HIRKO & ASSOCIATES (HALO) LEGAL UPDATE:
Foreign National Residential Property Ownership Directive No. 1147/2018

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Addis Ababa, Ethiopia

Ministry of Urban and Infrastructure Issues Implementing Directive for Foreign National Residential Property Ownership Proclamation

I. Introduction

On August 2026, the Ministry of Urban and Infrastructure issued Directive No. 1147/2018 (the "Directive") to operationalize the Foreign Nationals' Ownership Right of Residential House Proclamation No. 1388/2025 (the "Proclamation"). The Directive establishes the detailed procedural and administrative framework governing the ownership of residential houses by foreign nationals in Ethiopia. In particular, it provides requirements relating to eligibility, minimum capital thresholds, application and approval procedures, foreign exchange arrangements, registration of ownership, restrictions on ownership and use, and administrative penalties for non-compliance.

The Proclamation, enacted on 2 October 2025, introduced a significant change to Ethiopia's property ownership regime by permitting qualifying foreign nationals to own residential houses and to acquire leasehold land for the construction of residential houses. This represented a departure from the previous restrictions applicable to foreign ownership of immovable property under the Civil Code. The Directive now provides the procedural framework required for implementation of this regime and brings greater certainty to transactions involving foreign residential property ownership.

The new framework operates within Ethiopia's constitutional principle that land is owned by the state and the people. Accordingly, foreign nationals do not acquire ownership of the underlying land. Rather, ownership extends to the residential structure, while the land on which the structure stands is held through a lease arrangement. This distinction remains fundamental to understanding the nature and extent of the property rights available to foreign nationals under the new regime.

II. Legal Framework

The constitutional foundation for the framework is Article 40(3) of the Constitution, which vests land ownership in the state and the people. Consistent with this principle, the Proclamation permits foreign nationals to acquire ownership of residential houses situated on land provided through a lease and allocated through a public bidding process.

The Proclamation generally permits foreign nationals who satisfy the prescribed requirements to own a residential house. It also establishes a separate regime for foreign investors. A foreign investor holding at least USD 150,000 in paid-up equity in an Ethiopian investment is recognised for purposes of residential property ownership. An investor holding a valid investment licence may own one residential house without satisfying the minimum monetary threshold, while ownership of additional residential houses is subject to the applicable threshold requirements.

The framework also provides immigration-related benefits to foreign nationals who acquire residential property. Ownership may entitle the owner and eligible family members to obtain a residence permit or a multiple-entry visa valid for up to five years, subject to the applicable requirements.

At the same time, the framework imposes important restrictions. Foreign nationals are prohibited from acquiring residential property through financing obtained from domestic financial institutions or by mobilising capital from within Ethiopia. In addition, residential property may not be used for commercial purposes, although the owner retains the right to rent the house for individual or family residential purposes. The Proclamation also repealed the former Civil Code provisions governing foreign ownership of immovable property and displaced the previously applicable investment-related provisions to the extent provided under the new framework.

III. Scope and Eligibility

The Directive applies to foreign nationals who are or intend to become owners of residential houses or land for residential construction in Ethiopia, as well as persons involved in implementing the foreign residential property ownership regime.

An applicant is required to satisfy a number of documentary and substantive requirements before obtaining the necessary permit. These include a valid passport, relevant travel and immigration documents where applicable, a certificate confirming the absence of a criminal record from the applicant's country of residence, evidence of the required minimum capital deposit, and evidence that the applicant is not subject to prohibitions arising from considerations of national peace, security, public interest, community morality or similar grounds. The application may be submitted in person, through a legal representative or through the applicable online system, and is subject to a service fee of USD 50 at the prevailing exchange rate.

Foreign investors are subject to additional requirements. In addition to satisfying the general eligibility requirements, an investor must hold a valid investment permit and provide written confirmation from the authority responsible for issuing the investment permit. The confirmation is expected to establish matters such as the investor's shareholding, sector of engagement and investment status. The applicable minimum capital requirement must also be satisfied, and the purchase price of the residential house may not be lower than the applicable minimum capital threshold.

Once issued, the permit identifies the foreign national and records relevant information, including nationality, passport details, residential addresses, family members, registered capital and the fact that the registered capital is intended for the acquisition of one residential house. For foreign investors, the taxpayer identification number is also recorded.

IV. Permit Validity and Ownership Registration

The permit issued under the Directive is valid for one year from the date of issuance. The foreign national is therefore expected to complete the acquisition of the residential house or the land intended for residential construction within that period.

Where acquisition cannot be completed within the initial validity period because of force majeure, the permit may be extended for an additional one-year period, subject to payment of the applicable service fee, submission of the reasons for the delay and acceptance by the Ministry. Where there is no valid justification for non-acquisition, or where the acquisition is not completed within the extended period, the permit must be returned to the Ministry. In such circumstances, funds deposited in the blocked bank account may be repatriated in accordance with the applicable procedures of the National Bank of Ethiopia.

Following acquisition, the foreign national must notify the Ministry of the ownership within 30 working days and submit a copy of the title deed together with the original permit. The Ministry is then required to notify the Immigration and Citizenship Service within seven working days to facilitate the applicable residence permit or visa arrangements.

V. Minimum Capital Requirements

One of the most significant features introduced by the Directive is the adoption of location-specific minimum capital requirements. While the Proclamation established a general threshold of USD 150,000, the Directive differentiates the minimum capital requirement depending on the location of the residential property.

For Addis Ababa City Administration and Sheger City, the minimum capital requirement is USD 150,000. For Oromia, excluding Sheger, as well as Amhara, Tigray, Sidama, Central Ethiopia, South Ethiopia, South West Ethiopia, Somali, Harari and Dire Dawa City Administration, the applicable minimum is USD 120,000. For Afar, Benishangul-Gumuz and Gambella, the minimum capital requirement is USD 100,000.

Where the actual purchase or construction price exceeds the amount initially registered, the additional amount must be deposited in US dollars before the transaction proceeds. This requirement is intended to ensure that the capital registered for the transaction corresponds to the actual value of the property being acquired or constructed.

VI. Foreign Exchange and Banking Arrangements

The Directive establishes a controlled banking mechanism for the funds to be used in acquiring or constructing residential property. Before opening the relevant account, the foreign national must obtain a letter from the Ministry authorizing the opening of a bank account for the deposit of the required amount in foreign currency.

The foreign currency is then converted by the bank into Ethiopian Birr at the prevailing exchange rate and maintained in a blocked account in the name of the foreign national. The funds may only be released upon presentation of an authorization letter from the Ministry. The arrangement is intended to provide control and traceability over the foreign currency inflow while ensuring that repatriation of funds remains subject to the foreign exchange framework administered by the National Bank of Ethiopia.

VII. Ownership and Use Restrictions

The Directive confirms that a foreign national may own only one residential house at a time, although the Ministry may modify this limit by directive where justified by national interest.

Certain categories of residential housing are expressly excluded from foreign ownership. These include government-subsidised condominium housing, residential houses constructed entirely with government or public funds for non-profit purposes, houses constructed with government, investor or NGO support, and houses constructed by cooperative associations.

The framework also establishes restrictions based on certain serious offences. A person suspected of or convicted of offences including terrorism, human trafficking, illicit drug trafficking, illegal financial transfers, illegal arms trafficking, money laundering and terrorism financing, serious corruption, serious homicide, serious theft, aggravated rape, telecom fraud, cybercrime, infrastructure theft, tax fraud or crimes against national security may be disqualified from owning a residential house.

The financing and use restrictions are equally important. A foreign national cannot acquire residential property using financing from a domestic financial institution or by mobilising capital from within Ethiopia. In addition, the residential property cannot be used for commercial purposes, although it may be rented for individual or family residential purposes.

VIII. Institutional Coordination and Oversight

Implementation of the foreign residential property ownership regime requires coordination among several government institutions. The Ministry is expected to coordinate with the National Bank of Ethiopia in relation to fund repatriation, the Ministry of Foreign Affairs and the Immigration and Citizenship Service in relation to document verification and immigration matters, the Ethiopian Investment Commission in relation to investor information, justice institutions in relation to criminal background checks, and federal and regional stakeholders in relation to monitoring and data management.

The Directive also provides for regular information sharing among the relevant authorities and the establishment of a technology-supported database for foreign residential property ownership. This institutional framework is intended to support monitoring, information management and periodic assessment of the implementation of the new regime.

IX. Administrative Penalties

The Directive introduces administrative penalties for violations of the foreign residential property ownership framework. The penalties vary depending on the nature and seriousness of the violation. Unauthorised or unlawful use of a residential house may attract a fine ranging from USD 1,000 to USD 3,000, while acquiring a residential house or land for residential construction without obtaining the required Ministry permit may attract a fine ranging from USD 2,000 to USD 5,000.

Failure to satisfy the applicable minimum capital requirement may result in a fine ranging from USD 500 to USD 2,000. The submission of false evidence in connection with the acquisition of property may attract a fine ranging from USD 3,000 to USD 5,000. Similarly, failure to deposit additional capital where the purchase price exceeds the registered amount may result in a fine of between USD 2,000 and USD 5,000. A person who knowingly facilitates the acquisition of residential property by an unqualified foreign national may also be subject to a fine ranging from Birr 30,000 to Birr 50,000.

X. Practical Implications

The new framework has significant implications for foreign nationals, foreign investors, real estate developers and financial institutions involved in residential property transactions.

For foreign nationals, prior authorization from the Ministry is a fundamental requirement before acquiring a residential house or land for residential construction. The required funds must originate from abroad in convertible foreign currency and must be channeled through the Ethiopian banking system and maintained in a blocked account until the required authorization is obtained. The applicable capital requirement will depend on the location of the property, and a foreign national is generally limited to ownership of one residential house at a time. The acquisition may also provide immigration benefits for the owner and eligible family members, while income derived from rental or sale may be repatriated subject to the applicable foreign exchange requirements.

Foreign investors should separately consider the relationship between their investment status and residential property ownership. An investment license holder may own one residential house without satisfying the minimum monetary threshold, while ownership of additional residential houses is subject to the applicable threshold requirements. The Directive also requires investors to provide supporting confirmation concerning their investment status and shareholding.

For real estate developers, transactions involving foreign purchasers should be reviewed carefully to ensure compliance with the new regime. In particular, sales agreements prepared before the enactment of the Proclamation may require updating to reflect the current legal and procedural requirements. Developers should also verify that land intended for foreign-owned residential property has been allocated through the required public bidding process, as property situated on land allocated through non-competitive arrangements may not qualify.

Financial institutions likewise have an important role under the new framework. Domestic financing cannot be used by foreign nationals to acquire residential property, while banks are expected to manage the required foreign currency deposits through blocked accounts until the relevant Ministry authorization is provided. Repatriation of funds remains subject to the foreign exchange rules and procedures of the National Bank of Ethiopia.

Foreign nationals of Ethiopian origin should also distinguish their position from that of other foreign nationals. The Proclamation excludes foreign nationals of Ethiopian origin from the definition of “Foreign National,” thereby preserving their rights under other applicable Ethiopian laws. Accordingly, individuals in this category should establish which legal framework applies to their particular transaction before entering into an agreement or transferring funds.

XI. Conclusion

Directive No. 1147/2018 completes the procedural framework for the implementation of foreign residential property ownership in Ethiopia. Together with Proclamation No. 1388/2025, it establishes a structured regime under which qualifying foreign nationals may acquire residential houses and leasehold interests for residential construction, subject to prior authorisation, minimum capital requirements, foreign exchange controls and other substantive restrictions.

The framework is designed to facilitate foreign participation in the residential real estate sector while maintaining control over land ownership, foreign currency movements and the use of residential property. The one-house limitation, prohibition on domestic financing and restriction on commercial use demonstrate the regulatory intention to confine the regime to genuine residential purposes.

For foreign nationals and investors, the principal consideration is that residential property acquisition is no longer subject to an absolute prohibition, but it is also not an unrestricted right. The transaction must be structured and completed within the procedural requirements established by the Ministry, including obtaining prior approval, demonstrating the required foreign-sourced capital, complying with the blocked-account mechanism and completing the required ownership registration.

Real estate developers and financial institutions should likewise review their existing practices, agreements and transaction procedures to ensure alignment with the new requirements. Given the potential financial and administrative consequences of non-compliance, parties involved in transactions involving foreign residential property ownership should conduct appropriate legal and regulatory due diligence before executing agreements or transferring funds.

The successful implementation of the framework will ultimately depend on effective coordination among the Ministry of Urban and Infrastructure, the National Bank of Ethiopia, investment authorities, immigration authorities, justice institutions and regional administrations. Regulated entities, developers, investors and foreign nationals are therefore advised to familiarise themselves with the Proclamation and Directive and obtain appropriate legal advice before undertaking transactions falling within their scope.

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Hirko and Associates Law Office
Addis Ababa, Ethiopia