COMMERCIAL VALUATION & MARKET POSITIONING STRATEGY

Merit Properties, Addis Ababa, Ethiopia
Prepared by: Mihretu Tesema March
2026

Contents

EXECUTIVE SUMMARY 3
PROJECT OBJECTIVES 5
KEY FINDINGS & EXPECTED IMPACT 6
SCOPE OF THE STUDY 8
Geographic and Operational Focus 8
Property Classification and Value Metrics 8
Strategic Parameters 9
ASSESSMENT CRITERIA AND MARKET CONTEXT 9
Infrastructure as a Value Multiplier 9
Sales Positioning and Valuation Logic 10
Market Dynamics and Key Money (Kulf Sheyach) 10
METHODOLOGY 11
DATA ANALYSIS TECHNIQUES 12
VALUATION MODEL ANALYSIS 13
a. Model Performance & Predictive Power 13
b. Impact Coefficients ("The Price Makers") 14
c. Market Comparison: Core vs. Periphery Zones 15
d. Vertical Decay and Business Models 17
e. Tenant Typology & Market Behavior 18
f. The Size-Price Paradox and Optimization 19
MARKET INDICATOR DEVELOPMENT FOR THE SHOP SALES 20
Discussion on Insights acquired on Shop Sales Trend 21
Intra-City Disparities & Vertical Logic 21
The Size-Price Puzzle 22
Market Volatility & Risks 22

Strategic Insights: Shop Sales Market 23
EXTERNAL MACROECONOMIC AND MARKET DYNAMICS 24
Macro-Financial Drivers 24
Policy and Credit Environment 24
Qualitative Shifts and Market Sentiment 25
STRATEGIC RECOMMENDATIONS 26
Recommended Key Money and Monthly Rent Price Per M² (ETB/m²) 28
Comparative Market Analysis: Merkato vs. Teklehaymanot 29
Location Gap 30
Vertical Price Decay Logic 31
Strategic Implications 31
REFERENCES 32

EXECUTIVE SUMMARY

This report provides a multi-dimensional, data-driven framework for establishing optimal rental and sales pricing strategies for Merit Properties' upcoming developments in the Merkato and Teklehaymanot corridors. As Addis Ababa undergoes rapid infrastructure-led transformation, this study serves as a strategic roadmap to maximize asset value, ensure construction liquidity, and secure market leadership.

Strategic Foundation

By integrating digital market scraping, street-level field intelligence, and a proprietary Direct Sales Competitor Survey of 80+ developments, we have moved beyond speculative estimates to capture real-time transactional data. Our methodology utilizes advanced statistical modeling (R-Squared: 0.89) to isolate the "Price Makers" - identifying exactly how location, floor level, and infrastructure quality dictate financial returns.

Key Strategic Pillars

- Segmented Valuation Logic: The research mandates a bifurcated approach. Merkato remains the engine for high-velocity retail sales, commanding ground-floor premiums up to 1,120,000 ETB/m². Conversely, Teklehaymanot offers superior stability for professional and "expat-grade" leasing, with upper-floor rents outperforming traditional market averages by 15%.
- Infrastructure as a Price Multiplier: Modern amenities - specifically integrated fire safety (EFSCI), high-speed vertical transportation, and secure parking - are identified not as utilities, but as Price Multipliers. Lifts alone generate a +300 ETB/m² rent uplift, protecting the asset against the 60% value erosion seen in lower-compliance buildings.
- Liquidity & Capital Optimization: Our analysis of the "Cash-to-Installment Ratio" reveals that competitors use deep cash discounts (25–40%) to self-finance construction. We recommend Merit leverage this

high market demand for "off-plan" assets to accelerate sales velocity and optimize upfront liquidity.

Market Outlook & Resilience

Despite macroeconomic fluctuations, the central Addis Ababa property sector remains a resilient "Hard Asset" hedge against inflation. By adopting a "Vertical Decay" pricing model - optimizing ground-floor retail while subdividing upper floors into flexible professional suites—Merit Properties can achieve zero-vacancy transitions and sustained capital appreciation.

Ultimately, this report positions Merit Properties to set the new "Market Ceiling" in Addis Ababa, transforming these high-traffic corridors into flagship institutional-grade zones that combine commercial vibrancy with operational excellence.

PROJECT OBJECTIVES

The primary goal of this study is to provide Merit Properties with a robust, data-driven framework for asset valuation and market entry. The specific objectives are as follows:

- Segmented Valuation Modeling: Develop a precise price-per-square-meter (m^2) model that differentiates between rental yields and off-plan sales value, tailored to the specific floor level and unit typology.
- Direct Sales Competitor Benchmarking: Conduct a rigorous comparative analysis of current "off-plan" sales benchmarks from leading developers in the district. This objective focuses on identifying the market "ceiling" for M^2 pricing and the optimal "Cash-vs-Installment" discounting structures to maximize construction liquidity.
- Locational Premium Quantification: Formally incorporate the "Gate Advantage" and corner-plot premiums into the pricing logic, recognizing the disproportionate impact of visibility and accessibility on commercial foot traffic.
- Proximity-Driven Pricing: Calibrate price points based on proximity to high-velocity trade hubs, such as the Mercato Teras, to capture the spillover demand from these established economic engines.
- Infrastructure as a Price Multiplier: Quantify the financial "uplift" generated by modern amenities-including EFSCI-compliant fire safety systems, high-speed vertical transportation, and secure parking-positioning these features as non-negotiable value drivers for premium tenants.
- Institutional & "Expat-Grade" Positioning: Cater to the requirements of high-end corporate tenants and property owners who prioritize advanced infrastructure, thereby establishing the development as a tier-one premium offering in the Addis Ababa market.
- Ecosystem Integration: Align the development's tenant mix with the surrounding commercial landscapes, including textiles, electronics, automotive parts, and banking districts, to ensure immediate market fit and high tenant retention.

- Occupancy Optimization: Design a strategic integration plan to ensure seamless tenant transitions, aiming for zero-vacancy periods through proactive market positioning.
- Inflation & Risk Mitigation: Protect Merit Properties against inflationary pressures and market volatility by utilizing 2026-weighted benchmarks and adopting conservative yet strategic investment assumptions.

KEY FINDINGS & EXPECTED IMPACT

The research identifies several critical success factors that will dictate the financial performance of Merit's property development projects. These findings serve as the foundation for the proposed pricing and sales strategies:

- Identification of High-Yield Premium Zones: Our spatial analysis confirms that units in Merkato and Teklehaymanot with direct proximity to landmarks, high street visibility, and corner-plot "Gate Advantages" command a significantly higher market premium. These zones are identified as the primary drivers for elevated rental and sales rates.
- Infrastructure as a Value Multiplier: Modern amenities-specifically integrated fire safety systems (EFSCI), secure parking, and high-speed elevators-act as significant value multipliers. Properties with these features achieve higher "Weighted Scores," allowing Merit to justify pricing at the market "ceiling" compared to traditional, lower-compliance buildings.
- Ecosystem Alignment: High occupancy and tenant retention are directly tied to how well property features align with existing commercial ecosystems (textiles, electronics, banking). Merit's ability to offer specialized infrastructure for these sectors is a key competitive differentiator.
- Segmented Pricing & Sales Logic: The data mandates a bifurcated pricing approach. While retail units require aggressive "Vertical Decay"

pricing and high "Key Money" (Kulf Sheyach) thresholds, the residential and office tiers benefit from more stable, flat-rate pricing models based on infrastructure quality.

- Competitor Sales Benchmarking: Our direct survey of active developments reveals a high demand for "Off-plan" purchases with milestone-based payment structures. This finding allows Merit to optimize construction liquidity by offering competitive "Cash vs. Installment" incentives.

Implementing this data-driven strategy is projected to maximize immediate rental income, accelerate off-plan sales velocity, and significantly reduce long-term vacancy risks. Beyond individual projects, this framework provides Merit Properties with a scalable, scientific model for future developments, ensuring sustained profitability and market leadership within Addis Ababa's evolving urban landscape.

As a prominent developer poised to capitalize on the city's transformation, Merit Properties is set to establish these corridors as flagship zones, combining high-velocity commerce with institutional-grade residential and retail standards.

SCOPE OF THE STUDY

This study provides a multi-dimensional analysis of the commercial and residential real estate landscapes within two of Addis Ababa's most critical economic corridors: Merkato and Teklehaymanot. The scope is designed to capture the granular "micro-market" dynamics that influence both immediate liquidity and long-term asset appreciation.

Geographic and Operational Focus

The research is geographically anchored in the high-density trade zones of Merkato and the emerging mixed-use transition areas of Teklehaymanot. The assessment encompasses:

- Locational Premiums: Analysis of road hierarchy, corner-plot visibility, and proximity to high-traffic "anchor" landmarks.
- Infrastructural Integrity: Evaluation of utility resilience (3-phase power, water storage), fire safety compliance (EFSCI), and modern management systems (BMOSI).

Property Classification and Value Metrics

The analysis employs a holistic approach to pricing and market strategy across four primary property tiers:

- Retail & Commercial Shops: Assessment of Ground-to-4th-floor "Vertical Decay" logic, focusing on both monthly rental yields and "off-plan" sales benchmarks (ETB/m^2).
- Corporate & Professional Offices: Evaluation of upper-floor utility for banking, insurance, and consultancy firms.
- Residential Units: Benchmarking of modern apartment standards, focusing on floor-plan optimization and lifestyle amenities.
- Logistics & Warehousing: Analysis of storage demand, truck accessibility, and loading-zone efficiency within the trade hubs.

Strategic Parameters

The study goes beyond static pricing to evaluate the "Kulf Sheyach" (Key Money) ecosystem and the property sales dynamics. By integrating field intelligence with competitive benchmarking of 80+ local developments, the scope ensures that Merit Properties' pricing strategies are grounded in real-time transactional data rather than speculative estimates.

ASSESSMENT CRITERIA AND MARKET CONTEXT

The evaluation of potential development sites within this study is grounded in a rigorous framework that prioritizes locational premiums and site-specific advantages. Proximity to major commercial corridors and high-traffic zones remains the primary driver of strategic value. Key architectural features-such as corner-plot positioning and gate advantages-are weighted heavily for their ability to maximize visibility and pedestrian flow, directly increasing the asset's attractiveness to both prospective tenants and off-plan purchasers. Furthermore, the quality and hierarchy of surrounding road infrastructure are critical, as they dictate vehicular accessibility and the long-term efficiency of operational logistics.

Infrastructure as a Value Multiplier:

Infrastructure quality constitutes a fundamental pillar of our assessment. Beyond basic utilities, the framework evaluates the resilience and capacity of power supplies, water accessibility, integrated fire safety systems, high-speed vertical transportation (elevators), and secure parking facilities. These elements are not merely utilities but Key Value Drivers that justify premium rental rates and elevated sales prices per square meter (m^2). The development's integration into established commercial ecosystems-such as specialized textile, electronics, or financial districts-further embeds the project within a high-velocity economic environment, fostering sustained demand and high tenant retention.

Sales Positioning and Valuation Logic

In the current Addis Ababa landscape, a granular understanding of Shop Sales Prices is essential for competitive market positioning. The projected market value of retail and commercial units is dictated by the synergy between location, infrastructure, and ecosystem integration. High-visibility premium locations command superior sales rates (ETB/m²), which in turn set the floor for projected rental yields and investor Internal Rates of Return (IRR). Our pricing recommendations are informed by real-time market benchmarks and site-specific strategic value propositions, ensuring that Merit Properties' pricing aligns with both the current market ceiling and the development's unique architectural advantages.

Market Dynamics and Key Money (Kulf Sheyach)

Evaluating market demand requires a dual analysis of broker networks and localized business activities to mitigate vacancy risks. A critical component of the Addis Ababa leasing landscape is the concept of Kulf Sheyach (Key Money). As an upfront financial commitment, Kulf Sheyach serves as a barometer for market competitiveness and a tool for tenant qualification. This study analyzes these upfront inducements to ensure Merit's leasing strategies remain competitive while securing high-quality, stable tenancies.

Every site evaluation is viewed through the lens of Merit Properties' brand positioning. Strategic alignment with existing assets ensures cohesive portfolio growth and market dominance. Collectively, these criteria establish a comprehensive framework for evaluating market readiness and pricing strategies within the dynamic, infrastructure-led urban transformation of Addis Ababa.

METHODOLOGY

This study employs a comprehensive mixed-method approach, integrating field intelligence, digital data collection, and advanced statistical analysis to provide Merit Properties with precise, actionable insights for rental and sales pricing strategies. Digital market scraping utilizes automated tools to extract current rental listings, pricing trends, and occupancy data from online property portals. This offers a broad overview of market conditions across the Mercato and Teklehaymanot zones, while digital trend scraping further enhances this process by comparing online activity and market positioning of competitors.

Our field intelligence integrates on-site observations with direct engagement, involving local brokers, property managers, and tenants to uncover site-specific advantages and behavioral insights that digital data cannot capture alone. This primary research is complemented by a detailed benchmarking of neighboring mixed-use developments to assess infrastructure quality, space differentiation, and occupancy levels. Furthermore, digital trend scraping enhances the analysis by comparing the online positioning and market activity of competitors, ensuring a holistic understanding of the local market dynamics.

A critical pillar of this methodology involves direct engagement with sales departments of leading developers in the Piassa, Merkato, and Megenagna corridors. This "Direct Sales Survey" captures real-time, off-plan transactional data that is often unavailable in public listings. By analyzing official payment schedules from competitors, we have mapped the relationship between construction milestones and price escalation. This allows for a granular assessment of the "Cash-to-Installment Ratio," providing Merit with the exact discounting benchmarks required to compete for high-liquidity buyers.

DATA ANALYSIS TECHNIQUES

Spatial and Hierarchical Analysis: Geographic Information Systems (GIS) tools are utilized to map road hierarchy, accessibility, proximity to landmarks, and site features such as corner plots and visibility points. This spatial analysis identifies high-value sites with premium rental and sales potential.

Statistical Modeling and Correlation Analysis: Utilizing SPSS software, the collected data is subjected to correlation analysis to identify relationships between variables such as infrastructure quality, accessibility, and market rates. Regression analysis is employed to develop predictive models that quantify how specific site features influence prices, enabling detailed segmentation and micro-market valuation. To evaluate the sales market specifically, Scatter Plot Analysis is used to determine the positive correlation between property size and price, while Box Plot Distributions identify market volatility and price ranges within specific commercial categories.

Indicator Development for Sales & Trends: The analysis employs a standardized framework of market indicators to track the "Shop Sell" sector. This includes the calculation of the Average Price per Square Meter (m^2) to facilitate cross-regional comparisons and Growth Rate Calculations to quantify market momentum. Furthermore, Price Indexes are constructed to normalize prices over time, adjusting for inflation and market volatility. These indicators are visualized through Trend Line Analysis, which highlights consistent appreciation patterns and regional disparities in prime investment zones.

Elasticity and Pricing Models: Regression outputs inform elasticity models measuring how prices respond to variations in location attributes and infrastructure features. These models facilitate the creation of segmented, site-specific pricing frameworks aligned with market demand. Similarly, Demand and Ecosystem Analysis combines qualitative insights from broker interviews with quantitative data on vacancy rates to forecast occupancy levels and rental stability.

Financial and Risk Assessment: Finally, the study evaluates potential income, operational costs, and risk factors-including vacancy risk and market volatility-as evidenced by the price distribution analysis. This ensures the development of sustainable, data-driven pricing and sales strategies that prioritize high-growth regions with strong appreciation potential.

VALUATION MODEL ANALYSIS

a. Model Performance & Predictive Power

Metric	Value	Interpretation
R-Squared	0.89	89% of rent fluctuations explained by variables-indicating a highly reliable model for valuation
Observation Count	80 Units	Sufficient data for robust, statistically significant insights across diverse zones

Table 1: Model Performance & Predictive Power

The high R-squared affirms that the selected factors - Floor, Location, Vibrancy, and Facilities - are the primary drivers of rent variability, enabling precise strategic planning. The model's high R-squared indicates that nearly 90% of rent variability across the 80 units is captured by the selected variables - Floor, Location, Vibrancy, and Facilities. This level of explanatory power signifies a healthy and reliable framework, enabling precise valuation and strategic decision-making. It underscores that these factors are the primary levers influencing commercial rent dynamics in Merkato - Teklehaymanot Corridoes.

b. Impact Coefficients ("The Price Makers")

Factor	Impact on Rent (ETB per m^2)	Strategic Meaning
Ground Floor Base	+3,550 ETB	Starting point for prime retail; high visibility premium
Floor Level (0 to 7)	-395 ETB per floor	Vertical rent decay; a critical gradient for upper floors
Vibrancy (Retail Hub)	+1,150 ETB	"Crowd Premium"; high foot traffic areas command higher rents.
Teklehaimanot Location	-420 ETB	Slight discount, but upper floors more stable (~15% premium).
Facilities (Lift/Mgt)	+300 ETB	Infrastructure is essential; lifts significantly boost upper-floor rent.

Table 2: Impact Coefficients ("The Price Makers")

The vertical decay (~385 ETB per floor) underscores that height substantially reduces rent potential, but infrastructure investments (lifts) can mitigate this decline. Ground Floor Baseline (3,550 ETB). This figure establishes the "price anchor" for prime retail spaces. It reflects the premium associated with maximum visibility and foot traffic, characteristic of Sidamo Tera. Strategically, this baseline can be used to benchmark other locations and to justify premium pricing for ground-floor units in high-vibrancy zones.

Floor Level (-395 ETB per floor) the steep decline in rent with each ascending floor -close to 400 ETB - demonstrates a vertical decay akin to a "price gradient" in urban space. This gradient, quantified at approximately 385 ETB per floor, confirms that height is a primary determinant of utility and value. For upper floors, this decay necessitates a differentiated marketing approach, emphasizing specialized use cases.

Vibrancy Premium (+1,150 ETB) the "Crowd Premium" indicates that being located in a high-traffic retail hub adds significant value, justifying higher rents and potentially attracting higher-quality tenants. This premium

underscores the importance of location branding, foot traffic analytics, and market positioning.

Location Specificity (Teklehaimanot - 420 ETB) the slightly lower baseline rent in Teklehaimanot, coupled with a 15% stability premium on upper floors, suggests a more stable, technical-oriented market. This stability indicates a resilient demand for professional and specialized spaces, which can justify premium rents on upper floors compared to retail-centric zones.

Facilities (+300 ETB) the necessity of modern facilities - especially lifts - translates to a tangible rent premium. This coefficient confirms that facilities are not merely amenities but essential infrastructure for maintaining high-value upper-floor units. The absence of reliable lifts could cause rent erosion by as much as 60%, highlighting the criticality of investment in building infrastructure.

While safety is often viewed as a utility, our data suggests it is a primary value-driver for high-tier tenants. With the market average safety compliance (EFSCI) sitting at only 45% - 65%. This should be marketed to institutional tenants (Banks, International NGOs, and Corporate HQs) not just as a 'feature,' but as a Legal and Insurance Risk Mitigation tool that protects their operations and justifies a premium rental rate.

c. Market Comparison: Core vs. Periphery Zones

The segmentation indicates distinct business models aligned with location characteristics in Core Zones like Dubai Tera, Military Tera. These areas command the highest ground rents, primarily driven by foot traffic, visibility, and landmark proximity.

Market Zone	Ground Rent (ETB/m²)	7th Floor Rent (ETB/m²)	Key Characteristics
Mercato Core (Sidamo, Dubai, Military)	3,500 - 7,500	800 - 950	High foot traffic and visibility, steep vertical rent decay (80%), significant demand for prime corner plots and landmark proximity
Teklehaimanot (Santé, Seketa)	2,800 - 3,200	1,100 - 1,400	Focused on professional and technical spaces, with higher upper-floor rents driven by demand for office and warehouse spaces
Peripheral Towers (Haji Legese, Sosa)	1,000 -1,800	800 - 1,100	Modern infrastructure, better retention of upper-floor rents, lower vertical decay, catering to tenants seeking upgraded facilities

Table 3: Market Comparison: Core vs. Periphery Zones

However, they experience significant vertical rent decay (~80%), necessitating a focus on ground level retail and high-visibility spaces. whereas, Periphery and Technical Hubs (e.g., Sante, Seketa, and Peripheral Towers). These zones favor professional, technical, and warehouse tenants, with higher rents on upper floors due to better infrastructure and lower decay rates. They support a business model emphasizing quality infrastructure and specialized spaces.

d. Vertical Decay and Business Models

Zone Type	Rent Decay Pattern	Business Use Implication
Traditional Tera (Dubai/Military Terra)	80% drop from ground to 7th floor	Retail-focused; upper floors for storage/back-office
Modern Towers (Peripheral)	385 ETB per floor (50% drop)	Mixed-use; upper floors suitable for offices and technical tenants

Table 4: Vertical Decay and Business Models

In traditional Teras, the 80% rent drop from ground to seventh floor signifies that upper floors are primarily utility spaces (storage, back-office). Modern peripheral towers, with better infrastructure, exhibit a more moderate decay (~385 ETB per floor), enabling upper floors to sustain higher rents - supporting the argument for strategic renovation or targeted leasing of these floors for professional use. In Teklehaimanot, upper floors can be marketed as high-value professional spaces (e.g., spare parts, machinery offices). The existing stability and higher upper-floor rents support this repositioning. For the ground floor, leveraging the high Kulf and vibrancy premiums can attract retail tenants willing to pay top dollar for visibility. The "Size-Price" paradox suggests merit in subdividing large upper-floor spaces into smaller suites, thereby increasing overall per m^2 revenue.

e. Tenant Typology & Market Behavior

Area	*Typical Tenant Profile*	*Rent Behavior*
Mercato Core	Clothing, Electronics, FMCG Retailers	Heavy reliance on foot traffic; steep rent decline upstairs
Teklehaimanot	Spare Parts, Machinery, Technical Firms	Demand for upper-floor offices; more stable rents.
Peripheral Towers	Service Providers, Back-Office Operations	Balanced mix; infrastructure-driven rent stability

Table 5: Tenant Typology & Market Behavior

Core Teras attract retail and fast-moving consumer goods, relying on foot traffic. Technical hubs attract importers, spare parts, and machinery firms that rely on logistics and proximity rather than foot traffic. Modern infrastructure softens the decay, allowing upper floors to sustain higher rents and attract professional tenants. Empirical data confirms that this range is the market's "floor" for upper-floor utility spaces. Any rent below this indicates undervaluation, possibly due to neglect of facilities or infrastructure deficits. Conversely, achieving rents above this threshold necessitates investments in facilities - particularly reliable lifts and security - to sustain tenant retention and justify premium pricing.

f. The Size-Price Paradox and Optimization

Space Size	Typical Rent per m² (ETB)	Observation	Strategic Recommendation
6 m² Shop	Up to 10,000 ETB	High rate for small spaces in Dubai Tera	Sub-divide large upper-floor units into smaller suites to maximize revenue
Large Showroom	550 - 1,200 ETB	Larger spaces in Sante/technical hubs	Smaller, modular units appeal to tenants and increase total rent income

Table 6: The Size-Price Paradox and Optimization

Sub-dividing large spaces will increase total ETB and attract tenants seeking flexibility Size Price Paradox & Sub-Division Strategy. Larger spaces in high-value zones tend to command lower per m² rates (e.g., 550–1,200 ETB in Sante), indicating a "size effect." This paradox suggests that subdividing large upper-floor units into smaller professional suites could elevate per-square-meter rent, optimizing revenue while appealing to tenants seeking flexible, smaller footprints.

MARKET INDICATOR DEVELOPMENT FOR THE SHOP SALES

Developing robust market indicators is essential for accurate market analysis and strategic decision-making. One of the primary indicators is the Average Price per square meter (m^2), which provides a standardized measure to compare property values across different locations and over time. Calculating this metric annually allows for tracking price trends and identifying regional disparities, offering insights into market hotspots or declining areas. Complementing this, the Growth Rate calculation quantifies the percentage change in average prices or other metrics over specified periods, enabling stakeholders to assess market momentum, stability, or downturns. To facilitate long-term comparisons and adjust for inflation or market volatility, Price Indexes are constructed. These indexes normalize prices over time, making it easier to compare market conditions across different periods, and serve as vital tools for policymakers and investors. Together, these indicators form an advanced framework that captures the dynamic nature of the real estate market, providing comprehensive insights into growth patterns, regional performance, and temporal shifts.

Key Performance Indicators (KPIs)

Indicator	Description	Strategic Purpose	Methodology
Average Price per m²	Mean property price normalized by size across target corridors.	Establishes the "Market Ceiling" for prime retail vs. upper-floor units.	Total Sales Price / Net Square Meters (benchmarked regionally).
Growth Rate (CAGR)	Annualized percentage change in property values.	Measures market momentum and justifies future price escalations or decline.	((Current period value - Previous period value) / Previous period value) x 100
Liquidity Index (Cash-to-Credit)	Ratio of the 100% Cash Price vs. the Installment Price.	Determines the optimal discount required to secure immediate liquidity.	(Cash Price / Instalment Price) - 1.
Price Indexes	Normalized index reflecting shifts over construction phases.	Long-term comparison adjusted for inflation and dollar-value shifts.	(Current Price / Base Period Price $) * 100$.

Table 7: Key Performance Indicators (KPIs) for Sales

Discussion on Insights acquired on Shop Sales Trend

The analysis of current "off-plan" market data reveals a resilient and appreciating property sector in central Addis Ababa. Trend line analysis-informed by recent price jumps shows a consistent upward trajectory, indicating that assets secured during the foundation phase are likely to see double-digit appreciation by completion.

Intra-City Disparities & Vertical Logic

Our survey highlights that significant Regional disparities are evident, with certain urban neighborhoods exhibiting significantly higher average prices

per square meter, highlighting prime investment zones that offer better value and potential for appreciation.

The Size-Price Puzzle

Scatter plot analysis demonstrates a strong positive correlation between property size and price, confirming that larger properties tend to command higher prices; however, some outliers indicate variability, which could be due to unique property features, conditions, or market anomalies. The data indicates that "Gate Advantage" and corner-plot visibility can override size limitations, allowing smaller units to command premium prices.

Market Volatility & Risks

Box plot distributions reveal wide price ranges within specific categories, particularly in the "Under Construction" segment. This volatility suggests that while there are significant opportunities for value appreciation, investor risk is tied to developer completion speed and the reliability of infrastructure, offering a distinct competitive advantage for developers.

Based on these insights, stakeholders should prioritize high-growth regions with strong appreciation potential, carefully consider the size-price relationship in their investment strategies, and continuously monitor price index trends to anticipate future market movements.

Overall, the data encourages cautious optimism, emphasizing the importance of regional analysis and trend tracking to make informed investment decisions.

Strategic Insights: Shop Sales Market

Analysis Insight	*Data-Driven Description*	*Strategic Implication for Merit*
Market Momentum	The trendline analysis indicates a steady rise in property prices over recent years, reflecting a resilient, appreciating market. Our data observed a steady rise in off-plan pricing, with some sites increasing 7% in a single week.	Launch sales early to capture the current appreciation wave.
Liquidity Premium	Deep discounts (25–40%) offered by competitors for 100% upfront cash.	Use high cash-discounts to fund construction while maintaining high installment list prices.
Visibility Premium	Corner plots and asphalt-facing units command a ~30% higher m^2 rate.	Apply a "Gate Advantage" multiplier to all units with high foot-traffic exposure.
Segment Stability	Residential apartments show "flat" pricing models, whereas retail is "floor-sensitive."	Simplify residential pricing at 100k–115k ETB/m^2 while tiering retail by floor.
Overall Outlook	Cautious optimism backed by high demand for centrally located trade-hub assets.	Superior infrastructure (parking/safety/lift) justifies a "Premium Benchmark" above the local average.

Table 8: Strategic Insights: Shop Sales Market

EXTERNAL MACROECONOMIC AND MARKET DYNAMICS

To ensure the robustness of valuation and pricing strategies for Merit Properties, it is crucial to consider external macroeconomic factors that influence the Addis Ababa real estate market.

Macro-Financial Drivers

Elevated or fluctuating inflation rates pose a dual risk: they erode real rental yields and increase construction costs, while simultaneously driving property sales as investors seek "hard assets" to hedge against currency devaluation. Fluctuations in the Ethiopian Birr's stability affect foreign investment and the cost of imported high-end finishing materials, which can lead to rapid adjustments in the "Price per m^2" for off-plan sales. Furthermore, growth projections in the manufacturing and services sectors directly influence corporate tenant demand and the appetite of professional property owners for long-term capital investments.

Policy and Credit Environment

Interest rates and the availability of credit remain the most significant variables for the sales market. Shifts in banking policies regarding mortgage accessibility can expand or contract the pool of eligible buyers, while developers' investment decisions are tied to the cost of debt. Government policies, such as the ongoing urban corridor developments, zoning changes, and tax incentives for "Expat-grade" infrastructure, can abruptly alter location desirability and property values, creating both "hotspots" for sales and risks for stagnant rental zones.

To incorporate these influences effectively, it is recommended to embed macroeconomic forecasts into the valuation model as dynamic variables. This allows for scenario-based adjustments to sales velocity, rental growth, and investment returns:

- An optimistic scenario might envisage accelerated economic growth, infrastructure upgrades such as new roads and utilities, trigger an

influx of foreign investment/capital, and a surge in buyer & tenant demand for properties resulting in higher rent and sales premiums and occupancy levels. In this case, Merit can reduce "Cash-discounts" as buyers and rental demand outstrips supply.

- Conversely, a pessimistic scenario would account for economic slowdown, inflation spikes, or policy restrictions, potentially leading to decreased tenant and buyer demand, higher vacancy rates, and rent erosion. In this case, strategic "Cash-to-Installment" ratios become vital to maintain construction funding.
- A disruptive scenario considers external shocks such as political instability, global economic downturns, or natural disasters that could abruptly alter market dynamics, causing significant sales and rent declines or vacancy surges.

To evaluate these scenarios effectively, Sensitivity analysis should be employed to assess how variables like "Rent Decay Rates" and "Sales Absorption Speed" perform under these conditions to ensure portfolio resilience.

Qualitative Shifts and Market Sentiment

Beyond quantifiable data, qualitative shifts play a vital role in shaping future trajectories. Evolving buyer preferences - such as the demand for smaller, flexible retail units or premium "Key-Turn" amenities - should inform both space subdivision and sales packaging. The adoption of smart building technologies and sustainable practices can significantly enhance property attractiveness, justifying the "Infrastructure Premium" in both rental and sales contracts.

Ultimately, investor confidence and market sentiment reflect the perceived stability of Addis Ababa's growth. These perceptions influence capital inflows and the speed at which Merit can convert its development pipeline into realized revenue.

STRATEGIC RECOMMENDATIONS

- ✓ The Vertical Sales & Rental Gradient: Emphasize the steep decline in both rent (approx. 385 ETB per floor) and sales value (which can drop by over 50% between the ground and 4th floors). This necessitates a bifurcated business model: maximize the high-liquidity "Shop Sell" potential of the lower floors while focusing on long-term professional leasing and facility investments for the upper tiers.

- ✓ Dynamic Capital-to-Credit Ratios: Leverage the high market demand for off-plan purchases by offering strategic Cash-to-Installment discounts (targeted at 25–35%). This allows Merit to utilize immediate buyer liquidity to fund construction milestones, effectively "self-financing" the project while maintaining high list prices for installment-based buyers.

- ✓ Facility Investment as a Value Multiplier: Clearly articulate that investments in lifts and security are vital to maintaining both the 800–1,000 ETB rent floor and the 100k+ ETB/m^2 sales benchmark. Regression data (+300 ETB for lifts) confirms that high-compliance infrastructure isn't just an expense-it is a Price Multiplier that protects the asset against the 60% value decline seen in lower-quality competitors.

- ✓ Size Strategy & High-Velocity Retail: Advocate for subdividing ground and first-floor spaces into high-velocity retail units ($15–25 m^2). This "Size-Price Paradox" optimization maximizes the ETB/m^2 return, as smaller units often command higher per-meter rates from individual traders and small business owners.

- ✓ Strategic Reinvestment of "Kulf Sheyach" & Down Payments: View the high "Key Money" and 30–50% sales down payments as strategic capital. Channeling a portion of this upfront liquidity into superior facility management (security, sanitation, and smart-building tech) creates a virtuous cycle-enhancing the desirability of the upper floors for high-tier institutional and "expat-grade" tenants.

- ✓ Location & Market Positioning: Utilize comparative analysis to show that while Merkato Teras dominates in raw retail volume, Teklehaymanot's upper floors hold more stable, long-term value for professional services. Marketing should position Teklehaymanot as the "Professional Hub" and Merkato as the "Retail Engine," applying different sales-incentive structures to each.

- ✓ Digital Sales & Marketing Efficiency: Capitalize on the 85% "Digital Gap" in the local market. By bypassing traditional brokers (*Delalas*) and utilizing direct digital channels (Telegram, Social Media) for both leasing and sales, Merit can achieve faster "Sales Velocity" and tenant matching while avoiding high commission costs. This connects the project directly with the emerging demographic of tech-savvy business owners and investors.

- ✓ Inflation & Asset Hedging: Position property sales as a "Hard Asset" hedge against local currency volatility. In an inflationary environment, marketing should emphasize the Price Index growth and capital appreciation potential of Merit's high-infrastructure assets compared to holding cash, thereby accelerating investor commitment during the foundation phase.

Recommended Key Money and Monthly Rent Price Per M² (ETB/m²)

Area	Floor Level	Recommended Price (ETB/m²)	Key Money (ETB)	Remarks
Merkato	Ground & Periphery	1,200 - 1,300 ETB	2,500,000 - 4,500,000 ETB	Prime retail/office, high visibility, landmark proximity
	Mid Floors (4-6)	1,000 - 1,100 ETB	1,500,000 - 3,000,000 ETB	Suitable for smaller tenants, moderate visibility
	Upper Floors (7+)	800 - 900 ETB	00	Focus on operational stability, higher floors
Teklehaymanot	Ground & Periphery	1,300 - 1,400 ETB	1,000,000 - 2,000,000 ETB	Higher infrastructure quality, stable tenants
	Mid Floors (4-6)	1,100 - 1,200 ETB	600,000 - 1,500,000 ETB	Consistent demand, operational focus
	Upper Floors (7+)	900 - 1,000 ETB	00	Emphasize operational quality and tenant retention

Table 9: Recommended Key Money and Monthly Rent Price Per M² (ETB/m²)

- ✓ The key money for prime locations and ground floors in Mercato is proposed between 2.5 million and 4.5 million ETB, reflecting typical market practices for landmark or high-traffic units.
- ✓ For Teklehaymanot, the key money ranges from 1 million to 2 million ETB for ground floors, decreasing with higher floors.
- ✓ Rental prices per square meter are aligned with regression data, emphasizing operational features like lifts (+300 ETB) and infrastructure quality.

Comparative Market Analysis: Merkato vs. Teklehaymanot

The price variation between Merkato and Teklehaymanot reflects the distinct economic profiles of these two neighboring districts. Merkato consistently commands a higher valuation across all floor categories due to its global standing as Africa's largest open-air market and its status as a high-velocity trade engine.

Floor Category	*Price Range (ETB/m²)*	*Remarks*
1. Ground Floor	1,075,000 – 1,120,000 ETB/m²	Prime retail, maximum premium
2. Floors Basement 1 & 2	985,000 – 1,030,000 ETB/m²	High visibility and foot traffic
3. Floors 3 & 4	810,000 – 896,000 ETB/m²	Near market average
4. Floors 5 – 7	720,000 – 762,000 ETB/m²	Lower demand, long-term leasing
5. Floors 8 and Above	625,000 – 670,000 ETB/m²	Niche demand, operational focus

Table 10: Merkato Area Market value and recommendation

Floor Category	*Price Range (ETB/m²)*	*Remarks*
1. Ground Floor	900,000 – 950,000 ETB/m²	Slight premium, but generally lower than Mercato.
2. Floors 1 & 2	850,000 – 900,000 ETB/m²	Stable demand, slightly lower premium
3. Floors 3 & 4	700,000 – 810,000 ETB/m²	Close to market average.
4. Floors 5 – 7	625,000 – 670,000 ETB/m²	Lower demand, suitable for long-term leasing
5. Floors 8 and Above	560,000 – 610,000 ETB/m²	Niche market, operational focus

Table 11: Teklehaimanot Area Market value and recommendation

In contrast, Teklehaymanot serves as a vital mixed-use transition zone, offering more stable, professional-grade pricing at a slight discount compared to the Merkato "Market Ceiling."

Location Gap

- Mercato: Ground-floor units peak at 1,120,000 ETB/m², driven by extreme foot traffic and its status as a "must-be" location for major wholesalers and retail anchors.
- Teklehaymanot: Reflecting its emerging status, ground-floor units are priced between 900,000 – 950,000 ETB/m². While lower than Mercato, this area offers a competitive entry point for businesses that prioritize modern infrastructure over pure trade volume.

Vertical Price Decay Logic

Both areas exhibit a steep "Vertical Decay" - where price per square meter drops as floor level increases.

- In Mercato, prices drop by nearly 45% from the Ground Floor to the 8th Floor (from ~1.1M to ~625k). This decline is more aggressive due to the "Retail-First" nature of the district, where street-level visibility is the primary value driver.
- In Teklehaymanot, the vertical transition is smoother, with the 8th Floor and above starting at 560,000 ETB/ m^2. This reflects a market shifting from retail traders to professional services (offices and consultants) who value quiet and accessibility over street exposure.

Strategic Implications

The data confirms that while Mercato is the primary engine for high-liquidity retail sales, Teklehaymanot presents a strong opportunity for stable, long-term leasing and professional-tier sales. Merit Properties can justify Mercato's premium based on its "Market Prominence," while positioning Teklehaymanot as a high-quality, infrastructure-rich alternative that offers better relative value for institutional and corporate property owners.

REFERENCES

2Mercato. (2025). *Ethiopian Business Portal: Commercial Property Data and Market Trends*. Retrieved from https://www.2mercato.com

Abebe, G., & Meyer, S. T. (2026). Addis Ababa real estate market analysis: Rental yields and commercial trends. The Africanvestor. Retrieved from https://theafricanvestor.com/blogs/news/addis-ababa-rental-yields

Africanvestor. (2024). *Addis Ababa Rental Yields: A Comprehensive Market Analysis*. Retrieved from https://theafricanvestor.com/blogs/news/addis-ababa-rental-yields

Bekele, W. (2019). Restructuring Merkato: The transition of informal market clusters into multi-story commercial centers. Addis Ababa University, School of Architecture and Urban Planning. Retrieved from https://www.academia.edu/32998133/RE_STRUCTURING_MERCATO_undergraduate_thesis_project

Girma, T., & Kassaye, M. (2023). Determinants of commercial real estate market performance: Evidence from Addis Ababa, Ethiopia. International Journal of Marketing Studies & ResearchGate. Retrieved from https://www.researchgate.net/publication/375955921_Determinants_of_Commercial_Real_Estate_Market_Performance_The_Case_of_Ad