



LIVE ETHIO REAL ESTATE
CONSULTING PLC

ETHIOPIA PROPERTY BUYING GUIDE

FOR DIASPORAS, LOCALS AND FOREIGNERS

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Overview of the Real Estate Market in Ethiopia

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SUMMARY

As of 2025, Ethiopia's real estate market is **valued at approximately US \$1.15 trillion***, propelled by rapid urbanization, growing middle-class demand, and strong interest from the Ethiopian diaspora and international investors.

Major urban centers, especially **Addis Ababa**, continue to see high demand for residential, commercial, and mixed-use developments.

The sector is expanding at an **annual rate of 6–10%**, with rental yields averaging **7–10% in prime areas**, offering attractive returns.

While high-end residential and office properties command premium pricing, there remains a significant gap in affordable housing.

Although the market faces challenges such as limited mortgage access, rising construction costs, and bureaucratic hurdles, **recent government reforms—particularly those enabling limited foreign property ownership—alongside increasing bank involvement and foreign capital inflows—are poised to accelerate growth and professionalization in the sector.**

*[HTTPS://WWW.STATISTA.COM/OUTLOOK/FMO/REAL-ESTATE/RESIDENTIAL-REAL-ESTATE/ETHIOPIA](https://www.statista.com/outlook/fmo/real-estate/residential-real-estate/ethiopia)



Live Ethio helps clients to purchase, sell or invest in property in Ethiopia

Buying property in Ethiopia, though complex, can be a smooth process with the help of a licensed real estate agent and independent legal counsel. This is particularly important for navigating documentation, ownership verification, and registration. Buyers should avoid informal or cash-based transactions, and instead make all payments through formal banking channels. Proper due diligence and clear contracts are essential to ensuring a secure and lawful transaction.



Foreign ownership of property is now officially permitted in Ethiopia



Foreign nationals may now purchase commercial or residential property in Ethiopia, provided:

- The property's minimum value is **\$150,000 USD**
- All legal procedures and registrations are followed

However, foreigners are still prohibited from owning:

- Agricultural land
- Freehold title
- Residential land (bare plots)

Key Investment Proclamations

- **Proclamation No. 280/2002:** Grants foreign investors the right to own a dwelling house and immovable property necessary for their business—excluding land ownership.
- **Proclamation No. 1180/2020:** Reaffirms these rights and allows foreign nationals with significant investment to own one residential dwelling necessary for their investment activity.



New Real Estate Law Highlights

- **Minimum property value:** \$150,000 USD
- **Ownership limit:** 5 properties per foreign individual or entity
- **Mortgage ban:** Foreigners cannot access Ethiopian bank loans for home purchases or construction
- **Exclusion from public housing:** Foreigners may not buy government-subsidized units
- **PPP opportunities:** Foreigners can invest in profit-oriented housing projects, including PPPs

Step-by-Step Purchasing Process

The process to purchase property in Ethiopia is summarised below:

1. **Property Search & Visit** – Work with a licensed agent to identify a property and arrange a site visit.
2. **Offer & Negotiation** – Once you select a property, the agent will present an offer to the seller on your behalf, outlining the price and payment terms.
3. **Preliminary Agreement (Mender Wul)** – A down payment (usually 10%) is made to secure the deal. A written agreement is signed by both parties and witnesses.
4. **Final Sale Agreement & Title Transfer** – After all conditions are met—including due diligence, bank financing, and marital status verification—the final sale agreement is prepared by DARA, signed, and submitted. The buyer then pays the remaining amount and receives all property documents.



5. Registration and Completion

The buyer submits the signed agreement and supporting documents to the sub-city land office, pays stamp duty (6%), and the title deed is officially transferred.

NB. Buying via Power of Attorney

Buyers unable to be physically present in Ethiopia can legally purchase property by issuing a power of attorney (PoA) through a licensed attorney. This must be notarized and authenticated.



Key Requirements for Foreigners to Purchase Property in Ethiopia

Requirement	Details
Minimum Investment	\$150,000 USD per property
Maximum Properties Allowed	5 properties per individual/entity (foreign nationals)
Payment Methods	Formal bank transfer only (no cash or informal channels)
Residency Visa	Renewable annually (~\$150), available to investors
Key Approvals	Ethiopia Investment Commission, Ministry of Foreign Affairs, Urban Ministry
Key Documents Needed	Passport, visa, passport-sized photos, bank statement, marital status doc, and more

Contract and Sale Agreement



Overview of contracts and agreements involved in the purchasing process:

In most cases, a **contract of agreement** ('mender wul') requires the buyer to make a down payment ('kebd') of at least **10% of the purchase price** to secure the property before the formal **sale agreement** is signed at DARA. While some sellers may waive or reduce the down payment, it is strongly recommended to pay it to demonstrate serious intent. This deposit is typically held by the seller until the transaction is finalized, at which point it is deducted from the total purchase price.

The typical timeframe from **signing the contract of agreement to completing the sale is a few days**, although it may take **14 to 28 days** if a **mortgage is involved**. It is important to understand that in Ethiopia, the contract of agreement is **not legally binding**, but rather a mutual commitment to transact at an agreed price. Either party can withdraw, usually subject to a **pre-agreed termination fee**.

Once all conditions are met—such as mortgage approval, title deed verification, and marital status clearance—both parties sign the **formal sale agreement**, which is drafted and registered by officials at DARA. This **binding legal document** finalizes the transaction. Upon registration, the buyer is required to pay the remaining balance to the seller.

It is worth noting however, **this above process is mainly for the purchase of land or residential property**, not for off-plan properties. When **buying a property off-plan**, the buyer normally pays an initial deposit, and then pays the remaining balance in installments over a set period of months until the **project is completed**.

Due Diligence and Bank Loan Process

Ethiopian banks now offer mortgages to diaspora buyers, though local borrowers face tighter restrictions.

Key details include:

- **Interest Rates:**
 - 7–10% for foreign currency loans
 - 18–22% for local currency loans
- **Eligibility:** Primarily Ethiopian nationals or diaspora with documented foreign income
- **Typical Documents Required:**
 - Employment contract or income statements
 - Title deed and tax documents
 - Marital status certification
 - Bank statements
 - Signed agreement with seller
- **Loan Timeline:**
 - Can range from 4–8 weeks, depending on bank processes and document readiness.



Due Diligence Checklist

Before proceeding:

- Verify **title deed authenticity** at the sub-city land bureau
- Ensure there are **no loans or encumbrances** on the property
- Confirm **seller's marital status** to avoid spousal claims
- **Double-check zoning** and legal usage of the land
- If you're a **foreign buyer**, avoid properties in condominium/public housing schemes
- If need be, conduct an **official survey of the land** to make sure that the land size is as stated on the title deed



Final Completion

Once the **final sale agreement** is **signed and registered at DARA**, and the **balance of payment is made**, the seller hands over the title deed and property keys. The buyer becomes the legal owner once the title is **officially transferred** into their name at the sub-city land office.

Top 5 Pitfalls and Risks to Avoid When Buying Property

- **Not verifying the title deed or lease rights** with the local land office
- **Skipping due diligence** on the developer, especially for off-plan projects
- **Engaging unlicensed or informal brokers**
- **Underestimating hidden costs** like taxes, agent fees, and legal expenses
- **Falling for ghost projects** with “too-good-to-be-true” pricing or false promises



Transaction Costs

- **Stamp Duty:** 6% of the property value, paid during title transfer
- **Agency Fees:** 2% commission on the final sale price (buyer and/or seller may pay)
- **Legal Fees:** Varies; buyer pays their legal and registration fees at their local DARA
- **Other Costs:** Document authentication, title search, and bank loan processing (if applicable)



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Live Ethio Consulting PLC,
Level 11, Merkeb Plaza, Bole Dembel,
Addis Ababa, 1000, Ethiopia
+251 947 00 22 33
+251 974 29 94 72 (WhatsApp)
contact@livingethio.com



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