



A NEW ERA FOR REAL ESTATE IN ETHIOPIA

An Overview to Proclamation No. 1357/2024

For many Ethiopians, both at home and abroad, investing in real estate represents more than just a purchase; it's a commitment to their future and a key to long-term security. Yet, for years, this vital sector has faced significant challenges, including a lack of transparency, unreliable developers, inconsistent property valuations, and complex legal disputes. These issues often left buyers in a vulnerable position.

In a landmark move to address these concerns, the Ethiopian government has introduced Proclamation No. 1357/2024, the Real Estate Development and Real Property Marketing and Valuation Proclamation. This law is designed to fundamentally reshape the real estate landscape, ensuring greater transparency, accountability, and, most importantly, enhanced protection for buyers. This comprehensive guide will walk you through the most crucial legal provisions, what they mean for you, and how they solve the industry's biggest challenges.

A New Legal Framework for Developers

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a. Mandatory Certificate of Competence (Article 5): Under Article 5, all real estate developers must now obtain a "certificate of competence" from the relevant authority. To get this certificate, a developer must demonstrate not only a viable project plan but also the necessary financial stability.

b. Strict Capital and Construction

Requirements: The law specifies minimum requirements for developers, ensuring they have the capacity to deliver on their promises. For instance, a developer must be able to construct and transfer a minimum total built-up floor area of houses permitted by the Proclamation or 1,500 square meters for rent or sale. Furthermore, foreign investors must meet a specific minimum capital investment as outlined in Ethiopia's Investment Law.

c. Regulation of Property Marketing

(Article 9): To prevent deceptive practices, Article 9 of the proclamation prohibits all forms of false or misleading advertising. This legal provision ensures that the information you receive from a developer is accurate and reliable, empowering you to make informed decisions without fear of deception.

Enhanced Buyer Protection and Property Transfer

The proclamation's most impactful changes are those that directly safeguard your investment. The new rules address common pain points and provide a clear legal pathway for property transfer.

a. The "80% Completion" Rule (Article 7):

One of the most significant changes is the prohibition on transferring a property that is less than 80% complete without your express written consent. This is a powerful safeguard against developers who would sell unfinished houses, protecting you from incomplete projects and financial loss.

b. Restrictions on Advance Payments (Article 7):

A developer is now legally prohibited from registering customers or collecting advance payments until they have secured both a valid land ownership certificate and a building permit.

This provision, also found in Article 7, ensures that your money is not tied up in a project that has not even received the necessary approvals to begin construction.

c. The Secure Transfer of Property:

The legal transfer of a property from a developer to a buyer can only occur after the minimum 80% construction completion threshold is met (unless otherwise agreed upon). This transfer involves the developer providing all required documents to the buyer, which are then used to officially register the property under the buyer's name. The most important proof of ownership a buyer will have is the title deed or possession certificate issued by the relevant government authority.

From Challenge to Solution

How the Proclamation Changes the Game

This new law directly addresses the core challenges that have long hindered the Ethiopian real estate market.

- **Tackling Incomplete Projects:** The 80% completion rule and the restrictions on advance payments directly combat the widespread problem of developers failing to deliver on their promises after collecting significant upfront payments.
- **Ensuring Fair Valuation (Article 11):** The proclamation establishes a system for the licensing of real property valuers under Article 11. It mandates that valuations must be conducted by these licensed professionals using standardized methods. This move is expected to eliminate inconsistencies and potential manipulation of property values, leading to fairer pricing and smoother transactions.

- **Providing Recourse for Disputes (Article 24):** For the resolution of disputes, the proclamation establishes a dedicated "Complaint Hearing Committee" under Article 24. This body provides a more accessible and potentially faster way to resolve disagreements, often without the need for a lengthy court battle.

What Real Estate Developers Must Do

- **Complete Essential Services:** A developer cannot hand over a house until all basic services, such as electricity, plumbing, and sanitary works, are fully installed and working.
- **The "80% Completion" Rule:** A house must be at least 80% complete before it can be legally transferred to you, unless you have given your written consent to accept it in an earlier state.
- **Be Truthful in Advertising:** Developers are not allowed to make false or misleading claims in their advertisements.
- **Secure Permits Before Payments:** A developer cannot register you as a customer or collect any advance payments until they have obtained both a land ownership certificate and a building permit.
- **Only Build What's Permitted:** They cannot register more houses on a piece of land than it can legally accommodate.
- **Help Organize Homeowners:** Developers must encourage and help homeowners create a formal association to protect their shared rights and interests.
- **Provide Key Documents:** The developer must give you copies of all official permits for the building and the development, attached to your contract.

- **Use Proper Payment Methods:** All payments for the house must be collected only through a bank or a legal electronic method.
- **Keep and Share Records:** Developers must organize and keep all payment records and provide them to the relevant government body when requested.
- **Give You a Legal Receipt:** For every payment you make, the developer must provide you with a legal receipt.

What Home Buyers Must Do

As a home buyer, you also have important duties to fulfill:

- **Pay on Time and Correctly:** You must make your payments on time and only through a bank or another legal electronic method, as agreed upon in your contract.
- **Provide Necessary Information:** You are responsible for providing any information or documents needed to help the developer and yourself complete the transaction.
- **Join Your Community:** You should participate in the homeowners' association to help protect the common rights and fulfill the shared obligations of all homeowners in your community.