

Research Report

ADDIS ABABA Residential High-End | Rental H1_2023



Inside the Rent: A Comprehensive Overview of Residential Rental Price in Addis Ababa

Miles Ethiopia | Addis Ababa Desk

In this comprehensive exploration, we inquire into the intricate landscape of one of vibrant cities, Addis Ababa, through the lens of residential rental prices. Addis Ababa showcases a rich blend of cultural, economic, and social dynamism. This dynamism is reflected in the varying price points that define the residential rental market in this metropolis.

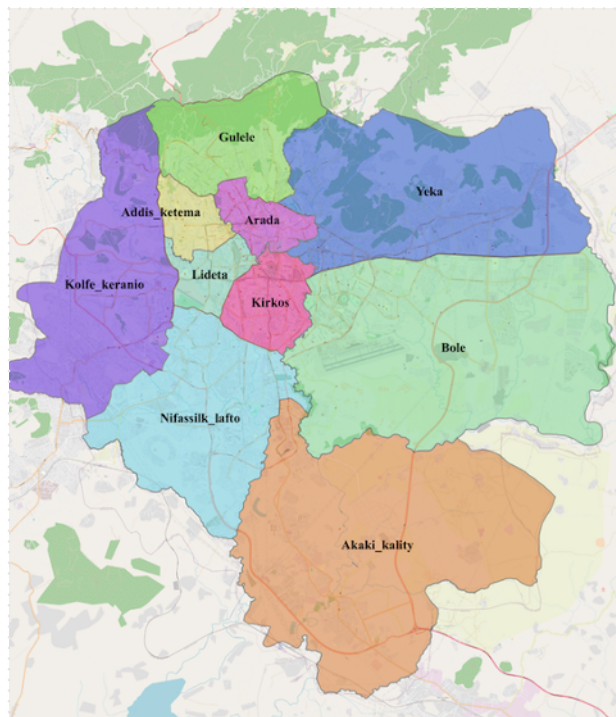
In Addis Ababa, like in many other cities, residential rent prices are significantly influenced by location. The city's neighborhoods vary in terms of amenities, infrastructure, safety, proximity to commercial and employment centers, transportation options, and overall desirability.

Urbanization and population growth serve as significant drivers in determining residential rent prices. In 2022, Ethiopia's urban population accounted for 22.7% of the total, with Addis Ababa contributing the largest proportion¹. The urban population of Addis Ababa has experienced an average annual growth of 4.8% since 2019. From 2020 to 2023, the population of Addis Ababa has, on average, risen by 4.43%. Projections indicate that the population will reach 5.7 million in 2024 and 5.96 million in 2025, signifying growth rates of 4.45% and 4.44%, respectively.

The interaction between urbanization, population growth and residential rent prices creates a multifaceted dynamic. These factors can trigger a cycle of escalating rent prices. As urbanization and population growth boost the demand for housing, landlords gain the opportunity to raise rent rates due to the limited availability of rental units. This cycle persists until either housing supply aligns with demand or regulatory measures are introduced to manage rent hikes.

The effect of high inflation on rent prices, particularly in Addis Ababa, is substantial. Over the past few years, the inflation rate has surged into double digits, exerting significant influence over the cost of renting properties. In consecutive years, the inflation rate has remained elevated.

The persistent high inflation rates have likely contributed to an increase in the overall cost of living, impacting the affordability of housing in Addis Ababa. This phenomenon can result in tenants experiencing rising rental costs, making it challenging for individuals and families to secure housing without allocating a larger portion of their income towards rent payments.



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



References: 1. UN: World Population Prospects, 2022

Spatial Variation of Apartment Cost Across Addis Ababa

We analyzed rental rates in various areas, including Bole, Old Airport, Hayahulet, Megenagna, Kazanchis, as well as suburban localities like Lebu, CMC and Ayat.

The areas with the highest rental prices were found to be Old Airport and Bole, closely followed by Hayahulet and Kazanchis. Our primary data collection revealed the following 3-BR furnished apartment rental prices: 248,767.57 ETB/month in Bole, 197,705.54 ETB/month in Old Airport, 183,400.32 ETB/month in Hayahulet, 154,843.44 ETB/month in Kazanchis, and 122,019.50 ETB/month in the suburban areas. Notably, there is a gradual decrease in rental prices as we move from the city center towards the outskirts.

Bole stands out as one of the most desirable districts in Addis Ababa, primarily owing to its advantageous placement, bustling commercial vitality, and contemporary infrastructure. Another esteemed area is Old Airport/Bisrate Gabriel, celebrated for its calm surroundings and residential setting.

However, the real estate landscape has begun to shift, with a noticeable inclination toward suburban areas like Lebu². This alteration implies the potential escalation of rental prices in the imminent future.

Rental Prices Vs Gross Inflation

Notably, during H1-2022 and H2-2022, the gross inflation reached remarkable levels of 33.80% and 33.50% respectively. Although there was a slight decrease in inflation between H1-2022 and H2-2022, the figures remained considerably high. As of the first quarter of 2023, there has been a further decline in the gross inflation rate to 29.3%. However, this level of inflation is still quite substantial and can exert pressure on various aspects of the economy, including rent prices.

Rent prices experienced increases of 19.08% (apartment) and 11.42% (villa) during the first half of 2022, followed by rises of 6.65% (apartment) and 16.44% (villa) during the second half of the same year. These periods also saw gross inflation rates of 33.80% (H1-2022) and 33.50% (H2-2022). Notably, the upward trend in rent prices has persisted across both time frames.

However, when contrasting the second half of 2022 with the preceding period, the pace of increase demonstrates a decreasing pattern, with increments of 1.06% for apartments and 3.97% for villas. This decline in the rate of rent price growth can be attributed to various factors, including governmental bans. The reduction in the inflation rate also plays a role in influencing the increment rate observed in the first half of 2023.

Rental Prices (Apartments)

The minimum and maximum rental price of furnished 3-BR apartment in Addis Ababa is 80,223 ETB/month and 324,532 ETB/month respectively and on average it is 183,340 ETB/month.

Rental Prices (Villa)

The minimum and maximum rental price of furnished 5-BR villa is 252,000 ETB/month and 394,000 ETB/month respectively and on average it is 302,886 ETB/month.

References: 2. Miles research report:H2-2022

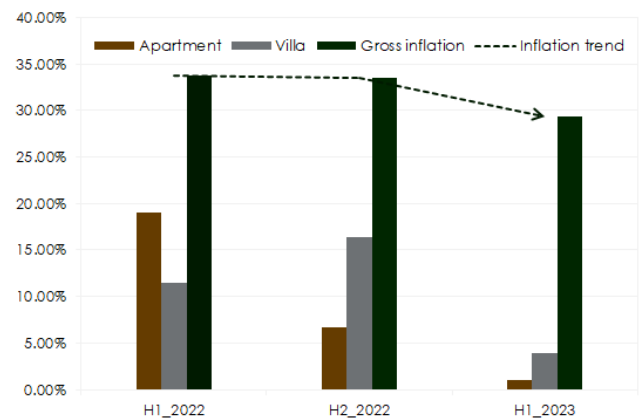


Figure 1: Gross inflation vs rent price increment rate

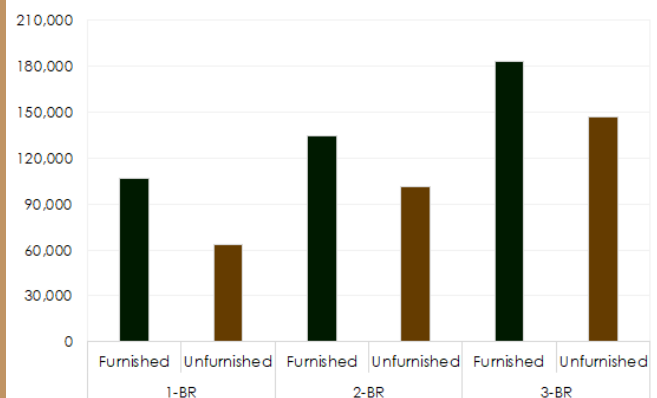


Figure 2: Apartment average rent price (ETB/month)

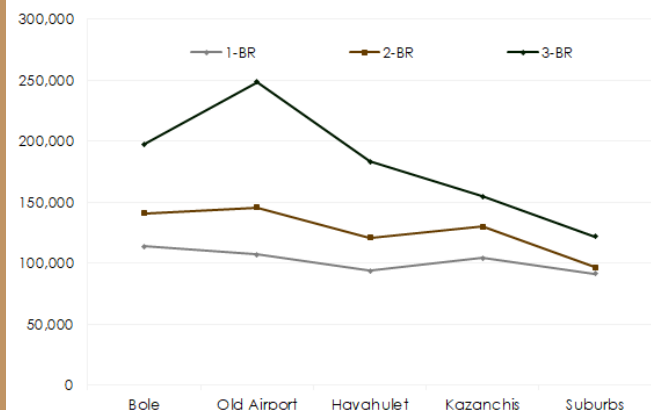


Figure 3: furnished apartment rent price (ETB/month) on selected areas

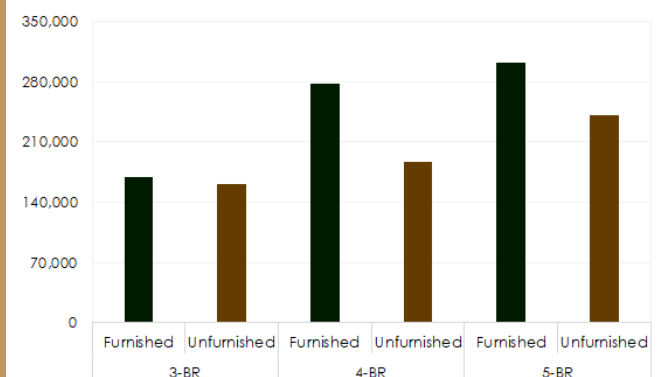
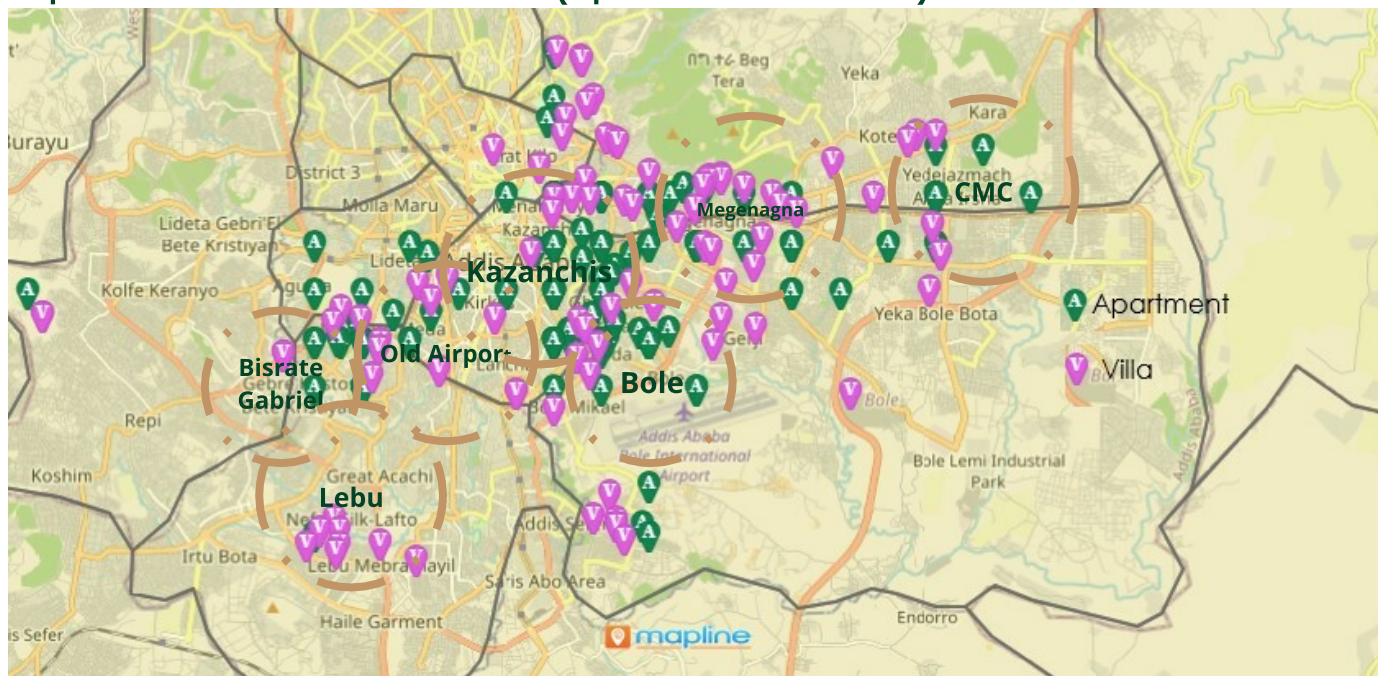


Figure 4: Villa average rent price (ETB/month)

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 and Villa Rent Price (ETB/month) Summary

Apartment

No. of bed room	Status	Min	max	Average
1-BR	Furnished	75,684.00	148,103.20	107,047.52
	Unfurnished	55,300.14	85,290.46	63,175.13
2-BR	Furnished	78,062.82	217,654.82	134,288.50
	Unfurnished	62,816.00	170,803.36	101,362.11
3-BR	Furnished	80,223.00	324,532.89	183,340.94
	Unfurnished	71,583.60	259,626.31	146,989.47

Villa

No. of bed room	Status	Min	max	Average
3-BR	Furnished	108,908.97	272,850.00	169,264.67
	Unfurnished	88,256.88	265,526.91	160,672.12
4-BR	Furnished	165,250.80	338,128.56	278,257.40
	Unfurnished	108,913.80	334,251.52	186,549.71
5-BR	Furnished	252,000.00	394,000.00	302,886.69
	Unfurnished	189,600.00	396,512.80	241,172.17

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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