Reflections on Real Estate Regulation in Ethiopia: Revisiting Earlier Research in Light of the New Real Estate Proclamation

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More than a decade ago, I conducted academic research on the regulation of the real estate business in Ethiopia. The study examined the rapid emergence and expansion of the private real estate sector following Ethiopia's economic liberalization and urban growth. At the time, the sector was increasingly becoming one of the country's most influential urban economic actors, particularly in housing development and commercial construction. However, despite its growing economic importance, the regulatory environment surrounding the sector remained fragmented, weak, and largely inadequate.

The central argument of the research was that Ethiopia's real estate sector had evolved faster than the legal and institutional systems meant to regulate it. While developers were mobilizing enormous amounts of capital and entering into contractual relationships affecting thousands of consumers, the legal framework governing the sector remained heavily dependent on ordinary contract law and scattered administrative practices. There was no comprehensive legislation specifically regulating the conduct, obligations, accountability, financing structures, or operational standards of real estate developers.

The research identified several structural problems that were becoming increasingly visible within the industry. One of the most serious concerns was the widespread practice of pre-selling housing units before developers had sufficient technical, financial, or institutional capacity to complete projects. In many cases, developers relied almost entirely on advance payments collected from buyers to finance construction itself. This created a highly risky market environment where consumers carried most of the financial burden and uncertainty.

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As a result, project delays, cost escalations, partial construction, and complete non-delivery of promised housing units became recurring challenges. Consumers who had invested life savings or long-term loans often found themselves trapped in prolonged legal disputes with limited practical remedies. The imbalance in bargaining power between developers and buyers became one of the defining characteristics of the sector.

The thesis further argued that the absence of a strong regulatory framework contributed to broader institutional and governance problems. Courts became increasingly burdened with real estate disputes, while government institutions frequently intervened in inconsistent and reactive ways. In certain cases, where the case of Access Real Estate was mentioned, administrative intervention in ongoing disputes raised important constitutional questions concerning judicial independence, separation of powers, and the limits of executive authority in private contractual matters.

Against this background, the thesis argued that Ethiopia needed more than isolated policy responses or contractual enforcement mechanisms. It required a comprehensive legal and institutional framework specifically designed to regulate real estate development as a matter of public economic governance. The study emphasized the importance of preventive regulation rather than crisis management.

Among the major recommendations provided in the research were:

- establishing a dedicated legal framework for real estate development;
- creating competent regulatory institutions with supervisory authority;
- introducing developer qualification and licensing requirements;
- strengthening consumer protection mechanisms;
- improving transparency and disclosure obligations;

The emergence of the Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024 therefore represents an important and significant legal development in Ethiopia's real estate sector.

The proclamation introduces, for the first time, a unified legal framework governing real estate development, property marketing, and valuation activities. It formally defines the role of real estate developers, establishes qualification certification systems, and creates institutional oversight responsibilities for relevant government bodies. In many respects, the proclamation reflects a recognition that the sector can no longer operate under minimal supervision or fragmented legal arrangements.

The law also demonstrates an important conceptual shift. Real estate development is increasingly being understood not merely as a private commercial activity, but as a sector with major implications for economic stability, public trust, and consumer protection.

As one of the principal recommendations of the thesis was the introduction of a developer qualification system, the Proclamation has now made it mandatory for any investor intending to engage in the real estate sector to first obtain a qualification certificate from the appropriate government authority, as provided under Article 5.

More specifically, the Proclamation requires a domestic investor to demonstrate the capacity to construct the minimum total built-up floor area prescribed by law, which is 1,500 square meters intended for sale or rent. In addition, the investor must prove the availability and source of finance required for the development, submit a comprehensive project study, and possess the organizational structure and qualified manpower necessary to manage the project in an accountable manner. The investor is also required to prepare a detailed construction program demonstrating the feasibility and implementation schedule of the proposed development.

Foreign investors, in addition to satisfying all the requirements applicable to domestic investors, must also meet the minimum capital requirement prescribed under the investment laws of Ethiopia and comply with all other legal and administrative requirements applicable to foreign investors. The qualification certificate is issued only for the proposed construction period and may be extended solely upon the developer's application where sufficient justification is established.

Another major recommendation advanced by the thesis was the strengthening of consumer protection within the real estate sector. In response, Article 7 of the Proclamation imposes several obligations on developers that significantly enhance consumer protection. One of the most notable requirements is that a developer must complete at least 80 percent of the construction works, including essential mechanical, electrical, plumbing, and sanitary installations, before transferring possession of the property to purchasers. Furthermore, the widespread practice of misleading advertisements and unrealistic promotional promises has been directly addressed by prohibiting developers from making false or deceptive advertisements regarding their projects.

The thesis also identified the problematic practice whereby developers entered into contracts with purchasers before securing land, obtaining construction permits, or arranging adequate project financing. The Proclamation seeks to eliminate this practice by expressly prohibiting developers from registering customers or collecting advance payments before obtaining a landholding certificate and the necessary building permit from the competent authority. Likewise, the law prohibits developers from registering purchasers in excess of the number of housing units that the available land can legally accommodate, thereby preventing over-subscription and protecting consumers from fraudulent sales practices.

To further promote transparency, the Proclamation requires developers to attach copies of the occupancy certificate, construction permit, and real estate development permit issued by the relevant authority to every contract concluded with purchasers. This requirement enables prospective buyers to verify the legal status and location of the land, as well as the developer's legal authority and actual capacity to undertake the proposed construction project.

Another regulatory gap identified in the thesis concerned the absence of adequate safeguards for purchasers of pre-sold housing units before construction had commenced. Article 9 of the Proclamation attempts to address this deficiency by introducing a regulatory framework governing priority sales. Under this provision, developers intending to sell housing units before completion must first obtain authorization from the appropriate government body. Moreover, all funds collected from purchasers through such pre-sale arrangements must be deposited into a blocked bank account, thereby providing greater financial security for buyers and reducing the risk of misuse of purchasers' funds.

However, despite these improvements, the Proclamation contains an inconsistency between its English and Amharic versions concerning the legal status of land designated for pre-sold housing developments. The English version provides that such land shall be mandatorily blocked from being transferred or sold to another party until the houses are fully constructed and delivered to the purchasers. In contrast, the Amharic version appears to grant discretionary authority to the relevant government body to block the land only where it considers such action necessary. This inconsistency creates uncertainty regarding the mandatory nature of the restriction and may have significant implications for the legal protection afforded to purchasers under the Proclamation.

At the same time, a closer analysis suggests that important regulatory gaps still remain.

While the proclamation introduces administrative regulation and licensing structures, it does not yet fully establish strong consumer protection mechanisms capable of addressing the deeper structural risks identified in earlier research. For example, the law does not clearly require escrow or trust account systems to protect buyers' advance payments from misuse. It also does not comprehensively establish mandatory financial guarantees, compensation schemes, insurance protections, or performance bonds for developers.

Similarly, although developer qualification certification is an important step forward, the proclamation appears less detailed regarding ongoing project supervision, continuous financial monitoring, mandatory disclosure obligations, and public transparency requirements. Questions also remain regarding enforcement effectiveness, sanctions for non-compliance, and the practical accessibility of remedies for affected consumers.

In addition, while the law strengthens regulatory oversight, it leaves open important questions regarding institutional accountability and safeguards against administrative overreach. Earlier experiences within the sector demonstrated how regulatory uncertainty can create tensions not only within the market, but also within governance and constitutional structures.

Nonetheless, the proclamation remains an important milestone in the evolution of Ethiopia's legal and regulatory framework. It represents a significant acknowledgment that sustainable real estate development requires more than market expansion alone. It requires legal certainty, institutional capacity, public accountability, and consumer confidence.

Looking back, it is encouraging to observe how concerns previously raised within academic research have gradually become part of national legislative and policy discussions.

Legal reform is always an evolving process. The enactment of a proclamation is not the final stage of regulation, but rather the beginning of a continuing effort to balance investment promotion, market growth, institutional integrity, and public protection within a rapidly changing urban and economic landscape.