



LEGAL INSIGHT

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Overview of Ethiopia's Draft Real Estate Development and Real Property Marketing and Valuation Proclamation

DABLO LAW FIRM LLP, previously known as Dawit, Addisu & Bruk Law Office was established by its three managing partners Dawit Kidane, Addisu Hailegebriel, and Bruk Geremew in March 2013 to provide trustworthy, dependable, and reliable legal consultancy and advocacy services. As of 27 February 2023, Dawit, Addisu & Bruk Law Office has restructured as DABLO Law Firm LLP pursuant to the Federal Advocacy Service Licensing and Administration Proclamation No. 1249/2021.

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Introduction

Ethiopia is on the verge of introducing its first comprehensive legal framework governing real estate development, property marketing, and valuation. A draft Real Estate Development and Real Property Marketing and Valuation Proclamation has been submitted to the House of Peoples Representatives for consideration during the House’s first session following its recess

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The proclamation is aims at providing an accurate and reliable price information to property owners while promoting real estate investment and enhance housing availability. The draft proclamation also aims at promoting transparency and accountability in the real estate market, thereby benefiting developers, buyers, and other stakeholders.

DABLO has reviewed the key provisions under the draft proclamation:

1. Real Estate Development Licensing (Articles 5 and 6)

The draft proclamation requires that investors, whether local or foreign, obtain a Real Estate Developer’s Qualification License before engaging in any real estate development activities. The criteria for obtaining the license includes among other things, the ability to construct and transfer a minimum of 50 houses, provide financial source and means for construction and provide project study for the intended construction.¹ While foreign investors are required to comply with the country’s investment laws, local developers, are required to meet specific project financing and construction scheduling requirements.

Additionally, favorable conditions for government land access are available to developers who build significant numbers of affordable homes.² Developers are not allowed to apply for a Certificate of

¹ Article 5, Draft Real Estate Development and Real Property Marketing and Valuation Proclamation.

² Articles 5(4), Id.

Ownership for a housing unit for individuals, before the construction reaches 80% completion.³

2. Real Property Marketing and Valuation (Articles 11-13)

The Draft proclamation introduces a system to value real estate property. Valuation of real estate serves various purposes, including tax assessment, property sales, bank loans, and court disputes.⁴

The valuations are required to be conducted by a certified property valuer and these valuations must be updated regularly, typically every five years, to ensure constancy with the current market conditions.⁵ (Article 11(3)(c)). Local authorities are required to publicly announce property valuations and this allows real estate owners the opportunity to review and appeal any discrepancies.⁶ Additionally, the draft proclamation outlines methods for conducting property valuations, including market comparisons and cost-based approaches.⁷

3. Developer and Buyer Duties (Articles 7 and 8)

The draft proclamation imposes several obligations on including a prohibition on transferring properties before 80% of construction is complete, unless consent is given by the buyer.⁸ They also have the obligation of ensuring that buyers are provided with legal documentation, including land ownership and building permits.⁹

The draft proclamation also imposes obligations on the buyers. They are expected to make timely payments and provide necessary documentation to complete the transaction. Buyers are also encouraged to form associations to safeguard their interests, particularly in the case of joint property ownership.¹⁰

4. Warranty Conditions (Article 9)

The draft proclamation requires important warranty conditions for developers engaging in pre-sale of houses to homebuyers before construction of the real estate is completed. Before engaging in any

³ Article 6, Id.

⁴ Article 11(1)

⁵ Article 11(3)(C) Id.

⁶ Article 13(1) & 13(7), Id.

⁷ Article 12, Id.

⁸ Article 7(1), Id.

⁹ Article 7(6), Id

¹⁰ Article 8(3), Id

pre-sale agreement, developers are required to notify the relevant government authority and must deposit all pre-sale payments into a closed bank account until the properties are built and handed over to the buyers.¹¹ This measure is crucial in protecting homebuyers from potential risks, as it is common in the real estate business as it ensures that funds are secured and only released in accordance with construction progress. Additionally, it also requires developers to provide proof of ownership for the houses being pre-sold, ensuring that buyers have legal protection throughout the transaction process.¹²

5. Complaints and Appeals Process (Articles 24-30)

The draft proclamation stipulates procedures for resolving disputes related to real estate transactions, construction quality, and property valuation.¹³ Homebuyers or developers can file a complaint to the relevant government body, if they feel aggrieved by issues related with the valuation of the property or the quality of construction etc., which must respond within 30 working days.¹⁴

If disputes remain unresolved, parties may appeal to a complaints committee, which will investigate and make recommendations.¹⁵ Final appeals can be brought before competent regular court, whose decision shall be final.¹⁶

6. Government Oversight and Urban Land Classification (Articles 19-22)

The Ministry of Urban and Infrastructure Development is tasked with establishing a national system for real estate development, including regulating brokers and valuers, and supporting local authorities in implementing the law.¹⁷ The ministry should also regularly study national real estate supply and demand and provides indicative price ranges for rent and sale of real estate property.¹⁸

Additionally, cities are required to classify urban land according to development needs and market value, ensuring that infrastructure costs and local demands are accounted for in property prices.¹⁹

¹¹ Article 9(2)

¹² Article 9(3).

¹³ Article 24, Id.

¹⁴ Article 25, Id.

¹⁵ Article 28, Id.

¹⁶ Article 30, Id.

¹⁷ Article 21 & 22, Id.

¹⁸ Article 21(8), Id.

¹⁹ Article 19, Id.

Conclusion

This new draft proclamation marks a significant shift in Ethiopia’s real estate landscape, providing developers and buyers with clear guidelines for property transactions, marketing, and valuation. By setting rules for licensing, enforcing transparent valuation processes, and establishing a legal pathway for resolving disputes, the law aims to make the sector more efficient and reliable. For developers, this creates a more structured environment for investment. For buyers, it ensures greater protection and clarity when navigating property markets.