

Research Report

ADDIS ABABA Residential High-End | Sale H2_2023



Insights into Addis Ababa's Real Estate Landscape: A Thorough Market Analysis

Miles Ethiopia | Addis Ababa Desk

Addis Ababa stands as a city undergoing rapid transformation, and at the forefront of this transformation is its dynamic real estate landscape. The Ethiopian capital has emerged as a hub of economic activity and urban development, attracting both investors seeking opportunities in its increasing property market. This comprehensive market analysis assessed features of Addis Ababa's real estate sector, offering valuable insights into the driving forces, trends, challenges, and prospects that shape the city's property landscape.

Addis Ababa, as the political, economic, and cultural center of Ethiopia, has witnessed a surge in demand for diverse real estate offerings. From residential developments catering to a growing population to commercial spaces meeting the needs of a growing business environment, the city's real estate sector is undergoing warm mobility.

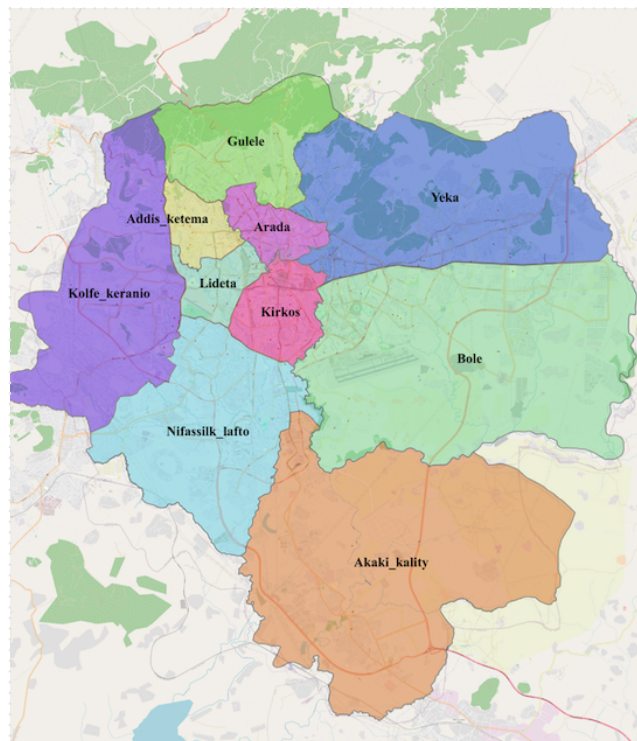
Real estate market in Addis Ababa is influenced by various factors including economic trends, demographic changes, infrastructural development and investment opportunities.

In Ethiopia, the GDP witnessed a 5.3% increase in 2022 compared to the previous year¹. Subsequently, in 2023, the GDP experienced a growth of 6.11%, and projections indicate a further increase to 6.95% in 2028². Notably, Addis Ababa accounted for 29% of Ethiopia's GDP and contributed significantly to national urban development, comprising 20% of the total³. The city's economic vitality is also boosted by foreign direct investment that influences the residential market.

Demographic trends including population growth, urbanization rates, and demographic shifts also play a pivotal role in shaping the real estate market. In Addis Ababa, the population increased annually on average by 4.40% from 2016-2023. 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%, respectively⁴. Urban expansion rate on the other hand increased annually on average by 5.1% between 2010-2020⁵. The economic growth in Addis Ababa has led to significant demographic shifts, with residents transitioning from lower to middle and upper-middle-income levels. This transformation in the demographic landscape plays a crucial role in shaping the types and market trend of residential homes.

Infrastructure developments, including transportation networks, utilities, and public amenities exert a substantial influence on the real estate market. Enhancements in infrastructure contribute to increased property values and attractiveness, promoting sustainable growth in residential sectors. In recent years, there has been a concerted focus on infrastructure development in Addis Ababa, aimed at attracting and fostering real estate development.

This market analysis aims to provide comprehensive insights into real estate market in Addis Ababa.



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



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1. World bank group, 2024 <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ET>
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REAL ESTATE MARKET ACROSS AREA IN ADDIS ABABA

The real estate market in Addis Ababa is predominantly influenced by the specific area. This dependence is primarily linked to the level of infrastructure development, proximity to amenities, utilities, and distance from commercial hubs. Currently real estate development is concentrated in some parts of the city as shown in Figure 1. The real estate price decreases as we go from Bole and Kirkos to the periphery of the city and the least price is specially observed in west and east periphery of Addis Ababa. Based on primarily collected data, the observed price fluctuations range from 73,000 ETB/sqm to 270,000 ETB/sqm. The last two legend categories in Figure1 don't show the spatial surfaces on the map. Rather they are shown as points indicating that those prices are outlier representing price of highly luxuries apartment.

It is evident that the trajectory of real estate development is not uniformly spread across Addis Ababa. Investors seek areas with high potential for development that are also attractive to potential buyers. To achieve this, there is a need for an equitable distribution of infrastructure development throughout the city. This approach encourages developers to explore opportunities in various parts of the city, promoting balanced growth.

SALE PRICE VS GROSS INFLATION

Inflation plays a crucial role in influencing the dynamics of the real estate market. In the context of Ethiopia, the annual gross inflation has exhibited fluctuations ranging between twenty and thirty percentage. Specifically, at the end of the first half of 2023 (H1-2023), the inflation rate stood at 29.4% (June). Subsequently, by the end of the second half of 2023 (H2-2023), there was a marginal decrease, bringing the inflation rate down to 28.7% (December)⁶. Despite this modest decline, the overall trend suggests that inflation has maintained a persistently high pace.

This elevated inflation rate places significant pressure on the costs associated with construction materials and other related expenses, consequently contributing to the continuous upward trajectory of real estate market prices. Assessing the first half of 2023, considering the high variation in real estate prices across areas, the average price was 117k ETB/sqm. However, in the second half of the same year, there was an 11% increase as the average price surged to 130k ETB/sqm. Figure 2 also illustrates the average price per class.

It is noteworthy that, despite a slight reduction in the inflation rate, the real estate market continues to exhibit an upward trend. This underscores the influence of various factors beyond inflation, such as supply and demand dynamics, construction delays, and the overall cost of construction, all of which contribute to the ongoing growth in the real estate market.

SALE PRICES ACROSS BEDROOM

The report assessed the real estate market based on bedroom categories, considering the minimum and maximum prices. For H2-2023, the minimum prices are identified as 5.6 mln ETB, 8.9 mln ETB, and 10.5 mln ETB for 1-BR, 2-BR, and 3-BR units, respectively. Correspondingly, the maximum prices reach 18 mln ETB, 32.8 mln ETB, and 53.6 mln ETB, aligned with the respective bedroom categories. The maximum price usually reflects the outlier price corresponding to highest class of luxury apartments.

AVERAGE SALE PRICES

In H2-2023, the average prices across different bedroom categories in the real estate market were identified as 9.7 mln ETB for 1-BR, 17.7 mln ETB for 2-BR, and 22.6 mln ETB for 3-BR units. A comparison with the preceding half-year data (H1-2023) reveals an upward trend in average prices ranging from 3% to 35%. Specifically, the 1-BR category experienced the most substantial increase, with a notable 35% rise in average prices. This significant uptick suggests a distinctive market trend, potentially influenced by heightened demand in relation to the available supply and the perceived affordability of such units. This information provides valuable insights for prospective buyers, allowing them to make informed decisions based on their preferences and budget considerations.

References

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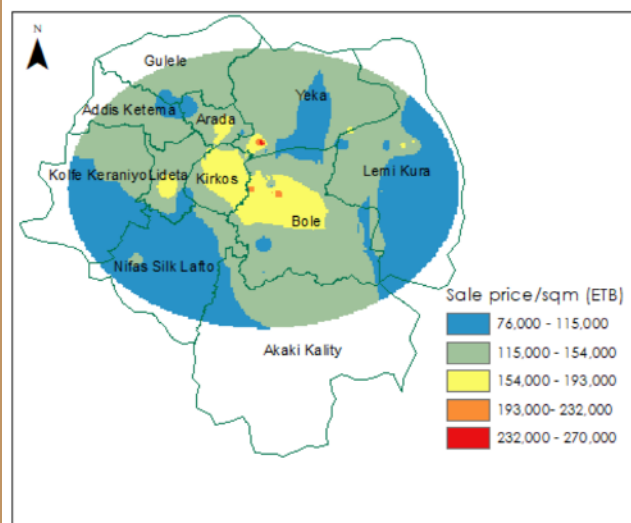


Figure 1: Sale price trend across area (ETB/sqm)

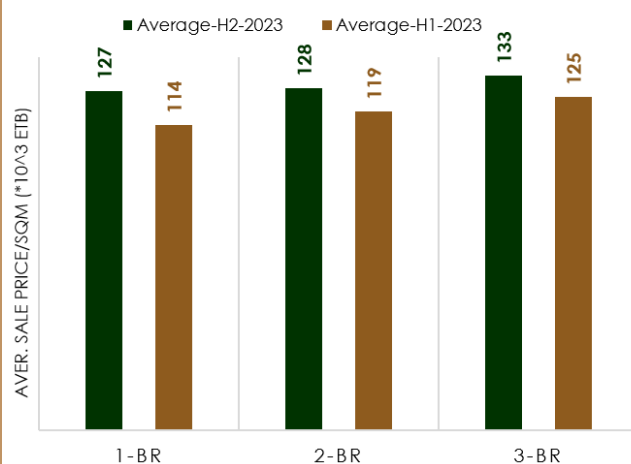


Figure 2: Average price/sqm (Thousands ETB/sqm)

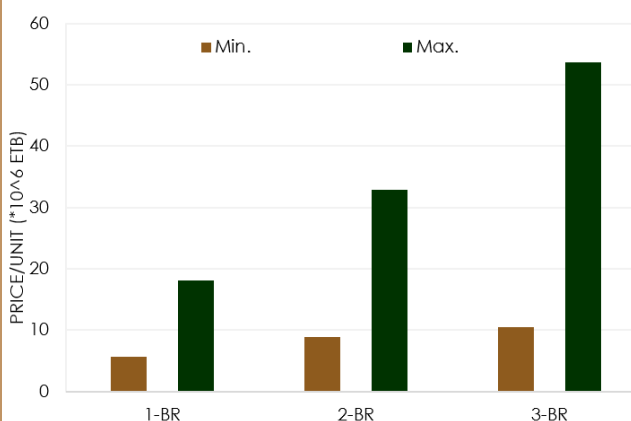


Figure 3: minimum and maximum price/unit (Million ETB/unit)

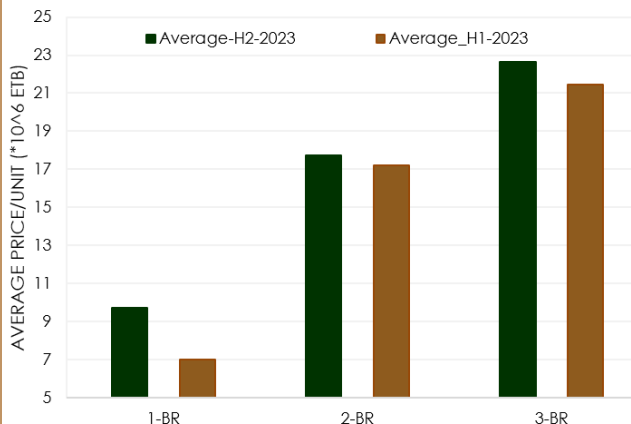
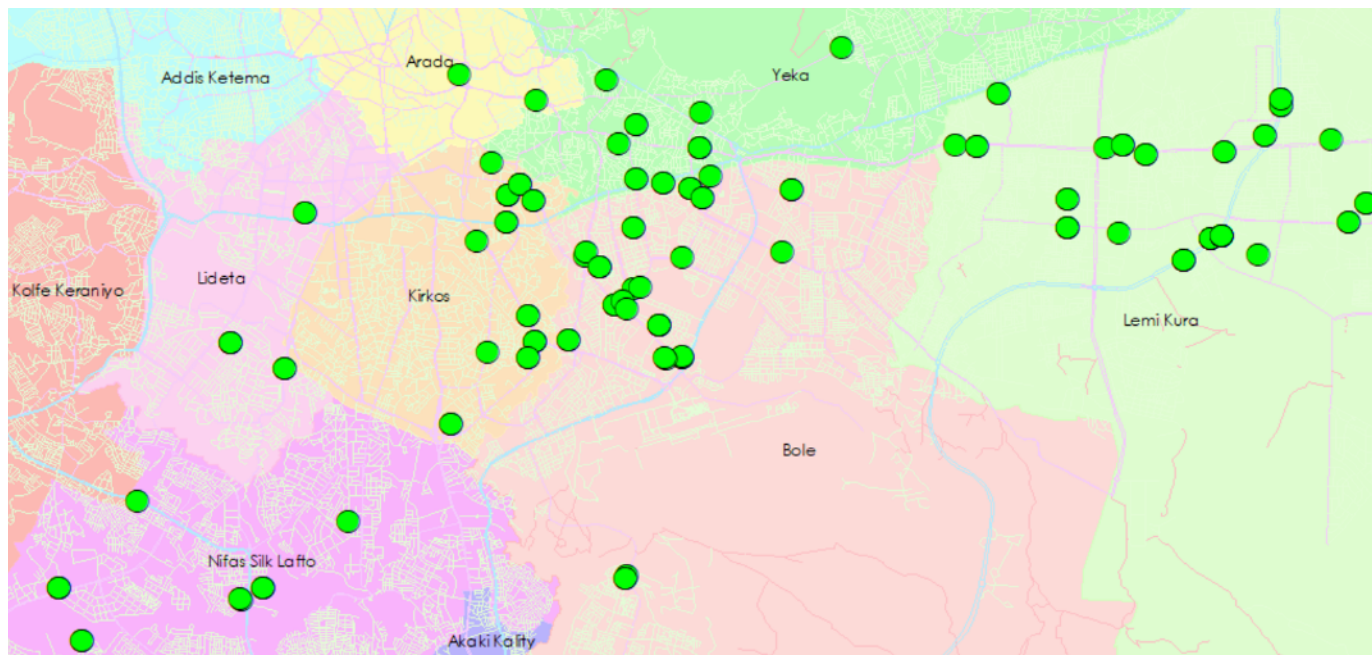


Figure 4: Average price/unit (Million ETB/unit)

Source: Miles data

Map of Real Estate Development Locations



Note

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

Real estate sale Price Summary

Sale price ETB/unit

No. of BR	H1-2023			H2-2023		
	Min.	Max.	Average	Min.	Max.	Average
1-BR	5,400,000	8,000,000	7,000,000	5,686,161	18,099,200	9,742,483
2-BR	8,000,000	32,369,540	17,232,557	8,910,000	32,860,728	17,754,701
3-BR	9,835,000	38,956,365	21,448,600	10,533,380	53,625,000	22,643,913

Sale price ETB/sqm

No. of BR	H1-2023			H2-2023		
	Min.	Max.	Average	Min.	Max.	Average
1-BR	60,540	120,983	114,261	73,000	195,000	127,089
2-BR	66,667	188,195	119,473	73,000	210,000	128,214
3-BR	70,000	259,000	124,911	89,900	275,000	132,911

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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