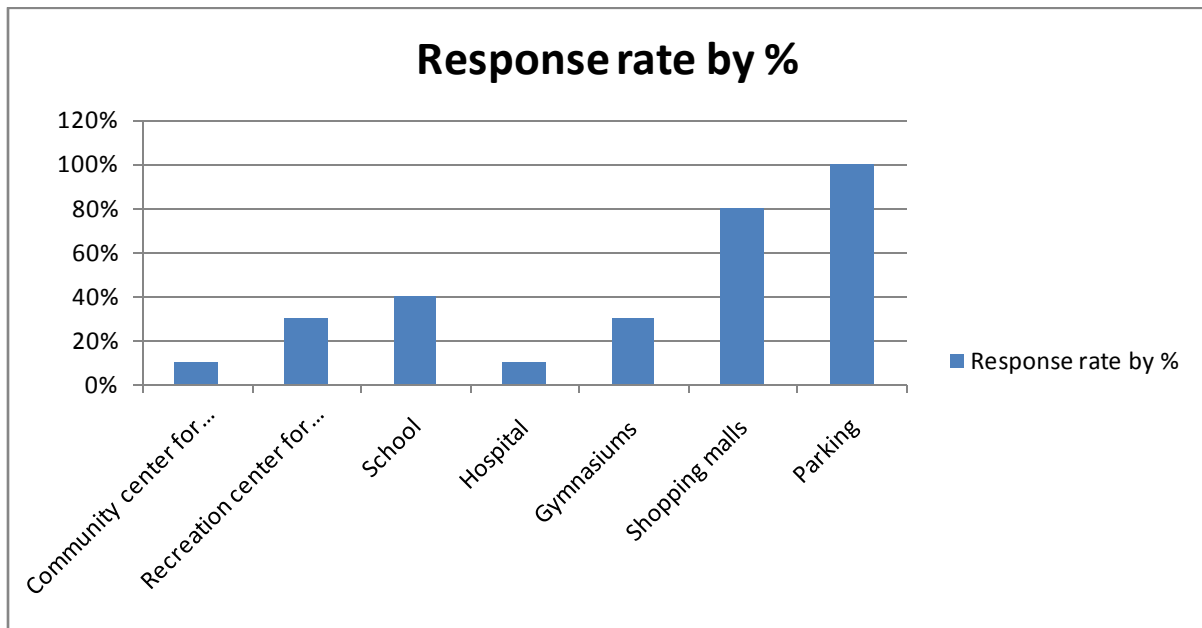


Figure 4.5 : Provision of different facilities by private real estates

As most of the current residential real estate properties are being built in areas far from the centre, the fulfillment of these should be given due care. This is especially true for important services like schools, hospitals and shopping malls. With respect to this the level of schools and hospitals seems a little bit lower than required. But shopping malls are given a higher incentive and all of the respondents suggested that they will have shopping malls.

B) Apartments

Private real estate developers are not only involved with single family housing construction rather they also construct apartments. The apartments could be of different storey levels. Based on this survey most of the apartments have more than three floor levels. And their percentage is shown in the next table

Table 4.3 : The floor levels of apartments built by different developers

No of apartment Floors	No of developers
Only Two floor levels	1
Up to Three floor levels	2
Up to Four floor levels	4
Five floor levels and above	3

The government wants more houses to be of apartment type. This is because it wants to encourage a house type which can accommodate a lot of family at once. And apartments are suitable for this. They use a smaller area but relatively hold a lot of families as compared to single family dwellings. Having this in mind, the government has set up a plan that requires real estate developers to allocate 70% of their land area to apartment buildings. Based on the survey conducted on private real estate developers most have dedicated the majority of their land area for apartments. This is shown

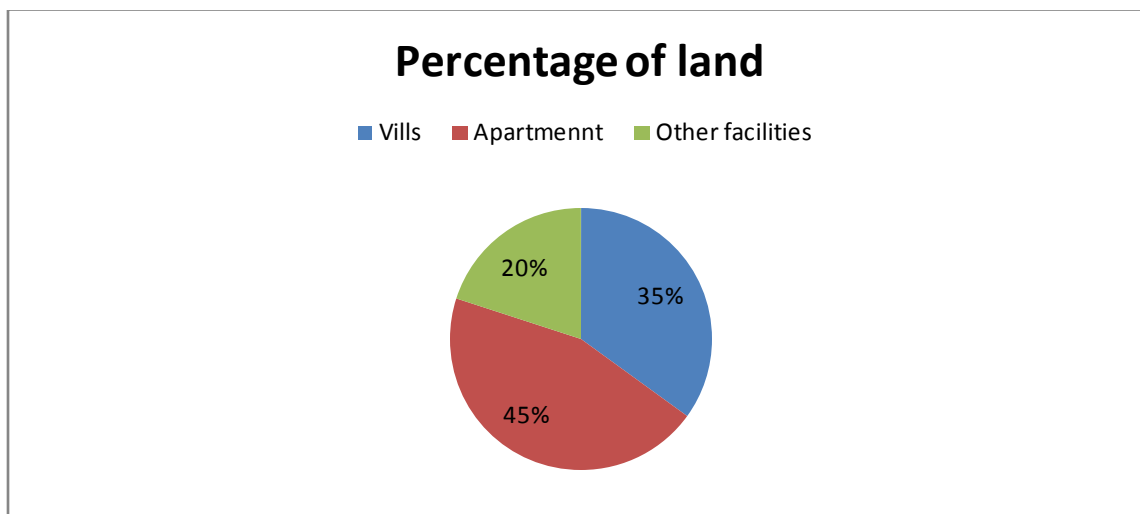


Figure 4.6: The percentage of land allotted for apartments

4.4 Financial matters

Real estate development requires large areas of land and large initial capital. The large area it needs could be bought from the government through lease, auction or it may sometimes be provided free of charge when the housing problem is acute. In our city's case, the system of free provision of large area of land has been terminated because it has led to abuse and large scale and deep rooted corruption. Currently any barren land area is put up for auction and the highest bidder will get the land.

The other issue with real estate development is the finance. The finance collected is to pay for the land bought from the government and building the houses. This financial capacity can be built by directly engaging the clients, by selling shares or it can also be borrowed from mortgage banks.

The case of financing is different in the private real estate housing in our city. This case will be discussed detail in the following section.

4.4.1 Private real estate financing

In the case of our Ethiopia, the main financial source of private real estate is the client or the owner. As shown in the pie chart below, almost 70% of the developers rely on client's initial capital. Banks are not responsive to such loan arrangements because the risk is so high. For instance, to fully develop a 50,000 m² of land, about 400 to 500 million birr has to be invested. This amount loan has large risk for the undeveloped banking sector of the country.

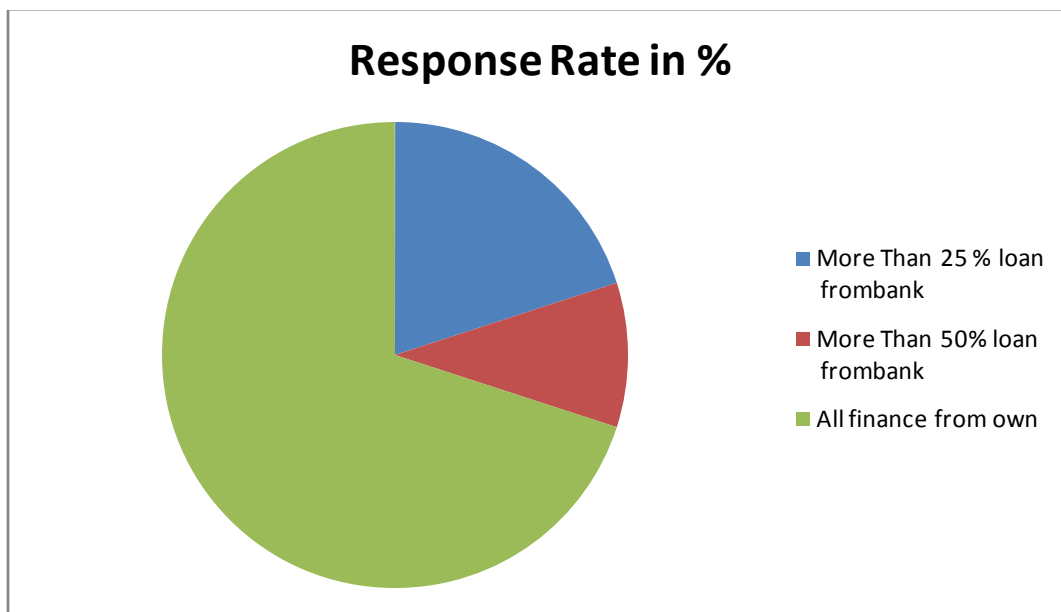


Figure 4.7: Financial sources for private real estate developers

The method of payment employed by most developers is called scheduled payment. That is the owner will pay the required money for the land, the foundation, the superstructure and finally for the finishing works in specified duration of time. This has its own merits and demerits.

Some of the merits include:

1. The owner will not be forced to pay the large amount of money required for the house at once.
2. The risk of abusing the money collected from owners will be minimized. Even if that occurs, the owner will not be at higher risk because he/ she has not given all of his /her money.
3. A sense of trust will be developed between the developer and the contractor in that the owner makes payments only when he/she is satisfied by what has been done so far.

Disadvantage:

1. The developer may not finish the houses on time because the client may not make payment on schedule.
2. As the time goes by, the project may be subjected to price escalation because of the failure of clients to make payments on time.

Even if the above mentioned disadvantages are obvious, the financial capacities of most of the buyers favor the schedule payment method. As we all are aware of, most of the people of the city, even the ones we call the higher class cannot afford to instantly make large payments. More over the risk incurred on part of the owner to make payments in millions of birr at once is huge.

In one of the interviews the researcher made, It have been able to comprehend the scheduled payment technique employed by most of the real estate developers and it is presented here to understand the payment procedure.

10% payment (called registration fee)

30% payment (foundation works and some superstructure work)

30% payment (superstructure works

20% payment (finishing works)

10% payment (client receives keys)

Figure 4.8: Scheduled payment procedures

To facilitate the process of schedule payment and keep the constant flow of money in to projects, some developers have used the mortgage system of payment. That is they will facilitate means by which banks could give loans to their clients. The first bank in our country involved in such proceedings was the construction and business bank. I have been able to contact some officials from this bank and learned that some private real estate developers like Sun Shine have used these methods for their clients.

According to the information obtained from the commercial and business bank, the major eligibility requirements to receive loan for residential house building purpose are:

- The applicant shall be salaried or self-employed with a sufficient and reliable source of income for the repayment of the loan
- The minimum years in continuous employment business should be two years for salaried individuals and 3 years for self-employed individuals
- The building to be purchased or constructed by the loan shall be in Addis Ababa or other Regional or major zonal towns
- Individual members of a cooperative/association can be eligible for the loan provided that he/she should produce individual ownership certificate
- Availability of infrastructure especially road, water and electric power should be ascertained.

More over the commercial and business bank gives these loans on long term basis. That is the loans shall be returned on greater length of time. A table obtained from the bank on these proceeding is shown below.

Table 4.4: Minimum own contribution and period of repayment of loans Classification

Classification	Minimum own contribution of Projects	Maximum loan repayment period
Salaried officials	20 % for construction and 30 % for purchase	20 years
Self employed residents	30 % for construction and 40 % for purchase	10 years
Non - resident Ethiopians	40 % for construction or purchase	10 years

Source - Commercial and business bank

This is a preferred method of minimizing the time overrun problem seen in most of the developers. According to most developers one of the major reasons for them not accomplishing work on time is the fact that clients do not follow the scheduled payment scheme put in place.

4.4.2 Cost Overrun

Cost overrun can be simply defined as cost incurred excess of the original cost or budget allocated. The amount of cost overrun can be simply calculated using the formula below.

$$\text{Cost Overrun \%} = \frac{\text{Final contract amount} - \text{Original contract amount}}{\text{Original contract amount}} * 100$$

We have gathered data from the questionnaires we distributed among real estate developers and contractors on what the main causes and propellers of cost overrun are. These data will be analyzed using percentages, rankings and pictorial description of the collected data.

The table below enumerates the possible causes of delay and the corresponding frequency with which these factors were selected as the major causes of cost overrun from the questionnaires we collected from both real estate developers and contractors. Again, our sample population of real estate developers is composed of only private real estate developers; while our sample population of contractors is predominantly composed of contractors commissioned by governmental agencies. Although the sample populations will give us insight into two different situations we've also gathered information in the form of an interview from both sides to support or justify the results of our analysis.

Table 4.5: Causes of Cost overrun and the magnitude of their effects based on questionnaires filled by 10 real estate developers.

Factors	Response frequency By REDs	Influence (%)	Ranking
Design change	1	3 %	10
Price Escalation	9	22 %	1
Variation of works	3	7 %	6
Lack of cost planning and monitoring	2	5 %	9
Inexperience of the contractor in the project type	5	12 %	3
Technical incompetence and poor organizational Structure	5	12 %	3
Change in the scope of projects due to government Policies	3	7 %	6
Unfulfilled bill of quantities	4	10 %	5
Construction material monopoly By some suppliers	3	7 %	6
Delay in construction	6	15 %	2

From the above data, I've analyzed what the magnitude of effect of each factor is on cost overrun of a real estate project using percentages and ranked these factors based on the influence they have on cost overrun of real estate projects from highest to least. This analysis is based on the response I've received from ten private real estate companies.

Realestate developers' view

From the developers' perspective, "price escalation" is the number one cause of cost overrun in real estate projects. This is not an unexpected perception. The recent inflation in the economy of the country has brought about ridiculous amount of percentage increase on the price of construction materials. Although initial budget drafts were thought to consider price escalations, no one could have accounted for the amount of price increase of building materials

in recent years. Because of this fact, a lot of real estate projects have run over budget over the course of construction.

Another fact I've gathered from my interviews on why price escalation is the predominant force in causing cost overrun of real estate projects occurs in the types of real estate development where the construction of houses is mainly financed by receivables from the client. In this kind of development strategy, there is one major pitfall causing both delay and cost overrun. This drawback is the amount of time between two consecutive receivables. If the amount of time between two receivables is longer than the time required to complete an activity financed by the first receivable, the project will ultimately be delayed and run over budget. The cost overrun will be caused by the price escalation during the time of delay, which can only be accounted for when the delay is minima

The second place goes to "delay in construction". Delay in construction results in cost overrun through price escalation of construction material during the time of delay, compensations paid to the contractor or the client for the time of delay and other unforeseen costs that come with time overrun. Almost all constructions that suffer from delay will inevitably suffer from cost overrun.

The third most influential factors causing or aggravating cost overrun according to real estate developers are "Inexperience of the contractor in the project type and technical incompetence poor organizational structures". This shows that the sector still lacks capacity to execute the operation. And yet it is increasing cost on the residents. The other factors stated above are also contributing their own share on price escalation of houses built by private REDs.

Influence(%)

- Design change
- Price Escalation
- Variation of works
- Lack of cost planning and monitoring
- Inexperience of the contractor in the project type
- Technical incompetence and poor organizational structure
- Change in the scope of projects due to government policies
- Unfulfilled bill of quantities
- Construction material monopoly By some suppliers
- Delay in construction

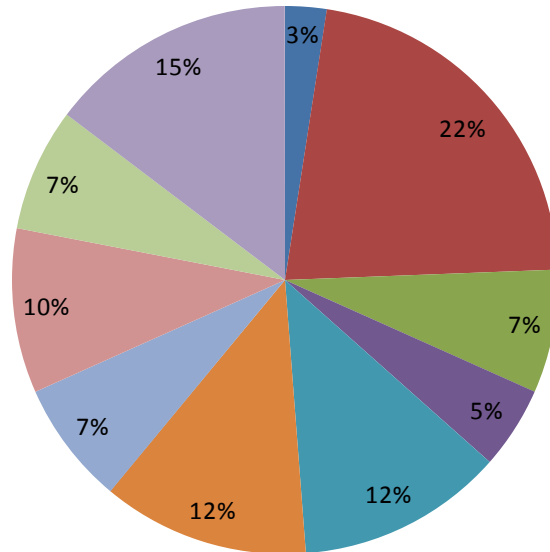


Figure 4.9: Relative Influence percentage from developers' point of view

4.5 Income Groups Addressed by Real Estate Developments

Household investment on housing depends on both the willingness to invest and income capacity of the household .statistics shows that majority of the residents of Addis Ababa earn very low income with little margins left for housing.

According to the household income, consumption expenditure survey conducted by the CSA 2009/10,about 19.9% of the household in Addis Ababa earn a monthly income of less than birr 600 (or an annual income of less than birr 7200)per household .and about 62.1% of household earn a monthly income of less than birr 1250 (or an annual income of less than birr 1500) per household .By contrast those who are relatively high monthly income (that is more than birr 1250) per household constitute only 19.2% besides, the largest proportion of the total household income (about 70%)goes to consumption (food).this proportion is very high for majority of low income earning households. The overall implication of this is that not only in small or low the income of the majority of the city's population but their income is not sustainable (Tadesse, 2000).

According to the city administration (2013) residents of the city are classified into three income categories for the purpose of condominium housing distribution among residents of indicated on the table below.

Table 4.6: Income Status of Addis Ababa City Residents

Income group By birr/month	Income class
Below 1050 birr(60 USD)	Low income group
1050 – 4800 birr (60 – 270 USD)	Middle income group
Above 2800 birr (>270 USD)	High income group

Source: AABOFED 2013

In addition to the above stated income studies, many residents assumed to earn additional income that is not reflected in their regular income, particularly income from family and relatives living abroad.

Table 4.7: Income Status of Residents Who Requested for the Questionnaire

Income level of respondents (birr/month)	Number of respondents	Response rates (%)
Less than 3000 birr/month	0	0
3001 - 5000 birr/month	9	8.8
5001 - 10000 birr /month	23	22.6
More than 10000 birr/month	52	50.9
Not responded	18	17.7

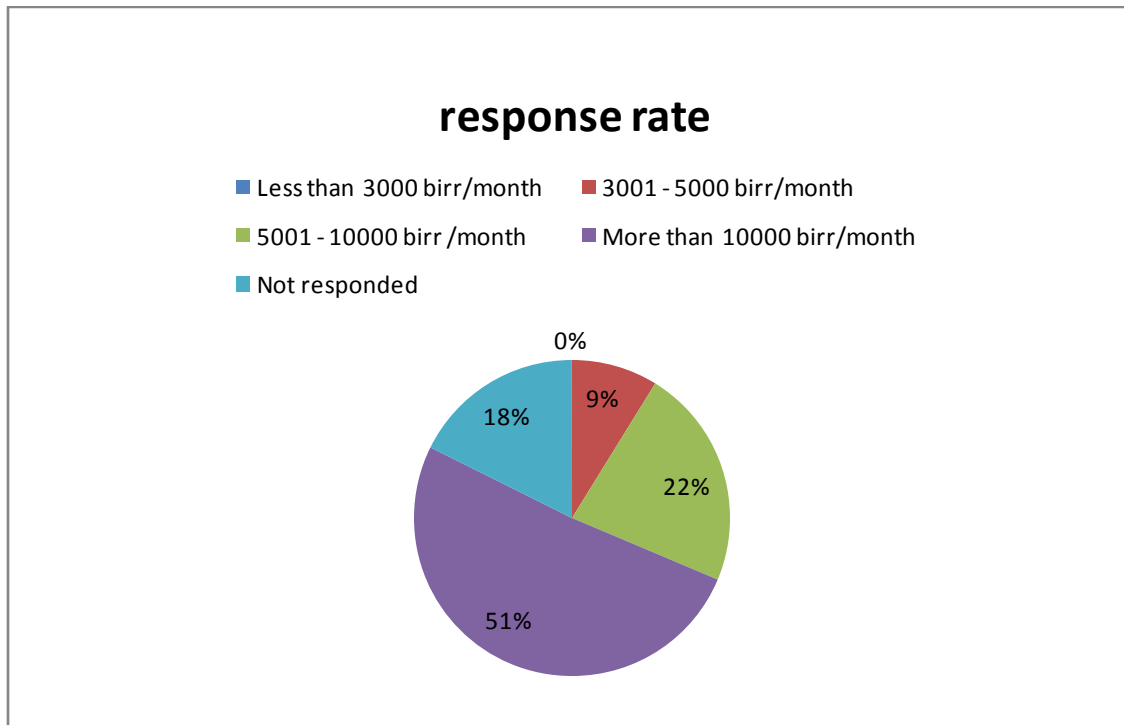


Figure 4.10: Response rate of Residents Who Requested for the Questionnaire

As it is clearly shown in the above table and charts more than 73% of the respondents of high income group and almost 18% of the respondents were not willing to give their answer. Although they don't want to tell their income for their own reason, it is easy to guess that those people earn higher income.

According to the real estate developers concerning the income groups addressed emphasized that more than 80% of their clients are from diasporas where as the rest are local high income group's specifically medical doctors, engineers, captains and business men /women.

Although the contractual agreement between real estate developers and LDMB lease department states that at least 30% of the houses constructed by developers will be provided to low and middle income groups either through sell or rent ,the developers actually marginalized and failed to accommodate these income groups due to the fact that

1. The land supplied them being under developed which incur additional cost to provide basic infrastructure to the assumed beneficiaries.
2. The rules and regulations that are related to VAT and surtax has escalated the price of houses to beneficiaries.
3. The recurrent fluctuation of construction material costs.
4. The intuition of developers to earn more benefit than trying to alleviate or contribute their share to the housing problem.
5. Fear/lack of interest of social mix or gap in status that might decrease the interest of buyers.
6. The minimum price of the houses this researcher has seen is 18,250 birr /m² and this is often unthinkable to the low and middle income segment of the society.

This with the presence of aforementioned reasons both the government and real estate developers are not operating efficiently. Hence, developers are not highly contributing their share towards reducing the housing deficit in the city.

CHAPTER FIVE

5. Conclusion and Recommendations

5.1 Conclusion

Housing demand is primarily determined by demographic conditions (population growth average family size of house hold and new household formation) and it is clear that unprecedented population growth will create a potential housing shortage in the city Thus, governments at different levels have used various forms of housing provision mechanisms were real estate development is a new approach to the production of residential units in Ethiopia and specially in Addis Ababa .It started late in the past decades. By the time, the sector was held in monopoly by one or two developers and the support afford by the government was minimal .the sector has faced wide range of problems related to inefficiency of government institutions, lack of clear and explicit policies, directives and regulations and the developer's attitude towards RED's activities .i.e. profit motive rather than contributing on the reduction of housing demand.

Even if this could be taken as a good sign in terms of solving the larger demand for housing, the sector was observed to be full of problems. The main purpose of this research paper was to paint out the major problems/challenges seen is suggesting remedial measures that could be used to solve these. With respect to this, the paper is able to sort out the major bottle-necks that impede the residential real estate sector's development.

The real estate sector is a new phenomenon in the country. It is a very young sector of the construction industry. Therefore it may not be surprising to find problems that could hinder its growth .One such issue is with regard to land allocation and putting the land to use. Before 2006, different real estate developers took large areas of land from the government by lease of some times free of charge. But the problem was when it comes to the use of this land. Most abuse the land they took by selling to third parties, by using the land for other business other than real estate developments, using the land as collateral to gain the loan from banks etc...

Based on the study land lease pricing for RED's has indicated the various options such as negotiation, auction and lease free land holding which are applied based on the proposals submitted by developers. Therefore it is worth mentioning that the method of determining negotiation land price is clearly identified and supported by regulation where as the auction

(weighted mean) land pricing and lease free land pricing is not supported and supplemented by appropriate rules, regulations and directives thus opening door for corruption of government officials and the so called real estate developers. Hence, this was seen as a very serious offence by the government and hence distribution was put on hold since 2006. As a penalty for the offence, the city administration took large plot of land held illegally, make developers pay unpaid lease payments and also took them to the courts to their offence. Currently it is adapted that any land to be used for residential real estate development to be either bought by auction or has to be worked up on by a joint venture with the previous land owners.

The other issue is with respect to designs and architectural use of the land area. Most of the real estate developers have abided by 70-30% rule. That is land area bought for real estate development is required to be 70% apartments and 30% single family housing. Even though some developers have not in this manner, Most developers have abided by this rule. Very encouraging progress has been seen in this respect.

The provision of important public services near living area was also studied by this research. Most real estate developers have incorporated a shopping mall and parking facilities. But provision of other facilities is still minimal. But, both the housing agency and private developers recorded small progress in this regard.

The financing of private real estate is also an affair which needs special attention. The majority of the problems of the sector arise from financial constraints that REDs face. This is most common occurrence among most of private real estate developers. Bankers do not lend money to developers to construct houses. They say there is a huge risk given the economic capacity of clients and owners. The mortgage system is not developed as well. Only some developers have worked to facilitate loan procedures for their clients.

Due to problems in financing, cost overrun and time overrun are very common in most of the residential real estate developments. These are serious challenges to the growth of the real estate sector. The major cause is the lower financial capacity of the majority of owners. Developers only do works when the appropriate payment is made on the right time from their clients. But the economic condition of our country prohibits this. A lot of owners have difficulty of providing the money required within the relevant period of time. Such practices will have a profound effect on the completion time and results in escalation of building cost.

The other concern of this research is to identify the segments of the society who are beneficiaries of the private real estate industry. Although real estate developers made an agreement with the lease department to provide houses to middle and low income group; they have marginalized these income groups due to the high cost of the houses they provide. Almost all buyers are from high class of the society and members of the diaspora. Even though for their own reasons like the issuance of undeveloped land, the VAT and surtaxes and the recurrent fluctuation of cost of construction materials, the reality is the system in general is not pro-poor.

In general, real estate developments in Addis Ababa is encouraging investment, creating employment opportunities for the city residents and bringing potential foreign exchange to the country. Nonetheless, they are not reducing the housing shortage (deficit) rather they are just increasing the total housing stock in the city.

5.2 Recommendations

Based on the findings of the research, the following recommendations are forwarded.

Real estate development is one of the housing development initiative developed by the AACG to reduce the housing demand in the city. However, there is no conducive environment for real estate developers i.e. lack of proper decree and regulation, rules and procedures coupled with the absence of specific institution established to serve the REDs. Therefore the AACG must create conducive environment for REDs to enhance their contribution towards reducing the housing deficit in the city.

The city government has vowed to provide serviced land to the private sector on its integrated housing, development program and regulation No 20/2005 of Addis Ababa. However it is not still practical due to financial and institutional constraints. Therefore the government has to keep its promise in order to fasten the growth of REDs and lower the constraints of houses constructed and transferred to the people.

Like negotiation land pricing, it is necessarily important and mandatory to issue regulations and/or directives for auction land pricing to combat corruption at the same time. There should be clearly defined and explicit parameters and requirements set for REDs to acquire land through lease free.

To protect the horizontal expansion of the city and reduce the cost of infrastructure provision, the city government should promote and encourage inner city redevelopment programs with the introduction of subsidy to REDs and promote high rise building construction besides seriously regulating 30-70 % commitment so as to use the scarce resource.

One huge challenge of the real estate developers while executing the project is cost and time over run. In order to tackle these problems REDs should :

- Acquire the required finances to run a real estate project before the beginning of the construction.
- Make material required by the contractor readily available prior to the commencement of the construction phase.
- Incorporate any design changes before the start of construction and minimize change orders as much as possible once construction is commenced.

Financial matter is a headache of any project including real estate developments. As stated in the discussion thoroughly, developers ask for scheduled payment for clients to proceed on their works. In response, clients mostly won't be able to pay that in time. This leads to the delay of the construction processes. Interdependency is inevitable. But, if banks allow mortgage systems where specific loans for housing construction are given to clients to be played back in sufficient time, it would be a better means for the clients to come up with money on time payment.

The existing REDs have marginalized the middle and low income household regardless of their commitment to incorporate every segment of the society. Therefore, the city government should establish strict enforcement mechanisms with a necessary incentive to protect the abuse of the contract by developer which finally would result in social segregation among citizens.

The existing REDs are coordinated with the different infrastructure service providers and financial institutions by themselves that created a burden on their activity. Therefore, to avoid this burden, the city administration must coordinate the different governmental institutions with the real estate developers through a variety of public –private partnership schemes.

Finally, it is advisable to establish an institution which will only work on the real estate development. An independent institution which will undertake real estate related activities

starting from issuing of investment license to the developers up to the evaluation of REDs performance. The institution will have specific tasks :

- Granting investment license to real estate developers.
- Preparing land for real estate development with the related bodies with strict consideration of the aspects enlisted on land use plan of the city for a specific location.
- Enforce planning radiances and building codes of REDs.
- Monitor and control the activities of REDs, and take corrective action for any failure encountered.

References

- Azeb Kelemework.(2004).Housing the Urban Poor .Addis Ababa.
Addis Ababa city Administration (2004), Housing Sector Development Program, Addis Ababa Ethiopia
- AALMDB (2014) Land use study FDRE MoUDH:Addis Ababa, Nov 2014.
- CSA (2007).Statistical Abstract FDRE CSA: Addis Ababa, Jan 2007.
- David Listokin, 2004 .Fair Share Housing Allocation.Newark. New Jersey. Rutgers University.
- Dinesh Mehat .(2004).Urbanization of Poverty.UNDP/UNCHS(Habitat) Urban Management.
- Federal Democratic Republic of Ethiopia Ministry of Finance and Economic Development (2010) Macro Economy Policy and Management Financial Transparency and Accountability Perception Survey. Addis Ababa, Ethiopia
- Gerald et.al.(1997).Land for ResidentialDevelopment.Supply Side Management.Addis Ababa,Ethiopia
- Habtamu, Sisay (2012), Urban Land Policy vis-à-vis Tenure Security and the Environment: A Case Study of Addis Ababa, Ethiopia. Paper presented at ‘Knowing to manage the territory, protect the environment, evaluate the cultural heritage’, FIG Working Week 2012. Rome, Italy
- Jenny Rossitter (2000).Comparision of Sector,Multiple Sector and Integrated Urban Development Projecta and Their Impact on the Livelihood of the Urban Poor UK Department for international Development :United Kingdom.
- Mattha Davis.(2006).Amahara Region Housing Strategy.Urban institute,UI Project No 07806-000 (the urban institute) February 2006.Washington.Dc.
- Patrik Mullins,John Western&Bridget Broadbent (2001).the links between housing and nine key socio cultural factors :a review of the evidence positioning paper.Australian Housing and Urban Research Institute.AHURI Positioning Paper No.4 ISSN 1834-9250:Australia 2001.
- Ratcliff et al. (2006) Urban planning and real estate development,2nd edition. London, Great Britain.

- Samson et al .(2012).Cities as Engines of Growth and Transformation in Ethiopia.Addis Ababa,Ethiopia.Lesan Printing Press.
- Selamn Erguden (2001).Low Cost Housing: Policy and Constraints in Developing Countries UNCHS:Nairobi.2001
- Stephan Mayo.(1994).The Do's and Don'ts of Housing Policy.TheWorld Infrastructue,Transport,Water and Urban Development Epartment.The World Bank.Urban No.Hs,9.
- UNCHS, (1996).The human settlement conditions of the worlds urban poor. Nairobi 1996.
- UN-HABITAT (2007), the Ethiopian Case of Condominium Housing: The Integrated Housing Development Program. United Nations Human Settlements Program: Nairobi
- UN-HABITAT (2010), the Ethiopian Case of Condominium Housing: The Integrated Housing Development Program. United Nations Human Settlements Program: Nairobi 8.
- Yusuf et al. (2009), Land lease policy in Addis Ababa. Addis Ababa, Ethiopia. Private Sector Development hub/Addis Ababa Chamber of Commerce and Sectorial associations

Index 1:- Questionnaire

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS IN
ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

Questionnaire for private real estate developers.

This research is prepared to fulfill an academic requirement for MA Degree in urban and regional planning from the department of geography and environmental studies at Addis Ababa University. I would like to assure you that the information you and your company provided in the following questionnaire will be used for an academic purpose only and will as such kept confidential.

Please give your response by making “x” in the box in front of your choice or write your answer in the space provided. In case you have more than one response please feel free to provide as many response as you can for that particular question.

For any clarification or further explanation you can contact the researcher:

-Minyahil Shelemew Tel..... 0911881367 or

e mail..... mnaol2013@gmail.com

I would like to thank you in advance for your cooperation.

Real estate developer name (optional) -----

Year established -----

Position of the respondent-----

1. Where is the location of your development (land)

Sub city----- woreda----- spatial name-----

2. When does your company start operation? -----

3. How do you get the land you are investing on?-----

4. If you receive from the government how much land area did you initially receive from the government? -----

5. Within how many months did you receive the initial land you requested from the government?-----

6. Was the land particularly requested given to you?

A. Yes B. No

7. Have you received a served/developed land with basic utilities to start your project?

8. How many percentage of the houses you built are ?

A. Villa (G+0)? ----- C. Town house? -----

B. G+2? ----- D. Apartment?-----

9. What is the source of your initial capital to invest in the sector?

10. If you get the loan from the bank, how do you see the response of the bank to your request?

A. Encouraging C. Discouraging

B. Fair D. Cannot say

12. Which body supervises your company construction when you undertake a certain real estate project?

A, Consultant firm

B, Government

C, Free lancing engineers

13, How do you rate the supervision work carried out by the above mentioned supervisors?

11.1. Based on visit Regular Often Inadequate

11.2 .Based on communication Satisfactory Fair Inadequate

11.3. Based on site problem solving Satisfactory Fair Inadequate

14, Do you complete the houses with in the schedule time?

A, Yes

B, No

14.1, If your answer is "No" what are the possible reasons behind the delay? -----

15, Do you finish most of the units within the limits of initial budget?

A. Yes

B. No

15.1 By how much percent does final construction deviate from the initial cost estimates?--
------(%).

15.2 What do you think are the major causes of cost over run?

A, Design change

B, Price escalations (material and labor)

C, Variations of works

D, Lack of cost planning and monitoring

E, Inexperience of in the project type

F, Technical incompetence and poor organizational structure

G, Changes in the scope of project due to government policies

H, Construction material shortage

I, Delay on construction

J, Other please specify-----

16. Does your real estate provide?

A, Paved road	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
B, A community center for the elderly	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
C, School	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
D, Hospital	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
E, recreation center	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
F, gymnasium	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
G, Shopping malls	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>
H, Park	A, Yes	<input type="checkbox"/>	B, No	<input type="checkbox"/>

17, How many dwelling units does your company constructs every year in every phase?-----

18, What percent of the finished housing units has been transferred to clients?

19, How do you assess the government's commitment and policies towards private real estate developers ?

A, Very encouraging	<input type="checkbox"/>
B, Satisfactory	<input type="checkbox"/>
C, Fair	<input type="checkbox"/>
D, Inadequate	<input type="checkbox"/>
E, Cannot say	<input type="checkbox"/>

20. What incentives are provided to you by the city administration?-----

21, Which government laws and regulations hindered your activities and on what it hinder your activities ? -----

22,What do you think the contribution of your company in reducing the housing deficit in the city?-----

23,What are the means of determining the prices of houses?-----

24,How do you transfer houses to the ultimate beneficiaries (the payment modalities)?-----

25,what are the problems that your company has faced so far ,before and you started construction ?-----

26,what do you suggest to the government and other stake holders to promote the sector ahead?--

Thank You

ADDIS ABABA UNIVERSITY
DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS
IN ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

Questionnaire for residents (Beneficiaries of residential real estate developments).

This research is prepared to fulfill an academic requirement for MA Degree in urban and regional planning from the department of geography and environmental studies at Addis Ababa University. I would like to assure you that the information you and your company provided in the following questionnaire will be used for an academic purpose only and will as such kept confidential

Please give your response by making “x” in the box in front of your choice or write your answer in the space provided. In case you have more than one response please feel free to provide as many response as you can for that particular question.

for any clarification or further explanation you can contact the researcher:

-Minyahil Shelemew Tel..... 0911881367 or

e- mail..... mnao2013@gmail.com

I would like to thank you in advance for your cooperation.

Part One

Personal back ground

- Sex a/ male b/ female
- Location sub city ----- woreda -----
- Employment Status.
 - Government Casual work Retired
 - Private NGO

How much monthly income do you receive from the means of income you are engaged on?

Part two

1. What type of house do you own?
 - A, Single family unit
 - B, Apartment
2. Who sold you the property? -----
Please specify the name of the real estate developer? -----
3. When did you purchase this property? -----
-
4. What payment method did you use to purchase the property?
 - A/Upfront full deposit
 - B/ Advancement + monthly or yearly mortgages
 - C/ Monthly or yearly mortgages.

5/ How long did the real setae developer take to transfer the property to you after completion of the required payment?/ did the developer respect the dead line?-----

6/ Why do you choose real estate for residential housing supply? -----

7/ Are you happy /satisfied/ unite the services provided by the developer? Why? -----

8/ Does your dwelling unit have access to basic infrastructures /like water, electric power, paved road,.../ when you accept and start living?-----

9/ How do you evaluate the price of your devoting unit?

a/ Cheep b/ Fair c/Expensive

why you say so,-----

10/ How is the neighborhood, community services and alike in the compound? What does it look compared with your previous neighborhood?-----

11/ what are the problems you encountered living in real estate supplied house?-----

12/ what farther improvement suggestions do you have for efficient functioned of the real estate sectors in Addis Ababa?-----

Thank You

Index 2: Questionnaire

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS IN ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA

Interview Questions for Land Development and Management Bureau.

Please state your name and position in this organization.

1. What are the basic conditions that will be received about land in order to allocate to different purposes such as for industrial, commercial, or residential uses?
2. How do real estate developers acquire land (what are the prerequisite)?
3. How is the lease price set?
4. How many the real estate developers have taken land for residential real estate development?
5. How many hectares of land are supplied to the developers? how many of them are operating or finished construction ?
6. How are the trends of real estate developments in the last few years?(villas or apartments?) what made such changes in the trend ?which modality is currently encouraged ? why?
- 7, In which area /part/of the city is a major real estate developments under taken? why?
- 8, What is the lease period for residential real estate development? Do you think this period is satisfactory for owners?
- 9, Is your office satisfying the demand for land from real estate developers? How? Why?
- 10, Does your office supervise and regulate the activities of real estate developers?
- 11, How do you put the performance of the developers in putting the land to use?
- 12, Had there been measures taken for misconduct and underperformance?
- 13, Is there any set of agreement with the real estate developers to provide housing to the low and middle income groups?

14, Are there any incentive schemes provided for the developers?

15, What are the major challenges observed during allocation for these developers with regard to the large areas they require?

16, Currently the government i.e. The city administration has employed many work forces in the area of land management .How do you rate the integrity and suitability of this bodies ?

17, What do you recommend for the efficient operation of real estate in the city?

18, What is real estate development in your opinion regarding the Addis Ababa's context?

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS IN
ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

Interview Question for Addis Ababa Building Permit and Control Authority.

Please state your name and po sition in this or ganization.

- 1, Is there any set of rule, regulations provided by your office to control the activities of real estate developers?
- 2, What standards of are set for real estate developers to acquire building permits?
- 3, How many real estate developers took building permit from your office?
- 4, What neighborhood design standards are set for real estate developers?
- 5, Did your office supervises the activities of real estate developers?
- 6, How do you measure the role of real estate develop ments towards reducing the housing de mand in the city?
- 7, What do you recommend for the efficient operation of real estate in the city?

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS
IN ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

Interview Questions for Addis Ababa investment authority

Please state your name and position in this organization.

- 1,How many real estate developers take investment license? how many of them are still operating?
- 2,What amount of capital is registered in the residential real estate development sector? What percentage of share does the sector take from the general investment capital in the city?
- 3,What are the requirements to invest in this sector?
- 4,What investment incentives are provide for developers to engage in the sector?
- 5,How do you assess the contribution of the private residential real estate sector in regulating the overall economic life of the city?
- 6,What major challenges observed in the sector with regard to the different roles by different stake holders of the sector ?
- 7,What do you suggest to further strengthen the sector's contribution in the economic life of the city?

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS
IN ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

Interview Questions for Real Estate Developers

Please state your name and the position you hold in this company.

1. How do you assess the real estate development in Ethiopia? And what is its current status?
2. Do you think the private real estate industry has significantly affected the overwhelming house demand in Addis Ababa? What can the private real estate industry do or change to be more responsive to the general house demand including that of the lower economic class?
3. How do you acquire land? What constraints does the current land policy have on the development of the private real estate sector? Are there any changes that you suggest should be applied to the existing land policy in order to encourage the development of the real estate sector?
4. How do you finance your projects? What do banks commonly require to give out a loan? Are any of these requirements discouraging to a developer? What do you suggest banks do to avoid these shortcomings and encourage the development of the real estate sector?
5. When do you start advertising and registering home buyers? Do you sign a contract with your clients? What do you include in these contracts to insure the client's money? What type of payment do you use? Why did you decide to use this payment alternative?
6. Have you ever encountered cost overrun in any of your projects? What was the cause of the cost overrun? How did you handle it?
7. A recently publicized crisis in the real estate industry is the failure to transfer houses on the agreed upon date? What do you think are the major causes for this failure? What measures should be taken to avoid or contain this problem?
8. The Access Real Estate crisis has cast a shadow of mistrust from the general public on all real estate developers of the country. What measures do you plan to take to gain the public's trust back?

ADDIS ABABA UNIVERSITY

DEPARTMENT OF GEOGRAPHY AND ENVIRONMENTAL STUDIES

Thesis title:-

***CHALLENGES OF PRIVATE RESIDENTIAL REAL ESATATE DEVELOPMENTS
IN ALLEVIATING THE HOUSING DEMAND IN ADDIS ABABA***

INTERVIEW QUESTIONS FOR BANKS

Please state your name and po sition in this organization.

1. What are the main requirements for a real estate developer to receive loan from your bank?
2. What amount of loan (how many) will be given in hard currency?
3. How do you evaluate the proposals you receive from real estate developers? Do most of the proposals pass your evaluation?
4. What kind of properties can be used as collaterals?
5. B y average, how many weeks will it take to process a developer's request and give the initial loan?
6. How much is the interest of borrowing at your bank? In how much period of time are they expected to pay all the money they borrowed?
7. Do most of the developers pay back the money they borrowed within the specified period?