

Research Report

ADDIS ABABA | Residential - Rental Q1 2022



Inflation Impacts Property Rent Value & Costs in Addis Ababa

Miles Ethiopia | Addis Ababa Desk

Ethiopia is the second most populous country in Africa, next to Nigeria. The majority of Ethiopian population is rural residents which are estimated to be 80%, while the remaining 20% are urban residents.

The current metro area population of Addis Ababa in 2022 is 5,228,000, which was a 4.43% increase from 2021, and in 2021 it was recorded at 5,006,000, with a 4.42% increase from 2020.

Population in 2023/24 has an anticipated growth of residents to 5,703,628, with the annual growth rate of the city being 3.83%, in prior years growth has been as much as 8.00%.

Ethiopia's economy has been among the fastest growing in the world (at an average of 9.5% per year). Among other factors, growth was led by capital accumulation, in particular through public infrastructure investments.

The annual inflation rate in Ethiopia accelerated to 36.64% in April 2022, reaching the highest point since November of 2011. Upward pressure came from prices of both food (42.91% vs 43.43% in March) and non-food items (28.10% vs 23.50%) amid increased demand during celebrations of two major religious festivals, namely the Ethiopian Orthodox Easter and the Islamic Eid al-Fitr. On a monthly basis, consumer prices were up 2.20%, after increasing 4.00% in the previous month.¹

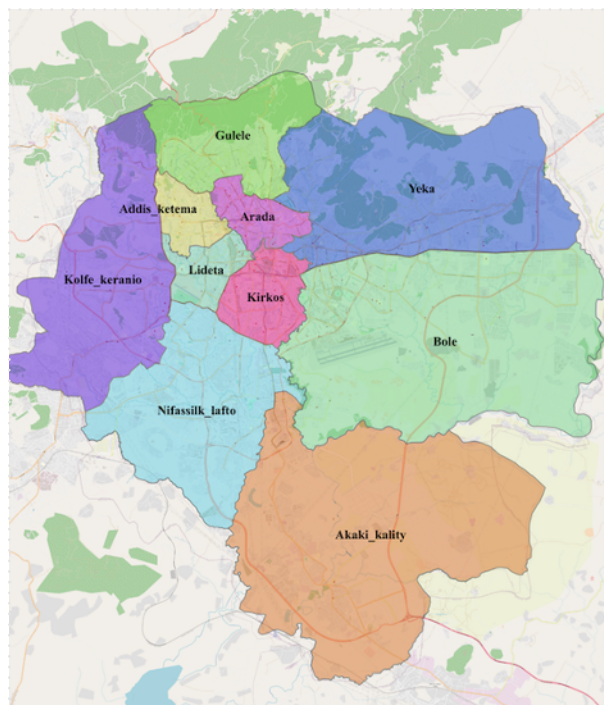
Tenants keep on asking if rent prices are going to drop in the near future. However, the trend of 2022 alone has sufficient momentum to carry into 2023, we would likely see more demand for high density rental apartments in major areas.

In addition to that, the rising inflation in Ethiopia is happening despite local and federal authorities' efforts to control inflationary trend through administrative actions, including the extension of the three-month restriction from raising rent and eviction which will be extended till the end of June, considering the current living situation.

Given the economic developments in progress and the inflation trend, while we witness labor and materials shortages, there is little to support any prediction other than rising rent prices in all Property Categories.

References:

1. Central Statistical Agency of Ethiopia, June 2th, 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



SPACIAL VARIATION OF APARTMENT COST AROUND ADDIS ABABA

Spatial variability occurs when a quantity that is measured at different spatial locations exhibits values that differ across the locations, and from our data sets we have selected Bole, Megenagna and Kasanchis areas, with respective average prices of 143,720.94 ETB, 106,381.28 ETB and 83,931.28 ETB for apartment rental cost.

The variation of upward rental monthly cost in Bole has been noticed due to better facilities based on infrastructure, considered to be the most urbanized district and is the location for Bole international airport which is the destination point for diasporas and individuals flying in and out the country.

The variation of downward rental monthly cost in Kasanchis we noticed due to the area being considered commercial area rather than residential, a lesser urbanized part of Addis Ababa compared to Bole.

Even though we have seen the lower rate of monthly rental cost in the Kasanchis area, the construction of many real estate projects such as Taurus real estate, Noah real estate and Century real estate will surely turn the Kasanchis to a mix of commercial and residential hybrid in the coming months.

RENTAL PRICES

Due to a shift in our data set towards high end villas with expensive rental prices, the recorded average property rent prices abnormally rose by 121.55% (H2-2021), and as such should not be taken as a reference.

Ethiopia's inflation rate rose to 36.64% in April of 2022 from 34.72%, the highest we have seen in 2022. Inflation and rental prices have been interconnected.

In a market where mortgages are not easily accessible and interest rate are relatively low, the average savings deposit rate remained at 8.0 percent while weighted average time deposit rate slightly declined by 0.1 percentage point. The average lending interest rate stood at 14.25% year-on-year basis.² In the long-term, the Ethiopian interest rate is projected to trend around 14.30%-14.60% in 2023. This generally results in more people preferring to rent rather than to buy their own property.

The end of the extension of the three-month restriction from raising rent and eviction which will be extended till the end of June, will give the upper hand to landlords, allowing them to raise the rent values when the ban is lifted, unless the restriction is continued by the local and federal authorities.

RENTAL PRICES (APARTMENTS)

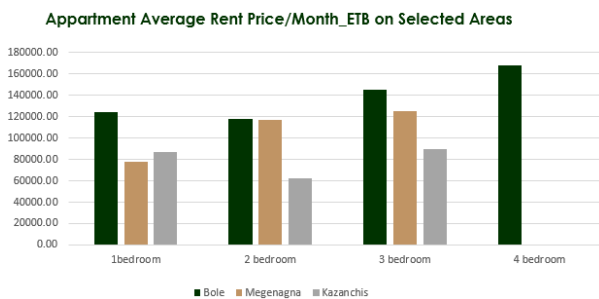
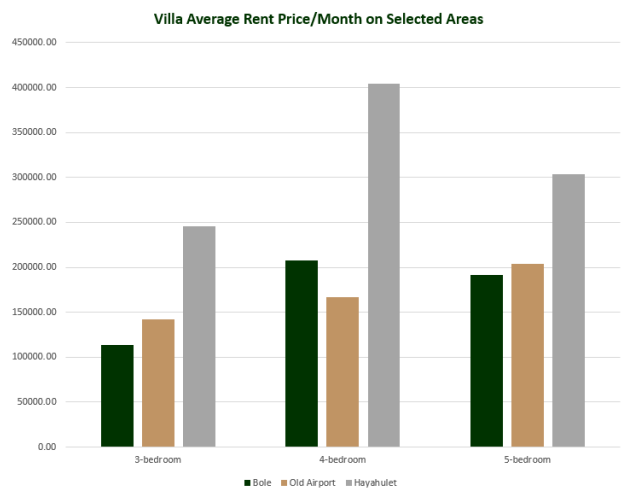
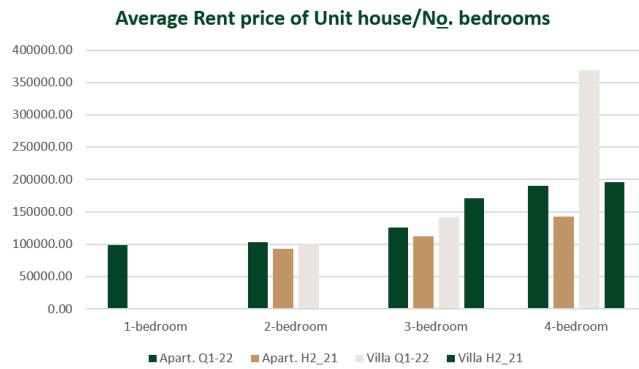
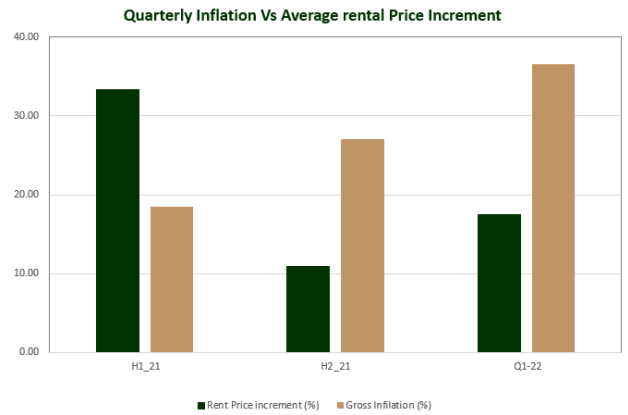
Despite a three-months ban on rent increases, the rental price for two bedrooms apartment has increased in H2-2021 to 103,358.21 ETB from 49,016.16 ETB in Q1-2022, showing a surge of 110.86% over 3 months.

RENTAL PRICES (VILLA)

The rental price of two bedroom villas has raised in H2-2021 to 89,000.00 ETB from 34,659.66 ETB in Q1-2022, showing an increase of 156.78% over 3 months.

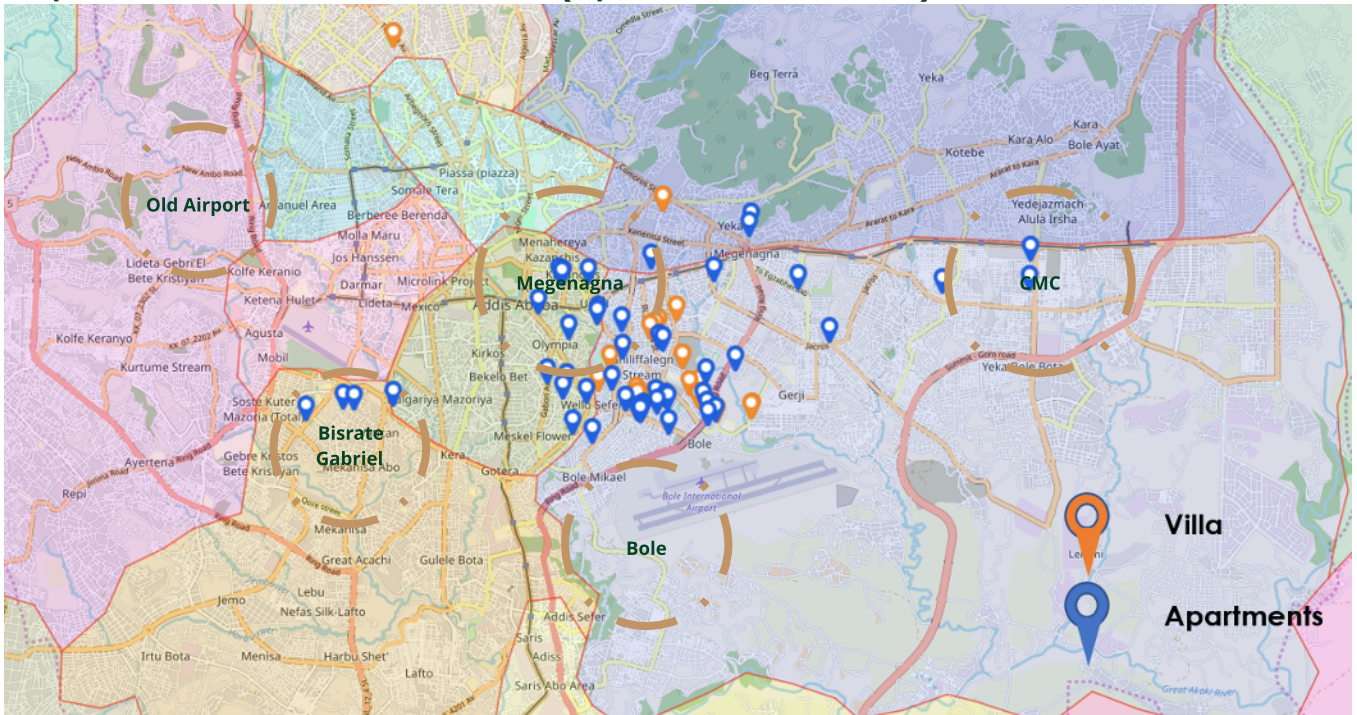
References:

1. National Bank of Ethiopia, Second Quarter Report, June 30th, 2022.



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.

Rental Price Summary - Price per sqm, Price per No.bed-rooms

Number of bedrooms	Average Rental Price (ETB)		Minimum Rental Price (ETB)		Maximum Rental Price (ETB)	
	2BR	3BR	2BR	3BR	2BR	3BR
Apartment	103,358.21	129,030.91	40,000.00	25,000.00	181,930.00	234,675.00
Villa	89,000.00	143,027.79	65,000.00	78,000.00	120,000.00	340,083.33

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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