

PROSPECTS AND CHALLENGES OF REAL ESTATE DEVELOPMENT

IN ADDIS ABABA, ETHIOPIA

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ABSTRACT: The basic need for human survival is the existence of shelter. Life will be considered normal if housing is provided for the society at large. Governments spend large sum of capital to fulfill this demand. Our city Addis Ababa strives to meet the high demand of housing by allocating large sum of its budget. This study articulated the statement of the problem and got into the research. To achieve this goal the researchers used quantitative and qualitative research methodologies in the form of questionnaires and in-depth interview. After collecting the data necessary for the study, it was edited and sorted out. Then a very simple method of analyzing the data is followed using Microsoft Excel program. Based on the findings from the data collected a conclusion was made. Government should work on developing a centralized data system should be strengthened more. Financial Institutions should introduce a more transparent and efficient service for the real estate industry stake holders. On the other hand, contractors should introduce technology in the method of construction and building material supply that elevate the standard of the development.

1. INTRODUCTION

1.1 Background of the study

Addis Ababa (“New Flower” in Amharic) located at the foot of 3,000 meter Entoto Mountain, the capital city of Ethiopia as well as home to African Union had a history of a little more than a century (Encyclopaedia Britannica, 2017). According to the 2007 national census the population of the city is 2,739,551 and growing fast with a total number of housing units of 628,986. Among these houses those constructed out of mud and wood comprises almost 77 percent or 483,636 in number (Ethiopia Government, 2018; Central Statistical Agency of Ethiopia, 2007). This number shows us that the proper housing units are allocated only for 5 percent of the city’s population. However, the informal information gathered from political parties on the city’s population reaches almost seven million. The main challenge for the collection of the data on actual numbers is because of the undocumented inflow of large population from neighboring cities and the existence of illegal settlements in different parts of the city. These houses are locally known as “የሕይወት ቤት” (Ye Chereka Bet). Moreover, the neighboring towns of Oromia region to Addis Ababa; Legetafo and Burayu serves as a satellite city which homes lots of residents of Addis Ababa. Most of the daily laborer resides in these houses and are usually located near mountains and side of

highly polluted rivers. The advancement of the real estate industry is vital and essential, which if not done the city will face humanitarian disaster due to the expansion of the city without proper infrastructure like sanitation. The total urban sanitation problem covers 72.8 percent of the population which indicates a health-related danger is lurking around (Index Mundi, 2018).

Since the founding of the city a continuous growth both in the economy and population had occurred. However, the supply of housing did not meet the demand created due to the population growth. The city tried to tackle this shortage by providing poor standard houses from private owners. The extreme demand forces the government to tackle high shortage of housing by constructing condominiums in different areas of the city with a significant subsidy (World Bank, 2014). The government's effort could not satisfy the high demand and therefore the private sectors' entrance into this real estate development is vital, which prompts the government to focus on building the capacity of private sector (Ethiopian Government, 2017). Even though the government deploys large sum of its budget on housing development other factors like safety and cost of the construction makes it difficult to be successful (UN-HABITAT, 2011).

The real estate development process takes significant amount of time and due to this a lot of considerations taken will change by the time the project reaches at its final stage, which makes the dynamicity of the industry filled with enormous challenges (Amos, et al., 2015). In addition to this the scarcity of research material creates other challenging task to the already burdened industry.

The research to be covered in this paper focuses on the prospects and challenges of the real-estate industry in our beautiful city, Addis Ababa. The researchers gave an essential recommendation for the real estate industry stake holders. These bodies include home buyers, developers, contractors, consultants, financial institutions, brokers and government offices.

1.2 Statement of the problem

Even though Ethiopian government as well as the private developers tried to deliver thousands of houses each year, the high demand in dwelling places as well as the high migration from rural areas and the global trend on urbanization makes the demand extremely difficult to meet (Ethiopian Government, 2017). Amongst many and wide challenges of the city's real-estate industry some of the major ones could be summarized as follow; the first challenge that exasperated the problems is the absence of a governing body that is centralized in dealing with real estate related issues (Ethiopian Government, 2017). Moreover, the government's policy on the industry is not matured enough to guide and control this vast market. The policy did not allow foreign banks from entering in mortgage funds as it is the

case in different countries (National Bank of Ethiopia, 2017). According to the World Bank report the ease of doing business in Ethiopia is difficult and very poor as compared to highly developed nations' index. The Ethiopian economy is one of the fastest growing economies in the world and this creates ever-increasing labor wage and more housing units are needed to meet such growth. The double-digit inflation that is engulfing the country contributes to the challenge. The price escalation on raw materials that are used as an input in to the industry, the dwindling of foreign currency reserve of the country to two months and bureaucratic problems in land acquisition challenges the industry severely. These factors and other unseen factors hinder the industry from growing with the demand (World Bank, 2017).

The real estate industry is vast and covers a lot of areas and reaches to all sides of our country. However, this research paper focuses only on the “Prospects and Challenges of Real Estate development in Addis Ababa, Ethiopia”. To be more specific, the research deals only on the residential real estate development. Subsequently, the study attempted to answer the following questions:

1. The core advantages (opportunities) of real estate development in today's Addis Ababa,
2. The Challenges (difficulties) and Problems the real estate industry faces,
3. Establish a recommendation and conclusion for the industry's success.

2. LITERATURE REVIEW

2.1 – History of Real Estate Development

Real estate development

“is a multifaceted business process, encompassing activities that range from the renovation and re-lease of existing buildings to the purchase of raw land and the sale of developed land or parcels to others. Real estate developers are the people and companies who coordinate all of these activities, converting ideas from paper to real property” (Peiser & Hamilton, 2012)

Our ancestors during 30,000 to 15,000 BC changes their life style from hunter-gatherer to agrarian style, which results in growing home ownership that leads to the birth of human settlement in a defined way, kind of real estate (History World, n.d.; Investopedia, 2017). In between these centuries, a lot has occurred in the world as well as in our country. Even though it is difficult to get enough material during those remote years, the two contrasting pictures of Addis Ababa during its establishment and the recent ones show how the transformation passes a lot.

The dynamicity of globalization introduces different changes in the philosophy of living

standards. This change in need leads to a newer and bigger need which gives rise to the development of more housing units. The chain effect with time will help the real estate industry to grow in to different level.



Picture 1 - Addis Ababa Pictures, old (above) and new (below)

Emperor Menelik II who is the founder of Addis Ababa is a person who likes and diligently strives for his country to be modernized with the introduction of rail road and modern buildings (BahiruZewde, 2001). The brilliant and far sighted leader Emperor Menelik leads the population by being an example. During Emperor Haile Selassie, who is depicted as “The King of Kings” on the cover of TIME magazine (TIME, 1930), the city became the home of the Organization for African Unity (OAU) which is now African Union (AU) (African

Union, 2017). Real estate development in the era of the military regime was done by the government in the form of low-cost housing. In addition to the government’s effort, private ownership by acquiring land from the government was another way of accumulating wealth. The EPRDF government started its leadership with a lot of back log on house demand by the military regime and a severe war with Eritrea consecutively.

In and after 1991 some real estate companies started to emerge and enter in to the real estate business. During this time the country was moving in to capitalist ideology leaving the communist philosophy. Amongst these companies, Ayat Real Estate Company takes the pioneer place (Ethioconstruction.net, 2016). The major advancements are made in the past decade and see a growing trend in the coming years. The International Monetary Fund report indicates that “Ethiopia's state-led development model has delivered rapid economic growth, reduced poverty, and improved social welfare” (IMF, 2015). Moreover, the government’s policy to execute Growth and Transformation Plans (GTPs I and II) creates an opportunity for Ethiopia to reach middle class by 2025 and this creates a big opportunity for real estate development (The Regulator, 2016).

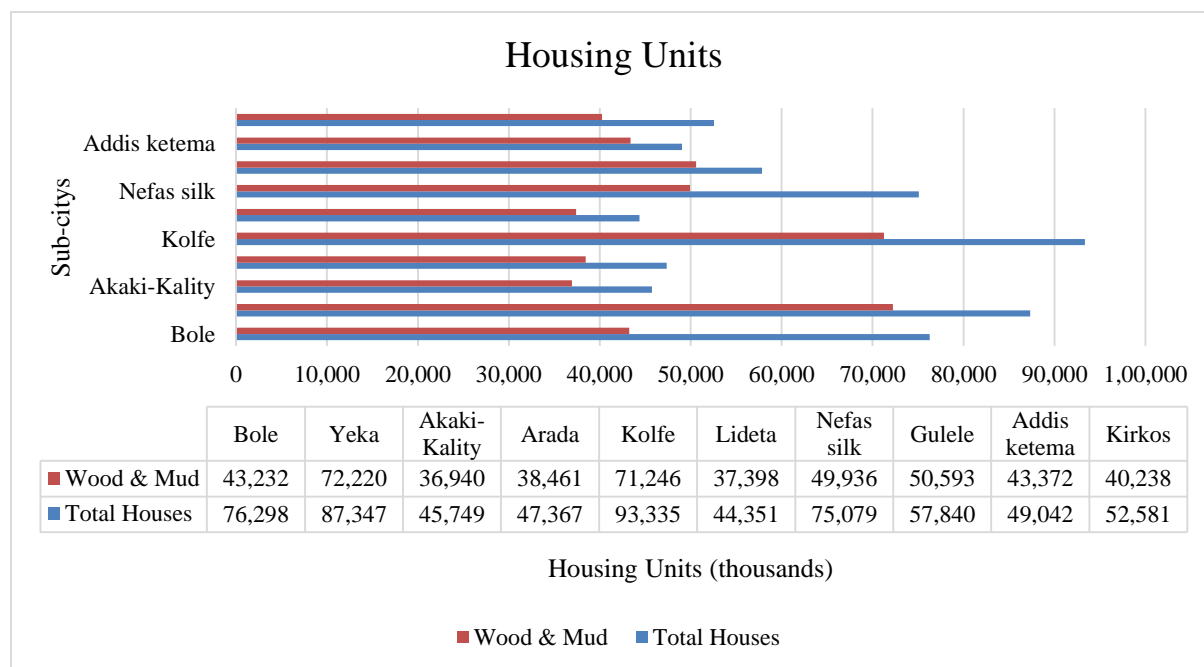


Fig 1 – Housing Units in each sub-city (CSA, 2007)

Currently, our beloved city Addis Ababa with the age of over hundred years covers an area of 540km² out of which 18.2km² is rural (Ethiopian government portal, 2016). The settlement in Addis Ababa is divided in ten sub-cities and the housing units are differentiated by the construction material their walls are made of. The housing units in each sub-city is indicated

on Fig 1 (Central Statistical Agency of Ethiopia, 2007). Nowadays the government introduced a policy that deals with the tackling of housing shortage in the form of 40-60 proportion while building a high-rise construction. 40% of the development should be an apartment space if one wants a building permit.

The home ownership in our city is a very challenging task to accomplish and this is mainly due to the combination of problems in acquiring land, low financial market and the scarcity of infrastructure (Access Capital, 2010). If a person wants to buy a house, the owner will ask for full payment at once and if a bank loan is secured the maximum year the bank gives is less than 10 years. In addition to this the interest rate is extremely higher as compared to the developed nations. As a comparison the USA home ownership for the past century is shown on Fig 2. The other factor which significantly makes home ownership difficult is the availability of mortgage loans. As an example, the USA mortgage trend is shown in Fig 3 (Get Rich Slowly, 2018). In mortgage related cases our city's current situation could be compared to that of USA century back (Access Capital, 2010).

U.S. HOMEOWNERSHIP RATES					
1890	47.8%	1940	43.6%	1990	64.2%
1900	46.7%	1950	55.0%	2000	66.2%
1910	45.9%	1960	61.9%	2010	66.5%
1920	45.6%	1970	62.9%		
1930	47.8%	1980	64.4%		

Fig 2 – USA home ownership Rates (Get Rich Slowly, 2018).

MORTGAGES: NOW AND THEN		
	1916	2016
HOME PRICE (INFLATION-ADJUSTED)	\$170,407	\$288,000
DOWN PAYMENT	50%	20%
MORTGAGE TERMS	5 YRS (INTEREST-ONLY), BALLOON	30 YRS, NO BALLOON

Fig 3 – USA mortgages in 1916 and 2016 (Get Rich Slowly, 2018)

The real estate industry has evolved to an ultra-modern state in the USA, and it leads the global industry into the 21st century real estate. While in Ethiopia the industry took a very long time to reach what it is now, and that is not modern yet.

Taking the US real estate industry as a benchmark to assess our city's trend shades a light on the general idea. At the start of the 20th century in the US the house price dropped due to new mass- production and standardized techniques, which paves a way to an optimum cost of constructing a house (Get Rich Slowly, 2018). If the challenges of the real estate have to be dealt with the construction method of, our country should take the same road, which is mass-production and standardized techniques.

The rapid urbanization in the city makes the supply of housing units very difficult to meet. Moreover, the overall effect of the growth lays a heavy burden to the real estate industry. When the whole stake holder functions harmoniously, the flow of the real estate industry will be healthy and meets the modern standard (Fortune, 2017).

2.2 – Opportunities/Prospects in Real Estate Development

The real estate industry in its general sense touches all walks of life. One of the basic needs for humanity is accessing a shelter. The industry has evolved from cave to modern buildings. In today's highly globalized and modern world, houses transcend the "shelter" need and enter in to expression of one's wealth, status and style. Furthermore, the real estate development involves different sectors which spans from raw material production quarries to material supply, employment, different contractors, designers, brokers, financial institutions, finished material manufacturers, transporters and the like. Most of the industry's players are stated on Fig 4.

The big opportunity in the real estate industry is its life cycle which could reach more than a century. Moreover, the leap into the future with the help of new ideas and technology makes the vast opportunity sustainable. The evolution of housing has been transformed in the past to a different level. The reason behind this transformation is the ever-changing technology, government policies and societies' cultural shift over several centuries (Smart Living 360, 2017). Common modern housing units in Addis Ababa considers the provision of separate room fitted with its own toilet for the purpose of accommodating a maid. Whereas the trend in the developed nations has evolved and avoided the notion of having a maid at all. Therefore, the real estate market will benefit now as well as in the future because of the trend evolution (Smart Living 360, 2017).

The real-estate industry and infrastructure constructions are the top two sectors out of the 18 sectors included in the government's annual GDP statistics reported. The two sectors comprise around 15 percent of the total GDP and out of this 9 percent is covered by the real-estate sector and 6 percent goes to the infrastructure of the country's GDP for the year 2008/09. In the light of the 2008/09 GDP report, the real-estate and infrastructure construction industries enjoy an annual growth of around 14 and 11 percent in the years

spanning from 2004/05 to 2008/09, respectively. The average growth rate on the reported year (2008/09) was 11.4 percent and when compared to the annual growth of the two highly intertwined sectors (15%), it is higher than the average growth of the country's general growth. The country's growth rate shows a two digit increase due to the two sectors in the years stated above (Access Capital, 2010).



Fig 4 – Stakeholders in Real estate Development (Researchgate, 2018).

The capital city allocated a significant sum of its annual budget for the infrastructure construction. Being related to the sector the real-estate industry shows a vital growth (African Globe, 2012). The country has an extremely higher youth population that needs an employment opportunity. The growth in these two sectors created a large sum of employment both in skilled as well as non- skilled labor (Central Statistical Agency of Ethiopia, 2007).

Unlike the developed nations the real estate industry in our city Addis Ababa involves human labor in different forms than using machineries. This in turn creates lots of job opportunity for high youth demography in the city which needs it badly. On the other hand, the development helps the city to grow towards modernization. From environmental perspective the introduction of common treatment plant helps the reuse of water. The impact on the economic side is tremendous from street vendors to big manufacturers (Access Capital, 2010).

The average home ownership rate of Addis Ababa is close to 23 percent which is much lower than the top 10 countries with higher home ownership rate (Fig 5) (Trading Economics, 2018) (Central Statistical Agency of Ethiopia, 2007). Therefore, there will be an opportunity in introducing the real-estate industry in creating a lot of opportunities for the different

stakeholders involved in the field.

Our country will get lots of tax in the real-estate industry when the sector expands and enters the wider section of the residents as it is a general trend in the developed nation like the USA (IRS, 2018).

Home Ownership Rate

World	Europe	America	Asia	Africa	Australia	G20		
Country	Last		Previous	Highest	Lowest			
Mauritius	99.10	Dec/11	99.1	99.1	98.6	%	Yearly	
Romania	96.80	Dec/17	96	97.5	95.6	%	yearly	
Singapore	90.70	Dec/17	90.9	93.1	58.8	%	yearly	
China	90.00	Dec/14	90	90	90	%	Yearly	
Croatia	90.00	Dec/16	90.3	90.3	88.2	%	yearly	
Macedonia	90.00	Dec/16	90.6	90.6	87.3	%	Yearly	
Lithuania	89.70	Dec/17	90.3	93.6	88.3	%	yearly	
Slovakia	89.50	Dec/16	89.3	90.5	82.1	%	yearly	
Russia	87.30	Dec/16	87.1	87.3	58.2	%	Yearly	
Hungary	85.30	Dec/17	86.3	89.8	85.3	%	yearly	

Fig 5 – Home ownership rates (Trading Economics, 2018)

2.3 – Challenges in Real Estate Development

With the current construction methods and way of construction management in Addis Ababa, the life cycle of real estate development consumes long period of time. However, there are some exceptions. As an indication a simple villa takes around 10 months to construct and deliver. If the residential unit is higher story it might take more than a year. Due to this a lot of factors; like the price of construction materials, design service could change. These make the industry full of risk and uncertainty (Urban Land Institute, 1989). The scarcity of land for development as Mark Twain famously said “Buy land, they're not making it anymore” (Brainy Quote, 2017) will escalate land prices (Reporter, 2017). The other significant factor in the current situation of the city is the challenge of getting financing. The general challenges encountered internationally and locally in particular in the real estate development could be summarized as follow.

2.3.1 – Challenges of Standardizing to International Level

Different stakeholders got involved in the general business of real estate development

internationally as well as locally. This is a phenomenon raised due to the involvement of huge amount of capital pumped in to the real estate industry (PWC, 2017). The trend is attracting some international companies to come to Ethiopian market and invest. The Chinese company started developing apartments, hotel, office building and shopping mall, which by the international standard grades is an excellent real estate in Addis Ababa (Lamudi Management Team, 2014). The main challenge for these companies is the Ethiopian market is not standardized regarding acquiring, developing and e-marketing.

In the US where the industry is highly standardized companies like Zillow got data on more than 100 million properties. This site gives information ranging from its price to the grade of schools on the neighborhood (Zillow, 2018). Whereas in our city Addis Ababa the individual must go to the respective offices to find out all the data needed.

The usual trend in getting a property in Addis Ababa is either for rent or sales/purchase is through brokers who are organized and licensed or informal brokers. This trend creates a challenge in getting standardized information on the real estate industry.

2.3.2 – Challenges of Development and Building Permit Approvals

According to World Bank's study on doing business in Ethiopia, one of the problems depicted on the report is the lengthy and exhausting processes one should pass to get building permit approvals from either sub city or municipality (World Bank, 2017). The cumbersome processes on getting building permits and approval might take months and due to this it will make the industry more difficult to finish it with the budget allocated and the time scheduled. These in turn makes the investment extremely expensive for most of the population. In addition to this, the most severe drawback is the discouragement it creates for foreign investors not to enter the real estate development.

The plan permit demands the consultant to bring each drawing printed on paper so that the municipality professionals could check it. The large scale real estate drawings are too many and when brought to the municipal office the office space will be filled with papers. Sometimes the papers get lost and the consultant is obliged to produce other copy.

The government is trying to mitigate this problem by decentralizing the permit to lower level of the city structure. It allows building designs up to some story heights to be permitted at Sub city level rather than the municipality office (Ethiopia Government, 2018). The design itself takes an extensive time due to the master plan problems, which changes tremendously with time.

2.3.3 – Challenges Associated With Land Acquisition

Land was owned by the few individuals with special status like “Lords” in the era of kings and emperors (Zerga, 2016). This gives rise to the allotment of land in irregular form and it creates a challenge to manage the plots in a modern way. The government set up an office to redesign the plots by demolishing old locals in the name of development. These vacated plots are now available for different developments including real estate industry (Ethiopia Government, 2018).

The current constitution of Ethiopia gives the right of land ownership to the local governments of the nation and nationalities (Ethiopian Government, 1994) and the developer gets land by a lease system. It is hard to get large parcel of land easily and if, somehow it is there the price per square meter is highly expensive (Reporter, 2017). Moreover, land is not there for sale at individual level and this creates the transaction to be complicated. One has to deal with the owner of the land in illegal agreement and has to construct something before acquiring the title deed from the respective government office.

The other major factor which makes acquisition more difficult is the poor infrastructure network of the city. As the World Bank describes it, the urbanization of Addis Ababa is advancing at a rapid pace and it imposes big strain on the city administration in providing infrastructure (The World Bank, 2018).

2.3.4 – Challenges on House Financing

The availability of finance in the market creates an ambient environment on the real estate development. The real estate industry mobilizes large amount of capital and without financing, it could not have been materialized. The finance is beneficial for all parties; land owner, developer and end user that involved in the industry. The shortage in supply of the finance create a big challenge in all areas of the real estate industry (The New York Times, 2016).

The number of banks in Ethiopia is so limited and their capital is small as compared to other international banks, which makes house finance risky for a small capital and difficult to get enough housing finance (FinMark Trust, 2009). There are some banks that gives mortgage loans for their customers. However, the interest rate is too high, and it discourages the lender from entering in to the contract. The devaluation of Birr against major currencies creates instability in the real estate industry players. Most developers go all the way and made their deals in US dollars.

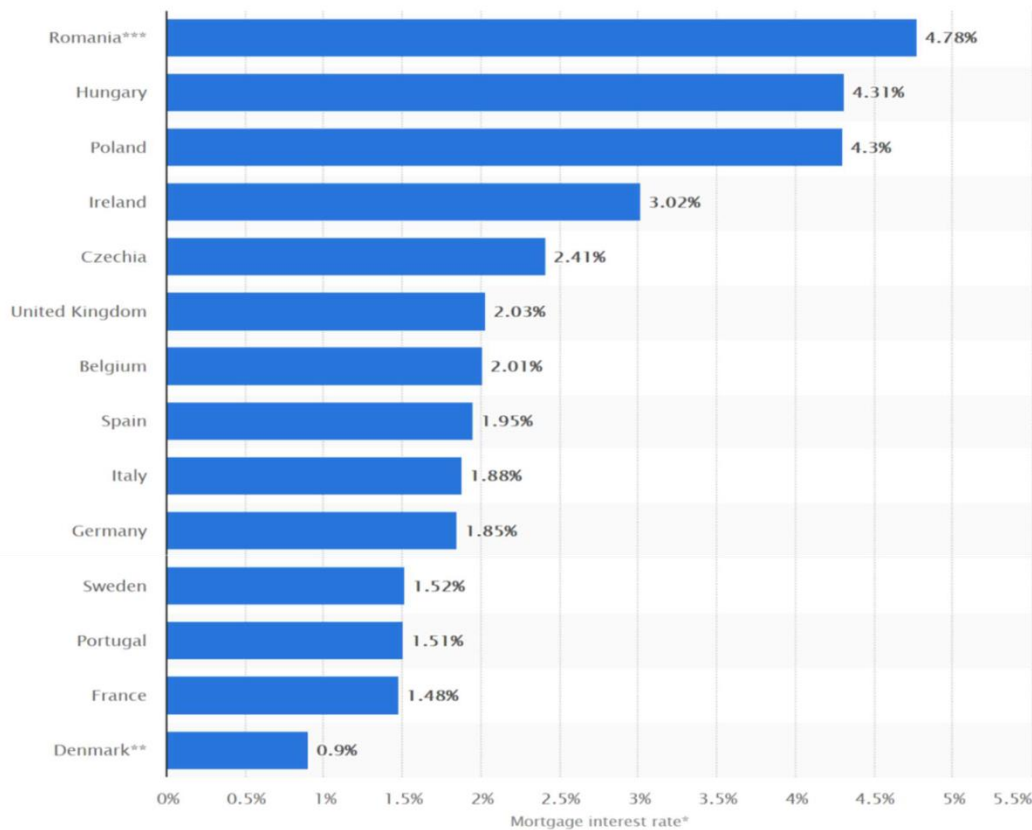


Fig 6 – The mortgage interest rate in Europe (Statista, 2018).

The effect of the interest rate is a deal-breaker. Let's see the effect of our countries interest rate with that of the European countries shown on the graph. The current mortgage rate for diaspora community offered by Commercial Bank of Ethiopia ranges from 8.5% to 10%. This offer is valid as long as they pay the down payment in USD (Reporter, 2018). For the analysis purpose the researchers took a housing unit that costs \$300,000 with an interest rate of 10% and the mortgage repayment year to be 30 years. This is compared with the interest rate of United Kingdom which is 2.03%. As seen on the graph, the Ethiopian rate cost the lender more than three-fold (\$947,777) by the time the loan is paid. Whereas, in United Kingdom the payment will be \$400,811. The total interest to be paid in Ethiopia is six times higher than that of United Kingdom. Therefore, the availability of finance without low interest rate is not that much of a help.



Fig 7 – Mortgage calculator United Kingdom (United Bank of Union, 2018).

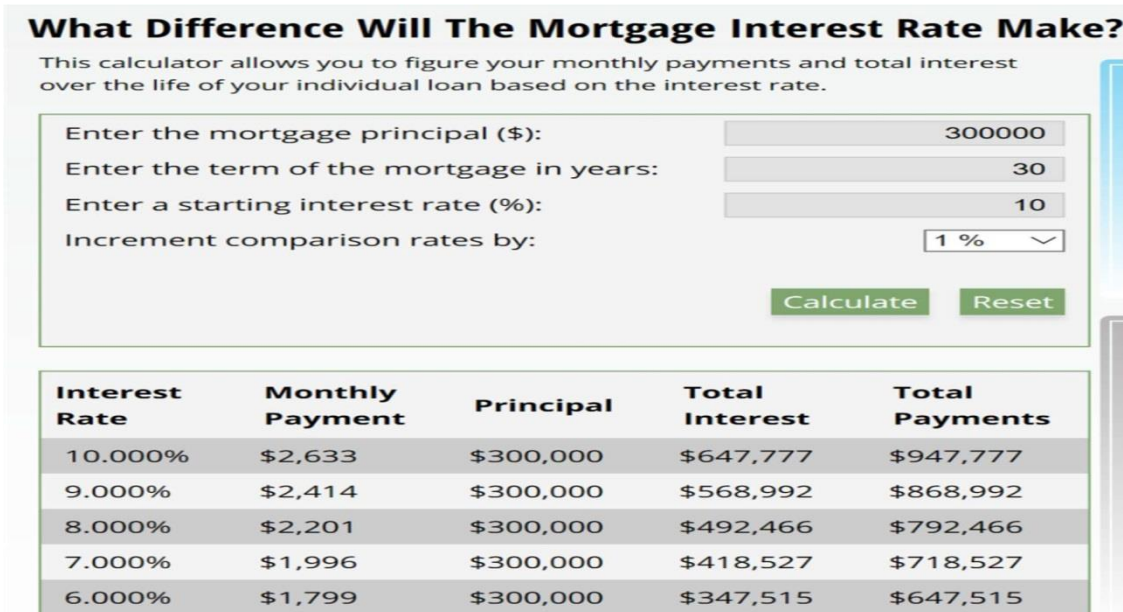


Fig 8 – Mortgage calculator Ethiopia (United Bank of Union, 2018).

2.3.5 – Challenges on Persistent Increases in Prices of Building Raw Materials

The inflation rate affects the real estate industry both on the development as well on the marketing stage. The rate fluctuation is mostly controlled on the developed nation, which

makes its effect minimal (New York Times, 2017). Whereas in Addis Ababa the rate is in two digits and it creates an increase in building material cost (All Africa, 2013). This in turn makes the available housing units to increase their price within short period of time. The construction industry is highly related to the real estate industry and the price increase on the building materials will make the cost of construction high.

2.3.6 - Lack of Adequate Qualified Construction Manpower and Skilled Artisans

The advancement in global knowledge is the main priority of UNESCO to mitigate the challenges facing the illiteracy of people (UNESCO, 2016). The real estate industry touches various professions which require the highest quality of labor force, the absence of it will end up in creating a challenge (Brookings, 2016). Most of the construction methods and other real estate related businesses are old and need to be upgraded to a modern level. This is creating the quality problem as well as price hike for the real estate industry. Most technological advancements are the fruit of knowledge. The real estate industry needs to align itself with the new trends of doing business.

2.3.7 Basic Shortage in Infrastructure

The major factor in real estate development is the availability of abundant infrastructures like energy, road, rail network and water. These factors will create a great challenge even though the available land is plenty, which pushes residents to flock into urban areas with proper infrastructure facilities (World Bank, 2014). The interconnection between development and infrastructure is tremendous. In Ethiopia the urbanization of the population is 20.4% (index mundi, 2018) and at this rate the cities that are outside Addis Ababa could not cope up with it. Therefore, more people will flow in to the capital city, which creates an extra burden to the city.

The country has an ambitious plan of reaching the road network totaling 200,000km in the coming couple of years (Xinhua, 2018). This will elevate the availability of road infrastructure that will help the real estate expansion. Country Club Developers (CCD) could be an example that shows how the availability of road network makes real estate more affordable. CCD is located outside the city limit in Legetafo but it is chosen by many to buy their houses.

2.3.8 – The Challenge in Exploring Recent Developments

Trends change as people changes in different areas like age, income and place which demands a continuous study on these changes and adapt to the new trend. This process needs a lot of time in research and development that incurs an additional cost. Whenever there is cost there is a challenge to be dealt with (ULI, 2017). In most developed countries there are companies that studies the market and the general trends of the real estate industry. Any company could get the data with little cost as compared to own study. Moreover, the

specialized companies' findings are more reliable (Zillow, 2018).

In some developed nations a house could be constructed and delivered within 7 days due to the availability of different recent technological advancements (Lifestyle, 2013). This kind of innovation should be considered and encouraged in our city if the real estate industry has to grow and met the demand.

The government has introduced a new ministerial position that deals with innovation and technology and gave high priority to human capital, which is basic for growth.

2.3.9 – The Challenge in Quality and Safety Of Projects

The experience from Germany housing development after world war II gives a significant lesson on this challenge. The gigantic problem rights after 1945 (end of WW II) forces the Germany government to focus on providing basic shelter for the people as a recovery process. During this phase a lot of mistake was made due to the super urgency of the situation at hand (SPIEGEL ONLINE, 2010). This situation resembles the current situation of our city, Addis Abeba.

The rebuilding process of Germany spans from 1948 to 1980s. the preexisting condominiums before the war were in millions and out of those close to four million were devoured to the point of no return. The other close to three million was flattened. Temporary shelters were constructed to accommodate the devastation (SPIEGEL ONLINE, 2010). The Ethiopian government takes this idea and starts large-scale developments of condominium projects in the city (Ethiopian Government, 2017). The main challenge facing this development at large scale is the substandard quality and construction. Due to this one building has collapsed and raises a safety concern (Ethiopian Government, 2017).

3. RESEARCH METHODS

Since the stated problem involves a young industry in Addis Ababa, descriptive research design method with “simple-random sampling” was used. While choosing the field of study the researchers observe a challenge in the real estate industry. Therefore, the best method to design the research was found to be to take case-study and conduct a survey on the matter. Both government and private entities were dealt as part of the sample population. Different stakeholders got the chance to participate in this research paper. Home buyers, developers, Contractors, Consultants, Engineers, other companies in the real estate development sector, Architects, town planners, government (ministry of works and urban development) and the like, involve into the real estate development industry.

While preparing this research the targeted population is taken from a real-estate companies that focused on residential properties. Among these companies Noah Real-estate, Gift Real-

estate, Ayat Real-estate and Aser Real-estate are selected to be included on the research. From the government offices professionals from municipality participated on the research. Supporting entities that participate in the real estate industry are taken. Berhan International Bank, United International Bank, Oromia Insurance Sc. Co, Awash Insurance Sc.Co and individual brokerage firms are some of the supporting entities. The researchers took 40 individuals from the above-mentioned stake holders. Out of these seven respondents each from clients, developers, contractors, consultants and supporting entities are chosen whereas, only five respondents are taken from government offices.

The real estate industry involves in different areas that spans from land acquisition, building and either leasing or selling. The data has been collected from home buyers, engineers, government officials and brokers. The data to be collected from the stated groups have followed quantitative approach (questionnaire) and a qualitative approach (in-depth interview). Moreover, the data was collected by using both primary and secondary data collection methods.

4. RESULTS AND DISCUSSIONS

4.1 General Trend of Real Estate in Addis Ababa

The respondents across the subgroup have different view on the real estate industry in general. When seen from different vantage points, the service needed or given differs with the interest vested by the stakeholder's advantage. As an example, the contractor plans to get an optimum profit on the construction. Therefore, the decline in sales price of the houses is not favorable from contractor's vantage point.

Even though the material price and labor cost hikes from time to time, the housing unit sales price did not go accordingly. Therefore, the service givers (Contractor, Consultant and Supporting entities) are not happy about the general trend of the real estate market. This is shown on the data with 100% of contractors responds only with "Good" and 29% of the supporting entities with "Fair". This entities' response was influenced by the unreasonable competition amongst themselves. Whereas the clients, developers and government employees saw the trend with a 100% "Excellent" response. Each response is depicted on table 2.

Table 2 – General trends of Real Estate in Addis Ababa

		Rate of Respondents on Questionnaire No 1 "General trend of Real Estate"													
		Total Respondents	% age Respondents	Excellent		Very Good		Good		Fair		Poor		Very Poor	
1	Client	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%	0	0%
2	Developer	7	18%	5	71%	2	29%	0	0%	0	0%	0	0%	0	0%
3	Contractor	7	18%	0	0%	0	0%	7	100%	0	0%	0	0%	0	0%
4	Consultant	7	18%	0	0%	4	57%	3	43%	0	0%	0	0%	0	0%
5	Supporting Entities	7	18%	0	0%	0	0%	5	71%	2	29%	0	0%	0	0%
6	Government Employee	5	13%	5	100%	0	0%	0	0%	0	0%	0	0%	0	0%
TOTAL		40	100%	17	43%	6	15%	15	38%	2	5%	0	0%	0	0%

4.2 Real Estate Developers' Adequacy

In preparing these questionnaires, the researchers faces shortage of enough developers in the city which could help in providing research data. However, the information gathered from these small players in the industry could be taken reliable because the industry is not complicated.

Table 3 – Real Estate developers' Adequacy in Addis Ababa

		Rate of Respondents on Questionnaire No 2 "Number of Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
2	Developer	7	18%	0	0%	0	0%	3	43%	4	57%	0	0%
3	Contractor	7	18%	0	0%	0	0%	0	0%	3	43%	4	57%
4	Consultant	7	18%	0	0%	0	0%	3	43%	4	57%	0	0%
5	Supporting Entities	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
6	Government Employee	5	13%	0	0%	0	0%	0	0%	0	0%	5	100%
TOTAL		40	100%	0	0%	0	0%	6	15%	11	28%	23	58%

During an interview, there was an ambiguity on the developer's side due to the belief that they are working under capacity due to the bottle neck created by the shortage of financing and hardship in getting land. The whole clients (100%) however believes that the number of real estate developers are too small to consider different choices. The government also believes that the city needs more companies to enter in to the real estate sector. The supporting entities

response show that the market for them is dwindling as new banks and other entities entrance in to the market as compared to the developer's entrance is so high. They need to see more real estate developers entering in to the city.

4.3 Housing Demand of Addis Ababa in 2020 EC

The housing demand in Addis Ababa coupling with the already existing backlog had been and will be an issue for the government as well as the residents. There are two extremes on this question with 100% "Strongly Agree" and "Strongly Disagree". The Client disagree while the government agree. This understandable difference is due to the different view and demand base. The government believes in its growth and transformation plan (GTP) in fulfilling the demand while the client trusts its past and present experience.

Table 4 – Housing Demand of Addis Ababa in 2020 EC

		Rate of Respondents on Questionnaire No 3 "future demand met in 2020 EC of Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
2	Developer	7	18%	0	0%	0	0%	2	29%	5	71%	0	0%
3	Contractor	7	18%	0	0%	0	0%	0	0%	4	57%	3	43%
4	Consultant	7	18%	0	0%	0	0%	2	29%	5	71%	0	0%
5	Supporting Entities	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
6	Government Employee	5	13%	0	0%	5	100%	0	0%	0	0%	0	0%
TOTAL		40	100%	0	0%	5	13%	4	10%	14	35%	17	43%

4.4 Opportunities of Real Estate in Addis Ababa

The opportunities of the real estate development industry got the unanimous reply with 100% support on the availability of a very big opportunity in the real estate industry. While conducting an interview the whole respondents saw a humongous opportunity if we pass the recent political situation in our country. The main driver of the market is the vast population we have.

Table 5 – Opportunities of real estate in Addis Ababa

The other reason for all respondents is the personal experience each one of them faces while trying to have a house.

4.5 Real Estate Development in Addis Ababa and International Standard

Except developers and government employees’ other respondents “Strongly Disagree” on the international standardization of the real estate industry. As a government body, who is trying to democratize information flow, it is understandable to take the entrant of a very few international Chinese firms in to the real estate industry as an introduction of international standard. One can take “Tsehay Real Estate” as an example (Lamudi Management Team, 2014). During the interview, it was stated that the government is planning to open its door for international major developers to standardize the industry. UAE developers have taken large plot on the center of the city around commonly known as Laghar to develop condos and other buildings.

Table 6 – Real estate in Addis Ababa and International Standard

		Rate of Respondents on Questionnaire No 5 " International standard in Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
2	Developer	7	18%	0	0%	0	0%	4	57%	3	43%	0	0%
3	Contractor	7	18%	0	0%	0	0%	0	0%	3	43%	4	57%
4	Consultant	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
5	Supporting Entities	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
6	Government Employee	5	13%	0	0%	1	20%	2	40%	1	20%	1	20%
TOTAL		40	100%	0	0%	1	3%	6	15%	7	18%	26	65%

4.6 Land Acquisition and Real Estate Development in Addis Ababa

The other factor which got a unanimous reply is the easiness of land acquisition in Addis Ababa. Every respondent agrees on the difficulty of acquiring land for construction of real estate development. The interview shows that land acquisition is the biggest and the most critical factor in the real estate industry. Everything starts from the acquisition of the land on which the whole structure begins. Even if the land is available the price of land is extremely expensive. This in turn makes the price of real estate expensive for the large mass of the society.

Table 7 – Land acquisition and Real Estate Development

		Rate of Respondents on Questionnaire No 6 " easyness on land acquisition in Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
2	Developer	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
3	Contractor	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
4	Consultant	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
5	Supporting Entities	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
6	Government Employee	5	13%	0	0%	0	0%	0	0%	0	0%	5	100%
TOTAL		40	100%	0	0%	0	0%	0	0%	0	0%	40	100%

4.7 Plan Permit in Real Estate Development

The supporting entities chose 100% “Undecided”. This is because of the lack of knowledge regarding the plan permit process. Their service is not associated directly with the design processes. The government employee’s view on this matter is that the challenge is there partly due to the designer’s problem. If the requirements are met the municipality has a time frame for plan permit, which is proofed on their site (Ethiopia Government, 2018). However, the truth on the ground is much different than what is stated on their web site. The contractors, developers and consultants agreed based on their experience on the matter.

Table 8 – Plan Permit and Real Estate Development

		Rate of Respondents on Questionnaire No 7 " Easyness in getting plan permit for Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	1	14%	6	86%
2	Developer	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
3	Contractor	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
4	Consultant	7	18%	0	0%	0	0%	0	0%	4	57%	3	43%
5	Supporting Entities	7	18%	0	0%	0	0%	7	100%	0	0%	0	0%
6	Government Employee	5	13%	0	0%	3	60%	2	40%	0	0%	0	0%
TOTAL		40	100%	0	0%	3	8%	9	23%	5	13%	23	58%

4.8 Financing in Real Estate Development

The government employee’s reply on this matter is 80% undecided and it is due to the lack of direct information on the matter. It is not related to their respective field. Half of the supporting entities “Agree” on the easiness of getting the finance as long as the requirements are met. The banking industry is governed by the central bank and has a strong controlling

system in place. The financing on housing construction is not ample and does not cover every sector. However, the service givers (Developer and Contractor) as well as the clients differ and reply either “Disagree” or “Strongly Disagree” based on their experience on the ground. The corruption that has engulfed the country affects the financial industry severely and that makes the availability of finance so challenging. Even if one gets the finance, the interest rate is so discouraging.

Table 9 – Financing and Real Estate Development

		Rate of Respondents on Questionnaire No 8 " Easyiness of financing in Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	4	57%	3	43%
2	Developer	7	18%	0	0%	0	0%	0	0%	5	71%	2	29%
3	Contractor	7	18%	0	0%	0	0%	0	0%	2	29%	5	71%
4	Consultant	7	18%	0	0%	0	0%	5	71%	2	29%	0	0%
5	Supporting Entities	7	18%	0	0%	4	57%	0	0%	3	43%	0	0%
6	Government Employee	5	13%	0	0%	0	0%	4	80%	1	20%	0	0%
TOTAL		40	100%	0	0%	4	10%	9	23%	17	43%	10	25%

4.9 Real Estate Development in Addis Ababa and Material Price

Almost all respondents fall into the category ranging from “Strongly Agree” to “Undecided” categories. The government employee’s view on the matter relies on the government’s data on inflation rates while the other sub group members accepts the actual market price. While conducting the interview, the government employees agreed on the higher inflation the city faces when they relate the case with their purchasing power on their day to day food items.

Table 10 – Material Price and Real Estate Development

		Rate of Respondents on Questionnaire No 9 " material price and Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
2	Developer	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
3	Contractor	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
4	Consultant	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
5	Supporting Entities	7	18%	2	29%	5	71%	0	0%	0	0%	0	0%
6	Government Employee	5	13%	0	0%	3	60%	2	40%	0	0%	0	0%
TOTAL		40	100%	30	75%	8	20%	2	5%	0	0%	0	0%

4.10 Real Estate Development in Addis Ababa and Man Power

The government data on the unemployment rate is high and by deduction it is believed to show that there are employable youth, 65% of Ethiopian population for the real estate industry (AfricaRenewal, 2013). Considering this the government body believes there are enough man power for the industry. Other than this other respondent agreed 100% on the shortage of both skilled and non-skilled labor. Whereas, the reason for the shortage of manpower varies amongst the respondents. The paradox here is that the unemployment rate is high while the shortage is also high. On the interview some of the respondents believe on the poor work habit of the population at large.

Table 11 – Man power and Real Estate Development

		Rate of Respondents on Questionnaire No 10 " Man power and Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
2	Developer	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
3	Contractor	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
4	Consultant	7	18%	7	100%	0	0%	0	0%	0	0%	0	0%
5	Supporting Entities	7	18%	0	0%	6	86%	1	14%	0	0%	0	0%
6	Government Employee	5	13%	0	0%	1	20%	3	60%	1	20%	0	0%
TOTAL		40	100%	28	70%	7	18%	4	10%	1	3%	0	0%

4.11 The Availability of Infrastructure and Its Effect on Real Estate Development

The availability of basic infrastructure is the major challenge of the country at large. Ethiopia is one of the least developed nation in the world (World Bank, 2011). Even though the world bank data shows the challenge the Ethiopian government believes that it is not as severe as stated on the world bank data. This belief tends to be seen on the reply of the government employees. However, 75% of the respondents agreed on the notion that basic infrastructures like road, water and power are so scarce and makes the real estate industry to suffer a lot. Almost all respondents who participate on the interview agreed that the shortage of infrastructure could be seen if one sees the city from one high rise building. The city couldn't expand to the vacant spaces because of the unavailability of road infrastructure. The general response swings to the two extreme choices, which shows that the opportunities and challenges has to be dealt to reach at an optimum growth.

Table 12 – Infrastructure availability and Real Estate Development

		Rate of Respondents on Questionnaire No 11 " does the government avail infrastructure for Real Estate"											
		Total Respondents	% age Respondents	Strongly Agree		Agree		Undecided		Disagree		Strongly Disagree	
1	Client	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
2	Developer	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
3	Contractor	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
4	Consultant	7	18%	0	0%	0	0%	0	0%	0	0%	7	100%
5	Supporting Entities	7	18%	0	0%	0	0%	2	29%	3	43%	2	29%
6	Government Employee	5	13%	0	0%	1	20%	3	60%	1	20%	0	0%
TOTAL		40	100%	0	0%	1	3%	5	13%	4	10%	30	75%

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The real estate industry in Addis Ababa shows a humble beginning before a century ago. The present state is reached passing a lot of ups and downs. One can conclude after conducting this research that the city has a lot to go.

Based on the research made, the city has a tremendous opportunity in the real estate development industry. It gives potential investors a chance to tap this opportunity and benefit themselves financially. The government will ease its burden of unemployment when the industry hires large sum of working force into the industry. The rivers that are flowing in the city are heavily polluted and aesthetically unpleasant. This modern development in the real estate industry will elevate the standard of living of the residents who were living in a terribly placed sham.

The challenges that are encountered in the industry ranges from land acquisition to availability of financing for both purchasing and developing. The demand that has been accumulated for a very long time starting from the civil war era will be a great challenge for both private and corporate developers to meet. The other challenges in the middle could be concluded as; (i) the challenges of standardizing to international level, (ii) problems of development and building permit approvals, (iii) the challenge in exploring recent developments, (iv) problems associated with land acquisition, (v) problem of house financing, (vi) persistent increases in prices of building raw materials, (vii) lack of adequate qualified construction manpower and skilled artisans, (viii) basic shortage in infrastructure. In conclusion, as findings depict Addis Ababa is way back as compared to the most developed real estate industry of western nations.

5.2 Recommendation

The industry shows a lot of opportunities for the stake holders. The real estate industry covers a significant portion of our GDP. Any saving on the housing units will save our country, Ethiopia a great deal of budget to be spent on other infrastructural projects. Therefore, the government as well as other developers should tap this opportunity by investing their time and capital on the real estate industry. If the real estate industry handled with care and diligence our beloved city Addis Ababa (“New Flower”, “Sheger”) will benefit in elevating the standard of living for its residents. Moreover, the employment of its high population of youth demography will help the city with tax. The modern real estate will make the city safe, beautiful and healthy to live in. The overall effect of the growth of the real estate industry into the future will definitely make our beloved city Addis Ababa be like its name “New Flower”.

The government should use international media outlets to advertise these opportunities and exert an utmost energy in attracting foreign investors in to the Addis Ababa real estate industry. In addition to attracting the investors the government should work on the bureaucratic hurdles on the land acquisition and process of plan permit. Once the investors decide to come and invest they should get due follow up until the fruition of the development. Hence, government’s effort to develop a centralized data system should be strengthened more. Moreover, the controlling system of the real estate industry would be easy once the centralized data system is in place.

The building plan permit process demands the consultant to bring printed paper plans for correction. This creates an additional cost for the developer. Therefore, the preliminary drawings could be sent for checking using email. In doing so the cost will be less and the municipal office saves storage space.

Financial Institutions should learn from other internationally known financial institution to introduce a more transparent and efficient service for the real estate industry stake holders. As a starting point they could enter in to partnership with this well-known financial institution.

One of the challenges of the developers is doing everything, from design to sales by themselves. The whole process could be sub contracted to different contractors which helps the developer to focus more on the excellence of the service. While contractors introduce technology in the method of construction and building material supply that elevate the standard of the development. Moreover, the total cost of the construction will be less. This will make the development to be affordable for large portion of the society.

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