

Research Report

ADDIS ABABA Residential High-End | Rental H1_2022



Impact of Inflation on Residential Rent Prices in Addis Ababa

Miles Ethiopia | Addis Ababa Desk

Ethiopia, the second most populous country in Africa after Nigeria, has a predominantly rural population. As of 2019, the level of urbanization in Ethiopia was 21.2%, which increased by 4.96% and 4.9% in 2020 and 2021, respectively.

The current population of Addis Ababa's metro area in 2023 is estimated to be 5,461,000, a 4.46% increase from 2022, when the population was 5,228,000, a 4.43% increase from 2021. In 2021, the population of Addis Ababa was 5,006,000, a 4.42% increase from 2020. From 2019 to 2022, the population of Addis Ababa increased on average by 4.43%. The projected population for 2023/24 is expected to increase to 5,703,628, a 4.46% increase from 2023. The estimated population density is approximately 5,165 individuals per square kilometer.

Ethiopia's economy has been one of the fastest-growing in the world, with an average annual growth rate of 9.5% in the past 15 years. Public infrastructure investments, which have led to capital accumulation, are among the factors contributing to this growth.

In December 2022, Ethiopia's annual inflation rate decreased to 33.80%, down from a six-month high of 35.10% in the previous month.

The food inflation rate slightly eased to 32.9% from 34.2% in November, due to the decrease in prices of most cereal products as well as edible oil, meat, milk and eggs. The country's high inflation rate is attributed to the two-year war in North Ethiopia, the worst and most protracted drought on record in the country's southern region, and the rapid depreciation of the Birr against major baskets of foreign currencies.

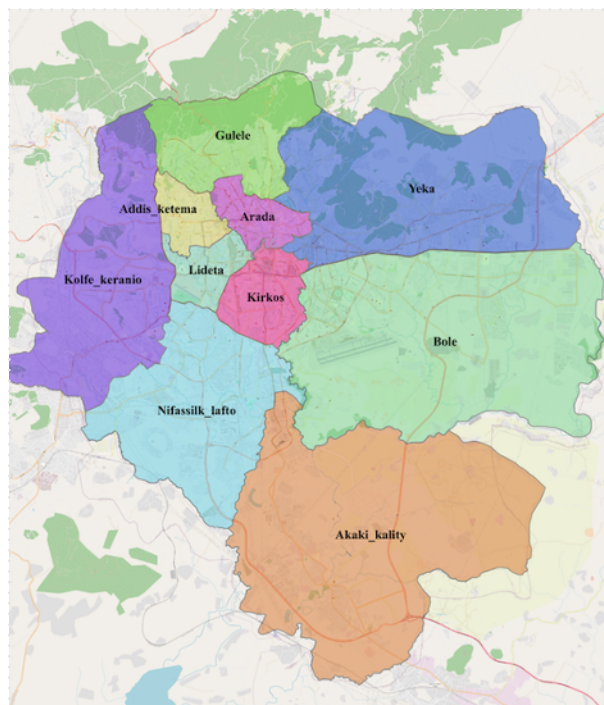
Although the Addis Ababa city administration has restricted landlords from increasing rent prices and evicting tenants, landlords can still charge any amount they want if they still have a vacant place. Therefore, tenants looking for houses for rent in Addis Ababa can expect to pay double the rent price of what was charged for the same property a year ago. In this research report, we assess the rental price of apartments and villas in major areas of Addis Ababa.

Considering the economic developments and the inflation trend, as well as labor and material shortages, there is little to support any prediction other than rising rent prices in all property categories.

References:

World Bank - Country Overview

Central Statistical Agency of Ethiopia, June 2, 2022



Addis Ababa main administrative structure: 10 sub-cities. Our report focuses on parts of Arada, Bole, Kirkos, Lideta and Yeka - Source: map by Miles



Spatial Variation of Apartment Cost in Addis Ababa

Spatial variability occurs when a quantity that is measured at different spatial locations exhibits values that differ across the locations. For this research report, we focused on the Old Airport, Bole, and Kazanchis areas, which are hot spots for residents and progressive real estate developments.

Based on the collected database, the average monthly rent prices for 3-bedrooms were 166,261.57 ETB, 142,872.66 ETB, and 122,724.27 ETB for Old Airport, Bole, and Kazanchis, respectively. The spatial variation of rental price for selected potential areas is shown in Figure 4.

Upward rental monthly cost variations in Old Airport and Bole are due to better infrastructure facilities in the most urbanized district and the location of Bole international airport, which serves as a destination point for diasporas and individuals flying in and out of the country. Old Airport is also preferable since it is home to government and non-government officials, diplomatic representatives, and free of environmental disturbances.

Downward rental monthly cost variations in Kazanchis are due to the area being considered a commercial area rather than residential, with a lesser infrastructure facility compared to Old Airport and Bole. However, many real estate projects under construction will turn Kazanchis into a mix of commercial and residential hybrid in the coming months. Even though we have seen lower monthly rental costs in the Kazanchis area, the construction of many real estate projects will surely lead to an increase in rental costs in the near future.

RENTAL PRICES

Inflation and rental prices in Ethiopia have been interconnected. Ethiopia's inflation rate decreased to 33.80% in December of 2022 from 35.10% in the previous month. It was observed that the inflation rate increased to 35.10% in Q1_2022 from 27.00% in H2_2021, and concurrently rent prices increased by 17.53% (Q1_2022) from H1_2021 rental prices (Figure 1). In H1_2022, due to the decrease of the inflation rate to 33.80% from 35.10%, there was no significant increment in rent prices, and it increased at a lower rate of 2.83%. Therefore, it can be concluded that rental prices remained more or less at equilibrium between Q1_2022 and H1_2022.

To ease the shortages of finance for housing development in Addis Ababa and other major cities of the country, mortgage banks such as Goh Betoch Bank are now becoming operational. Moreover, the Ethiopian government has passed decisions on cement price to be free from government control, and since the decision, the cement price has remained smooth after declining from its peak price of about 2,000 ETB/quintal. This encourages real estate developers and individuals to construct houses and, in turn, stabilizes rent prices from their alarmed price. The government's restriction on increasing and eviction, on the other hand, provides temporary relief, especially for those who have already secured a house for rent.

RENTAL PRICES (APARTMENTS)

The rental price of 3-bedrooms furnished and unfurnished apartment were 176,208.52 ETB/month and 113,139.03 ETB/month respectively showing an increase of 28.00% from Q1_2022

RENTAL PRICES (VILLA)

The rental price of 4-BR furnished/ unfurnished villa are 198,745.88 ETB/month/ 160,495.33 ETB/month showing an increase of 3.89% from Q1_2022.

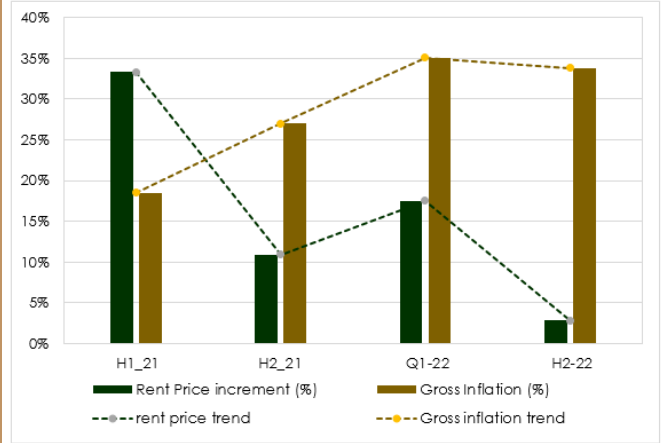


Figure 1: Quarterly gross inflation vs average rental price increment

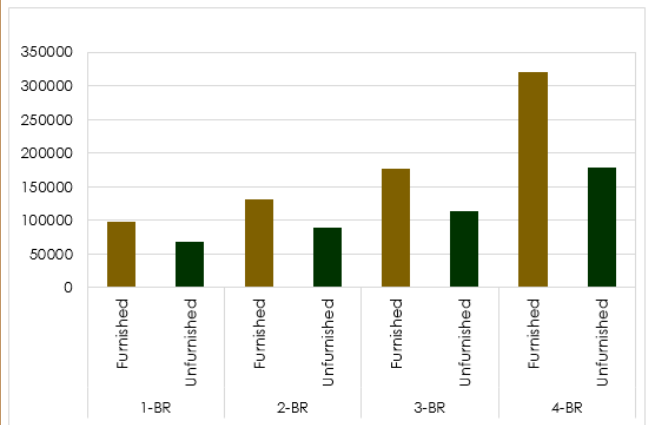


Figure 2: Average apartment rent price (ETB) per bedroom

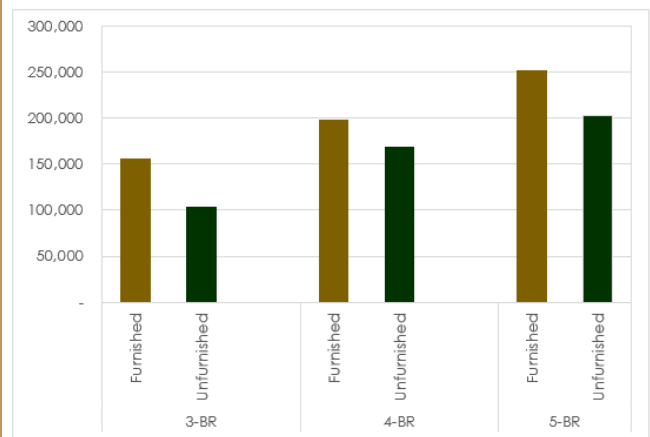


Figure 3: Average villa rent price (ETB) per bedroom

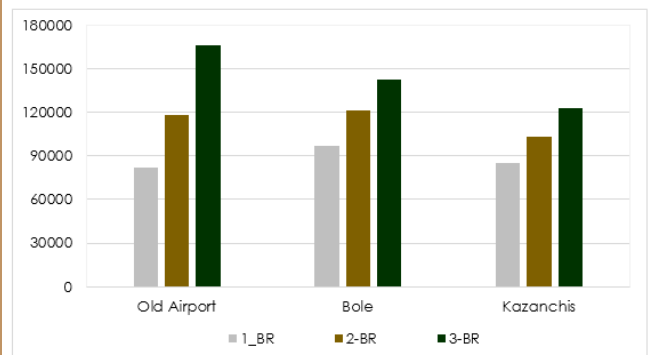
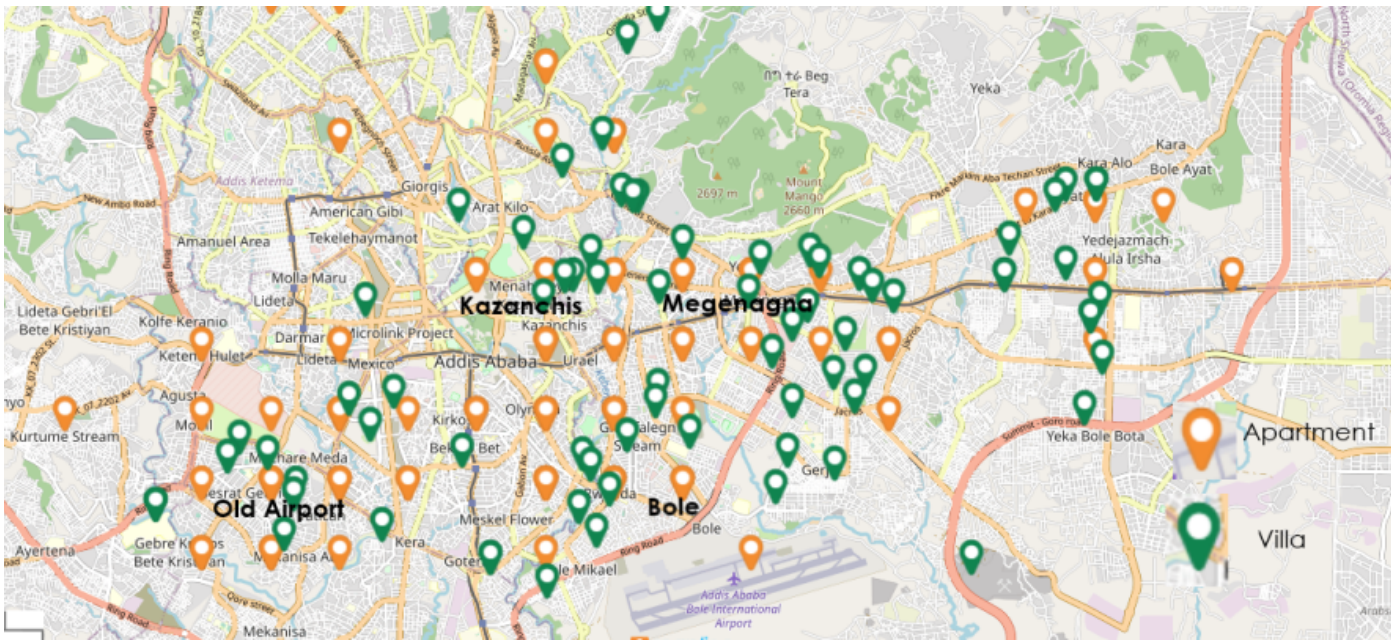


Figure 4: Apartment average rent price(ETB) per month on selected areas

Source: Miles data

Map of All the Residential Locations (Apartments and Villas)



Note

The image above is a topographical view of Addis Ababa, Ethiopia to show case the amount of concentration of villas and apartments.

Apartment Rental Price Summary

No. Bedroom	Max. rent price_ETB/month	Min. rent price_ETB/month	Average rent price_ETB/month
1-BR	109,475.52	55,104.22	83,602.59
2-BR	166,639.90	49,746.15	109,688.63
3-BR	247,921.22	51,553.92	144,673.78
4-BR	270,432.33	128,943.75	249,596.54

Note

This report is constructed under the residential housing classification and is based on the EIABC (2012) classification. Thus the analysis is based on four major types of residential housing namely apartment, condominium, villa and town home (row houses). In each type of residential housing classification parameters that describe the property of the house are collected from the ground (primary sources).

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