

Foreign Investors: Real Estate Development

Description

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Ethiopia, on December 5, 2024, introduced a groundbreaking legal framework to govern real estate development, property marketing, and valuation. The law is known as Real Estate Development and Real Property Marketing and Valuation Proclamation No. 1357/2024. This new law aims to ensure accurate and reliable price information for property owners while promoting real estate investment and enhancing housing availability. By fostering transparency and accountability in the real estate market, the proclamation seeks to benefit developers, buyers, and various stakeholders. Additionally, it opens the door for foreign investors to participate in the real estate sector. However, to engage in this market, foreign investors must meet specific requirements set forth by the new legislation.

Foreign investors must navigate several key requirements to obtain a real estate developer's qualification license from the designated authority, as stipulated by the law. To be eligible for this license, foreign investors must fulfill specific conditions. Firstly, they are required to provide the minimum capital investment sourced from private or foreign financial institutions, adhering to the guidelines set forth in the investment law. Additionally, foreign investors must commit to transferring a minimum number of houses, specifically totaling fifty, as detailed in the decree. Moreover, a comprehensive project study outlining the intended construction must be submitted along with a detailed construction schedule, ensuring that the permit aligns with the proposed construction timeline. Regulatory compliance with other applicable administrative laws for foreign investors is also mandatory.

To incentivize land access, the government will facilitate opportunities for foreign real estate developers holding investment and trade licenses, provided they meet at least one of the designated conditions. These conditions include the construction of between 500 to 5,000 houses, with a minimum of 40% allocated as affordable housing for low and middle-income families, importing high-quality construction materials that are not available locally while ensuring that 60% of remittance profits are reinvested within Ethiopia for up to 10 years according to the National Bank of Ethiopia's guidelines, or establishing a local factory to produce construction materials, thereby preserving foreign currency from real estate sales.

Foreign investors can also enter into partnerships with local investors. Additionally, the government may provide financial guarantees for loans sourced from foreign banks to support both local and foreign developers, based on the regulations established by the National Bank of Ethiopia.

The qualification license is valid until the project is completed, and foreign investors may request renewals for justified reasons, with the procedures outlined in the relevant regulations. The authority must promptly notify the body responsible for issuing investment and business licenses regarding any renewal or cancellation of the performance license, including the reasons for such actions. When applying for investment and business licenses in relation to real estate, foreign investors must include their qualification certificate. Upon reaching at least 80% construction completion and meeting the sale

criteria, foreign developers may also apply for a certificate of individual ownership for the constructed houses, facilitating the sale to prospective homeowners.

In conclusion, Ethiopia's new legal framework for real estate development opens up significant opportunities for foreign investors. By implementing clear requirements and incentives, the government aims to enhance transparency and promote housing availability. Foreign investors must meet specific conditions, including minimum capital investment and housing commitments, while also having options to partner with local investors. This initiative not only facilitates foreign participation but also aims to improve the overall real estate landscape in Ethiopia.

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