

Addis Ababa's Real Estate Market

Focus on the High-End Residential Sector

Ethiopia Investment Forum

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Knight Frank-EMC

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1. Knight Frank- EMC

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Background and Experience

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We are a real estate consultancy company specialised in **opaque and difficult markets**. We provide unique professional property solutions to an international client base, led by our highly specialised team with personal experience in over 100 markets worldwide.

We pride ourselves on always undertaking work directly and not outsourcing, offering a full range of valuation, research and transactional services to international standards. The team has successfully completed projects for Fortune 100 companies, governments, NGOs, sovereign wealth funds and investors.

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Valuation and Advisory



Property Management



Development and Consulting



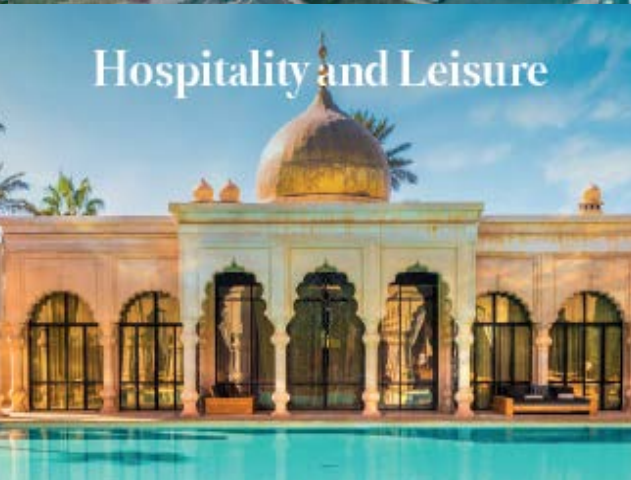
Residential Consulting and Sales



Capital Market/ Investments



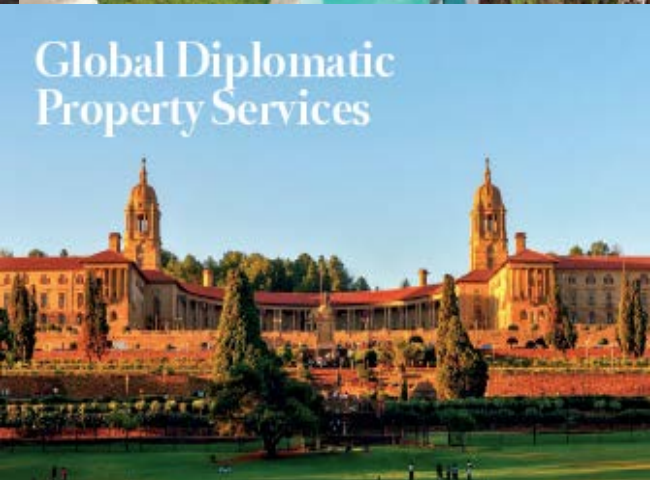
Hospitality and Leisure



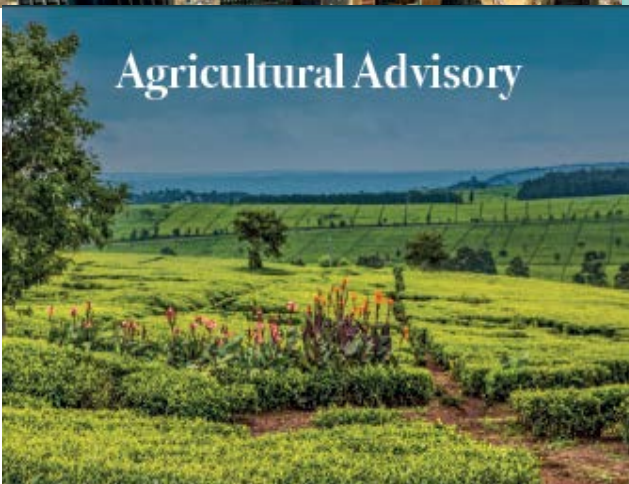
Occupier Services and Commercial Agency (OSCA)



Global Diplomatic Property Services



Agricultural Advisory



Retail Consulting



Healthcare and Education Consulting



Africa Research



Our Research



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2. Overview

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Addis Ababa's Residential Real Estate Market

Key Takeaways

Prime real estate market stock is currently limited with little availability both in the residential and commercial sectors

Limited Stock

Residential pipeline across grades A and B is modest in the city center, with bigger developments taking place in peripheric neighbourhoods

Pipeline

Foreigners

Foreign tenants are expected to want to live closer to the city center and Bole (close to key locations work, school, transportation hubs and medical facilities) areas, rather than in the periphery, particularly given traffic and commuting times

Locals

Local buyers or tenants have been buying and leasing properties in the peripheric area more consistently than expats, appreciating the more competitive prices despite the generally inferior quality of the properties

Main Issues

A shortage of foreign currency (USD) remains an issue and has led to delays in development for local actors. It also incentivizes purchases in USD which can result in up to 20% discounts when acquiring property

Currency

Generally the main roads in the city are in good condition but side roads can be a problem, being narrow, unpaved, and often prone to traffic congestion

Roads

Energy

Electricity blackouts are still an issue because of deficiencies in the distribution network. This means that the presence of backup generators is always necessary

Skills and Materials

In prime developments, it is common practice for developers and contractors to import most finishing materials and occasionally also specialist workers from foreign countries given the lack locally of skilled persons

3. Similar Trajectories

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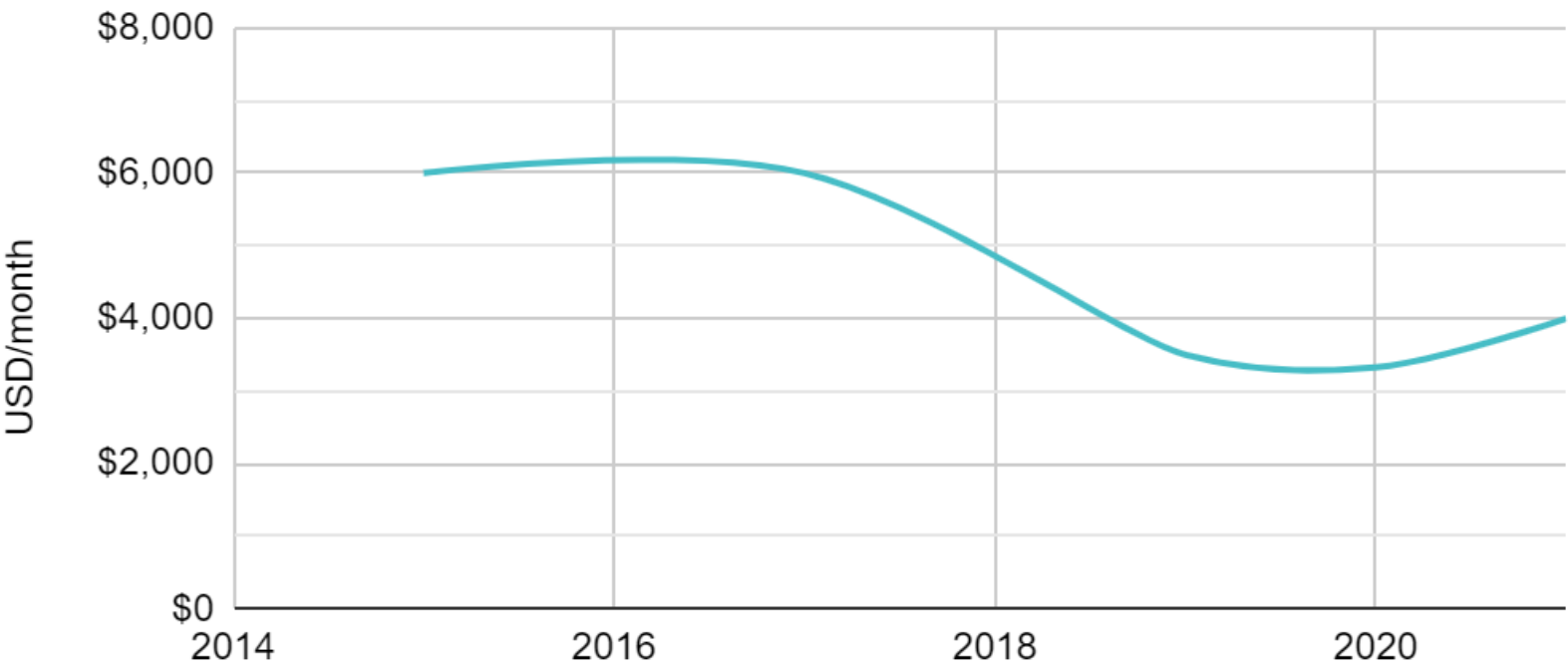
Addis Ababa Compared to Other African Cities

Addis VS Other Markets

Average rent price for 3/4-bedroom Grade A residential property

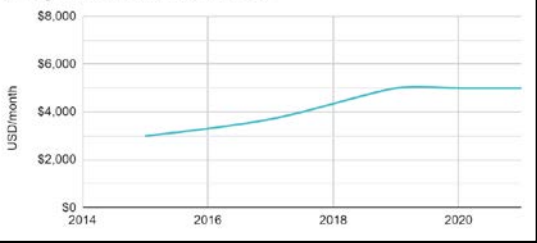
Addis Ababa

Average Grade A Residential Rent Price



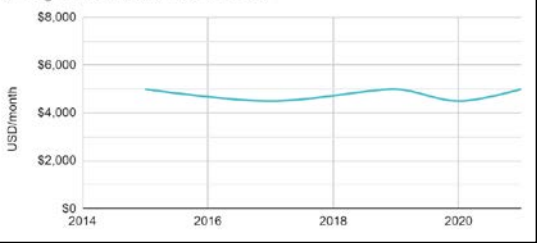
Abidjan, Cote d'Ivoire

Average Grade A Residential Rent Price



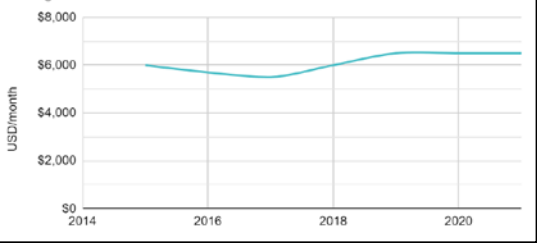
Accra, Ghana

Average Grade A Residential Rent Price



Maputo, Mozambique

Average Grade A Residential Rent Price



Ethiopia is Unique

Both in size and opportunities



112+m

People: Ethiopia is the second most populous nation in Africa after Nigeria

9.4%

Average GDP: from 2010/11 to 2019/20

-6%

Wealth: Decline in the share of the population living below the national poverty line between 2011-2016

Addis Ababa is Unique

So is its Residential Real Estate Market



Strengths

- Growing expat community
- Strong end-user leasing demand for high-end properties
- Buildings are by local developers and generally to a poor standard
- Fast-moving market

Opportunities

- Outward-looking vision
- Opening of the financial sector, privatisation
- Lack of high-end stock
- Small and exclusive apartment blocks
- Potential opening of the property market to foreigners

Addis Ababa is Unique

So is its Residential Real Estate Market



Weaknesses

- Property maintenance
- High-end leasing market is limited
- Immature financing market
- General barriers to market entry and business difficulty

Threats

- General geo-political risk

4. In Focus

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The High-End Residential Sector

Stock and Pipeline

The Stock of Grade A residential developments in Addis Ababa is small, at less than 20,000 sq.m. We have found this to be mostly sold-out and to be composed of relatively small developments

Stock

The Grade A Pipeline is more consistent at around 70,000 sq.m but also already partially sold-out in terms of current availability with under 30,000 sqm that is available for purchase - or will be within the next 3 years (ca. 300 apartments)

Pipeline

Stalled/ Delayed

Stalled and delayed developments could have an impact in the long term (next 5-10 years) - particularly putting pressure on the pipeline and supporting rental growth.

Households

The number of middle socio-economic households are forecast to continue to grow over the coming 10-years which is anticipated will fuel local demand for good quality residential property

The Grade A Market



Key developments:

- Kefita
- Shoa Family Urban Flats
- Metropolitan Sarbet Gabriel, Midtown
- Legacy Apartments
- Tilla Apartments
- Elevation Residence
- Eagle Hills - La Gare (delayed)



Conclusions

The **high-end residential market** in Addis Ababa is full of potential, and challenges:

Inexperience and lack of planning demonstrated by local developers, coupled with a **dearth of finance and hard currency** has created a large number of stalled construction projects that are unlikely to represent good quality buildings should they ever be completed;

The **supply** and **pipeline** of high-end residential property are low;

The **demand** for high end residential property continues unabated and is principally from the diaspora and locally wealthy Ethiopians;

Absorption of high end properties is steady with apartments in high-end buildings often selling before a building is complete i.e. off plan;

Given the **constraints on foreign currency**, demand for AA properties is also driven by both some locals and diaspora looking to dollarize their investment.

Rental Yield for Grade A residential properties

9%

\$4,000

Average rent price for 3/4-bedroom Grade A residential property, with prime destinations going as high as 6,000 USD/month

Average sale price for 3/4-bedroom Grade A residential property is between 2,000 and 3,000 USD/sq.m

\$2,500

Thank you



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