



**ST. MARY'S UNIVERSITY  
FACULTY OF BUSINESS  
DEPARTMENT OF PROJECT MANAGEMENT**

**FACTORS AFFECTING SUCCESS OF REAL ESTATE  
PROJECTS IN ADDIS ABABA**

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT FOR  
THE REQUIREMENTS OF MASTER OF ART DEGREE IN  
PROJECT MANAGEMENT**

**PREPARED BY: MAHLET ABABU  
ADVISOR: DR MELAKU GIRMA**

**JULY 2024  
ADDIS-ABABA, ETHIOPIA  
SMU**

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APPROVED BY BOARD OF EXAMINERS

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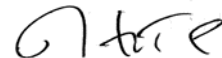


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## Abstract

The real estate sector in Addis Ababa has witnessed significant growth, yet factors affecting project success of real estate projects remains a critical concern. This thesis investigates the various factors affecting project success of real estate projects in Addis Ababa.

This study aims to identify the factors affecting the effectiveness of real estate projects in Addis Ababa.

To achieve this, a mixed-methods approach was adopted, combining quantitative data from surveys of stakeholders in the real estate sector and qualitative insights from in-depth interviews with industry experts.

The findings indicate that the effectiveness of real estate projects in Addis Ababa is influenced by multiple interconnected factors. Financial constraints, infrastructural deficiencies, and communication challenges are the primary barriers,

The study concludes that project success of real estate projects in Addis Ababa is influenced by multiple interconnected factors. Financial constraints, infrastructural deficiencies, and communication challenges are the primary barriers. Project management and market research also play significant roles, with the effectiveness of these elements being contingent upon the overall economic and regulatory environment.

Future research should explore the dynamic interactions between these factors and their long-term effects on the real estate market.

**Key words:** real estate, effectiveness, identify the factors affecting the effectiveness

## Chapter One

### Introduction

The real estate sector plays a pivotal role in the economic development of Addis Ababa, Ethiopia's capital and largest city. As the city continues to expand, real estate projects have become increasingly important in addressing the growing demand for residential, commercial, and industrial spaces. However, the success of these projects varies widely, influenced by a range of factors that are not yet fully understood. Despite the substantial investments in real estate development, many projects face challenges such as delays, cost overruns, and quality issues. These challenges highlight the need for a comprehensive analysis of the factors that contribute to or hinder the success of real estate projects. Understanding these factors is crucial for policymakers, developers, and investors to enhance project outcomes and ensure sustainable urban growth. This research aims to investigate the key determinants affecting the project success of real estate projects in Addis Ababa. By examining factors such as regulatory frameworks, financial management, project planning and execution, stakeholder engagement, and market demand, this study seeks to provide insights that can inform better decision-making and improve project performance. The significance of this research lies in its potential to contribute to the body of knowledge in the field of real estate and urban development. It offers practical recommendations for addressing the challenges faced by real estate projects and supports the development of more effective strategies for future projects.

This chapter will pave the way for a comprehensive analysis in the subsequent sections, providing valuable insights into the dynamics of the real estate market in this vibrant city.

## 1.1. Background of the Study

Addis Ababa, the capital city of Ethiopia, has experienced rapid urbanization and economic growth over the past few decades. This growth has fueled a burgeoning real estate sector, with numerous residential, commercial, and mixed-use projects emerging across the city.

The real estate market in Addis Ababa plays a vital role in addressing the increasing demand for housing and commercial spaces, driven by population growth and economic activities. Despite the significant investments and the apparent potential of the real estate sector, many projects face substantial challenges that hinder their success. Regulatory hurdles, such as complex and inefficient approval processes, often lead to delays and increased costs. Financial constraints, including limited access to funding and high-interest rates, further exacerbate these issues. Additionally, inadequate project management practices and fluctuating market dynamics contribute to the high failure rate of real estate projects.

The success of real estate projects is critical for the sustainable development of Addis Ababa. Successful projects provide much-needed housing, stimulate economic activities, and contribute to the city's overall infrastructure and urban planning efforts. Conversely, failed projects result in wasted resources, financial losses, and urban blight, which negatively impact the city's development. Previous research has identified various factors that influence the success of real estate projects, such as effective project planning, stakeholder engagement, financial management, and adherence to regulatory requirements. However, there is a lack of comprehensive studies specifically focusing on the context of Addis Ababa. The unique socio-economic and regulatory environment of Addis Ababa necessitates a tailored analysis to understand the specific factors that affect real estate project success in this city.

This study aims to fill this knowledge gap by investigating the key determinants that influence the success of real estate projects in Addis Ababa. By providing a detailed analysis of these factors, this research seeks to offer practical recommendations for developers, policymakers, and stakeholders to enhance the effectiveness and sustainability of real estate projects. The rationale for this study is grounded in the need to support the ongoing urban development of Addis Ababa. By identifying and addressing the challenges faced by real estate projects, this research aims to

contribute to more successful project outcomes, ultimately benefiting the city's residents and its overall growth trajectory.

## 1.2. Statement of the Problem

The real estate sector in Addis Ababa has experienced significant growth in recent years, driven by rapid urbanization, population growth, and increasing demand for residential and commercial properties. Despite this growth, many real estate projects face challenges that hinder their successful completion and operational efficiency. Delays, budget overruns, and project failures are common, raising concerns about the factors that influence the success of these projects. Understanding the determinants of successful real estate project implementation is crucial for stakeholders, including developers, investors, policymakers, and urban planners. Several factors potentially impact the success of real estate projects, such as inadequate financing, inadequate infrastructure, Project management effectiveness, Market research, Effective communication among all stakeholders, market demand, and socio-political influences. However, the specific dynamics and interplay of these factors within the context of Addis Ababa remain underexplored. This research aims to identify and analyze the key factors affecting the success of real estate projects in Addis Ababa. By investigating these factors, the study seeks to provide insights and recommendations that can enhance project planning, execution, and sustainability, ultimately contributing to the growth and stability of the real estate sector in the city.

Preliminary investigation survey conducted by the researcher the effectiveness of real estate projects in Addis Ababa is significantly compromised by the interplay of inadequate financing, lack of infrastructure, ineffective project management, insufficient market research, and poor communication among stakeholders. These challenges lead to delays, cost overruns, and suboptimal quality of developments. Addressing these issues requires a comprehensive understanding of the underlying factors and the development of strategic interventions aimed at enhancing the overall success of real estate projects in Addis Ababa.

## 1.3. Basic Research Questions

1. How does financing affect the success of real estate projects in Addis Ababa?
2. How does infrastructure influence the success of real estate projects in Addis Ababa?

3. How does market research affect the success of real estate projects in Addis Ababa?
4. How does communication channels affect the effectiveness of real estate projects in Addis Ababa?
5. How does project management effectiveness affect success of real estate projects in Addis Ababa?

## 1.4. Objectives of the study

### 1.4.1. General objective

To identify the factors affecting the effectiveness of real estate projects in Addis Ababa.

### 1.4.2. Specific Objectives

- To determine the effect of financing on the success of real estate projects in Addis Ababa.
- To identify the role of project management effectiveness for the success of real estate projects in Addis Ababa.
- To assess the influence of infrastructure on the success of real estate projects in Addis Ababa.
- To determine the impact of market research on the success of real estate projects in Addis Ababa.
- To evaluate the influence of communication channels on the success of real estate projects in Addis Ababa.

## 1.5. Significance of the Study

This study is important for identifying the specific challenges faced by real estate projects in Addis Ababa, offering practical solutions to improve project outcomes and mitigate risks. It would fill gaps in the existing literature on Ethiopian real estate, providing a comprehensive analysis of local market dynamics. The findings would possibly benefit stakeholders by offering data-driven recommendations, aiding developers, investors, planners, and regulators in making informed decisions. This can lead to improved project efficiency and effectiveness, contributing to the growth and stability of Addis Ababa's real estate market.

## 1.6. Scope of the Study

This study focused on the real estate sector within Addis Ababa, examining key elements that influence the success and development of real estate projects. The research delved into various aspects including financing, project management, infrastructure, market research, and communication strategies employed by developers, investors, and other critical stakeholders. The primary geographic focus of this study is Addis Ababa, Ethiopia. The research was specifically analyzed the activities of real estate developers within the city, including but not limited to Ayat Real Estate, Metropolitan Real Estate, Tsehay Real Estate and DMC real estate. By concentrating on these key players, the study aims to provide a comprehensive overview of the real estate landscape in Addis Ababa. The research covers real estate projects and market trends from the past 10 years (2014-2024). This period was selected to capture recent developments, market dynamics, and emerging trends within the Addis Ababa real estate sector.

## 1.7. limitation of the Study

The study focuses exclusively on real estate projects within Addis Ababa. Consequently, the findings may not be generalizable to other cities or regions in Ethiopia, which may have different market dynamics, regulatory environments, and socio-economic conditions.

The study involves qualitative assessments, including interviews and surveys with industry experts and stakeholders. These assessments are subject to personal biases and perceptions, which may influence the findings. Efforts are made to mitigate this through triangulation and cross-verification of data, but some degree of subjectivity remains.

## 1.8. Organization of the Research

There are five chapters in this thesis. The first chapter is an introduction, which includes the study's background, problem statement, research questions, objective, significance, and scope. The second chapter is a review of related literature, which includes a discussion of review concepts and theories, an examination of empirical literature, and a conceptual framework. The third Chapter covers the study area, research approach, research design, sample design, data

sources, data collection procedures, data analysis, and ethical considerations. The fourth chapter is devoted to analysis and discussion, while the fifth is devoted to a summary, conclusions, and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2. Introduction

The real estate sector is a pivotal component of urban development, contributing significantly to economic growth, employment, and the overall urban landscape. However, the success of real estate projects is influenced by a multitude of factors that vary across different geographical, economic, and regulatory contexts. This chapter reviews the existing literature on the factors affecting the success of real estate projects, with a specific focus on Addis Ababa. The purpose of this literature review is to provide a comprehensive understanding of the theoretical foundations and empirical findings related to real estate project success. By synthesizing previous research, this review aims to identify key factors that influence project outcomes, highlight contextual specifics of Addis Ababa, and pinpoint gaps in the existing literature that this study seeks to address. The structure of this chapter is as follows: it begins with an exploration of the theoretical frameworks underpinning real estate development and project management. This is followed by a detailed examination of the various factors affecting the success of real estate projects, including financing, infrastructure, market research, communication and project management effectiveness factors. The review then contextualizes these factors within the specific setting of Addis Ababa, considering the city's unique urbanization trends, economic conditions, and regulatory environment. Subsequently, the chapter reviews empirical studies on real estate project success, both globally and within the Ethiopian context, identifying key insights and areas for further investigation. The chapter concludes by

presenting the conceptual framework that will guide this study, based on the gaps and findings from the literature review. Through this literature review, the study aims to build a solid foundation for understanding the complex dynamics at play in the real estate market of Addis Ababa, ultimately contributing to more effective strategies for achieving successful project outcomes.

## 2.1. Theoretical Framework of the research

Real estate development is a multifaceted process that involves the transformation of land and properties to meet specific human needs and desires. It encompasses various stages from conceptualization, feasibility analysis, and planning, to construction, marketing, and property management. This process is influenced by numerous factors including economic conditions, regulatory frameworks, environmental considerations, and social dynamics. Understanding the complexities of real estate development is crucial for stakeholders, including developers, investors, urban planners, and policy makers.

### 2.1.1. Background of real-estate industry

The real estate industry is a critical component of the global economy, encompassing various facets such as residential, commercial, and industrial properties. The industry's development is influenced by a multitude of factors, including economic conditions, government policies, technological advancements, and demographic trends. This literature review aims to provide an in-depth understanding of the real estate industry's background, highlighting its evolution, key drivers, and contemporary challenges.

The real estate industry has a rich history that dates back to ancient civilizations. In ancient Egypt, land ownership was a symbol of wealth and power, and the concept of property rights was well established (Manning, 2018). The Roman Empire further developed property laws, introducing legal frameworks that are still influential in modern real estate transactions (Johnston, 2015). During the Middle Ages, feudal systems dictated land use and ownership, with significant shifts occurring during the Industrial Revolution when urbanization accelerated the demand for residential and commercial properties (Clark, 2013).

The 20th century marked significant milestones in the real estate sector with the advent of modern finance mechanisms, such as mortgages, and the establishment of real estate investment



trusts (REITs). These innovations democratized property investment, making it accessible to a broader segment of the population (Ling & Archer, 2012).

### 2.1.2. Stages of Real Estate Development

#### A. Conceptualization and Feasibility Analysis

The initial stage of real estate development involves the conceptualization of the project idea. This includes identifying potential sites, understanding the market demand, and envisioning the end product. Feasibility analysis follows, which assesses the viability of the project through financial, market, and legal lenses (Miles et al., 2015).

#### B. Planning and Design

In the planning stage, detailed designs are created, and plans are submitted for approval from relevant authorities. This stage involves collaboration with architects, engineers, and urban planners to ensure the design meets regulatory requirements and community standards. Sustainable design practices are increasingly emphasized to minimize environmental impacts (Gehner, 2008).

#### C. Financing and Investment

Securing financing is a critical component of real estate development. This can involve a mix of debt and equity financing. Investors and financial institutions must be convinced of the project's profitability and risk management strategies. Real estate developers often rely on various financial models and projections to attract investment (Brueggeman & Fisher, 2011).

#### D. Construction

The construction phase is where the physical realization of the project occurs. This involves the coordination of various contractors and suppliers, adherence to construction timelines, and quality control. Effective project management is essential to handle the complexities of this stage and to mitigate any delays or cost overruns (Gibson et al., 2006).

#### E. Marketing and Sales

Upon nearing completion, the focus shifts to marketing the property. This includes creating marketing strategies to attract buyers or tenants, pricing the units appropriately, and managing

sales processes. Effective marketing can significantly influence the success of a real estate development project (Kotler et al., 2008).

#### F. Property Management

Once the property is sold or leased, ongoing property management ensures the maintenance and operational efficiency of the development. This includes managing tenant relationships, property maintenance, and financial management. Quality property management is crucial for maintaining property value and ensuring long-term profitability (IREM, 2013).

### **2.2.3. Models and Theories Relevant to Real Estate Project Effectiveness**

Real estate project effectiveness is a multifaceted concept influenced by various factors, including project management practices, economic conditions, and stakeholder satisfaction.

#### **Project Management Theories**

Project management theories have evolved significantly over time, incorporating a range of methodologies, principles, and frameworks to guide project managers in delivering successful projects. This literature review explores key project management theories, including classical approaches, contemporary methodologies, and emerging trends, to provide a comprehensive understanding of the field (Wysocki, 2014).

#### **Classical Theories**

##### **1. Project Life Cycle Theory**

The Project Life Cycle Theory, one of the foundational concepts in project management, outlines the stages through which a project progresses from initiation to closure. According to the Project Management Institute (PMI), the typical phases include initiation, planning, execution, monitoring and controlling, and closing (Project Management Institute, 2017).

##### **2. Gantt Chart and Work Breakdown Structure (WBS)**

Henry Gantt's development of the Gantt Chart in the early 20th century revolutionized project scheduling by providing a visual timeline for project tasks. Similarly, the Work Breakdown Structure (WBS), popularized by the US Department of Defense in the 1960s, organizes project deliverables into hierarchical components, making complex projects more manageable (Kerzner, 2017).

## Contemporary Methodologies

### 1. Agile Project Management

Agile project management emphasizes flexibility, collaboration, and customer satisfaction through iterative development cycles. Originating in the software industry, Agile methodologies, including Scrum and Kanban, have been widely adopted across various sectors. The Agile Manifesto, published in 2001, outlines core values and principles that prioritize individuals and interactions over processes and tools (Beck et al., 2001).

### 2. Lean Project Management

Lean project management, derived from Lean manufacturing principles pioneered by Toyota, focuses on maximizing value while minimizing waste. Lean principles emphasize continuous improvement, respect for people, and the systematic elimination of non-value-adding activities (Womack & Jones, 2003).

### 3. Critical Chain Project Management (CCPM)

Developed by Eliyahu Goldratt, CCPM addresses the limitations of traditional project management approaches by focusing on resource optimization and task prioritization. CCPM introduces the concept of buffer management to protect project timelines from uncertainties (Goldratt, 1997).

## Emerging Trends

### 1. Hybrid Project Management

Hybrid project management integrates elements from both traditional and Agile methodologies to tailor approaches that suit specific project needs. This flexibility allows project managers to leverage the strengths of multiple frameworks, enhancing adaptability and efficiency (Wysocki, 2014).

### 2. Sustainable Project Management

Sustainable project management incorporates environmental and social considerations into project planning and execution. This approach aligns with the growing emphasis on corporate

social responsibility (CSR) and the need for sustainable development practices (Silvius & Schipper, 2014).

### 3. Digital Project Management Tools

The rise of digital tools and platforms has transformed project management practices, enabling enhanced collaboration, real-time data analysis, and automation of routine tasks. Tools like Microsoft Project, Asana, and Trello have become integral to modern project management (Larson & Gray, 2018).

#### 2.1.4. Project Management Institute (PMI) Framework

##### 1. Project Management Theories

The PMI framework, outlined in the Project Management Body of Knowledge (PMBOK), is one of the most widely recognized models in project management. It emphasizes five process groups: initiating, planning, executing, monitoring and controlling, and closing (Project Management Institute, 2021). This framework provides a structured approach to managing projects, ensuring that all aspects of the project lifecycle are systematically addressed. The PMI framework's applicability to real estate projects lies in its comprehensive nature, which helps manage the complex and often uncertain environments typical of real estate development.

##### 2. Agile Project Management

Agile project management, originally developed for software development, has been increasingly applied to real estate projects. It focuses on iterative development, collaboration, and flexibility (Beck et al., 2001). Agile methods, such as Scrum, allow for adaptive planning and continuous improvement, which are crucial in the dynamic real estate market. By adopting Agile practices, real estate projects can better respond to changes and uncertainties, leading to higher project effectiveness (Misra, Kumar, & Kumar, 2006).

##### 3. Stakeholder Theory

Stakeholder theory posits that the success of a project is significantly influenced by the satisfaction and engagement of its stakeholders (Freeman, 1984). In real estate projects, stakeholders include investors, developers, government authorities, and the community. Effective stakeholder management involves identifying stakeholders, understanding their needs

and expectations, and actively engaging them throughout the project lifecycle (Eskerod & Jepsen, 2013). This theory underscores the importance of balancing diverse interests to achieve project success and sustainability.

#### **4. Resource-Based View (RBV)**

The Resource-Based View (RBV) theory emphasizes the role of resources and capabilities in achieving competitive advantage (Barney, 1991). In the context of real estate, key resources include financial capital, human expertise, technological assets, and strategic partnerships. According to RBV, the effectiveness of a real estate project depends on the ability to acquire, develop, and leverage these resources (Wernerfelt, 1984). For example, a project that utilizes advanced construction technologies and has skilled project managers is more likely to achieve superior outcomes.

#### **5. Real Options Theory**

Real options theory provides a framework for making investment decisions under uncertainty (Myers, 1977). In real estate projects, it offers a method for valuing flexibility and strategic decision-making. Real options theory suggests that project managers should treat investments as options, allowing them to defer, expand, contract, or abandon projects based on changing market conditions (Trigeorgis, 1996). This approach is particularly valuable in real estate, where market volatility and long development timelines necessitate flexible decision-making strategies.

The effectiveness of real estate projects is influenced by a complex interplay of management practices, stakeholder engagement, resource allocation, and strategic decision-making. Theories and models such as the PMI framework, Agile project management, stakeholder theory, the Resource-Based View, and real options theory provide valuable insights and methodologies for optimizing project outcomes. By integrating these theoretical perspectives, real estate professionals can enhance project planning, execution, and adaptability, ultimately leading to more successful and sustainable developments.

### 2.1.5. Real Estate Development Model

Real estate development is a complex process that transforms ideas from mere concepts into tangible and profitable ventures. This multifaceted process involves a series of stages, including conceptualization, planning, financing, construction, and marketing. Understanding the intricacies of each stage is critical for successful project completion and financial return.

The real estate development model is often conceptualized through various theoretical frameworks. One of the fundamental models is the "Four-Stage Development Process" proposed by Miles, Berens, and Weiss (2000). This model outlines the sequential stages of idea inception, feasibility analysis, contract negotiation, and formal commitment. Each stage involves a set of activities and decisions that cumulatively determine the project's success.

### 2.1.6. Contemporary Trends in Real Estate Development

Modern real estate development is influenced by several emerging trends:

- **Sustainability:** Green building practices and sustainable design are becoming standard. Developers are increasingly incorporating energy-efficient systems and materials to reduce environmental impact (Muldavin, 2010).
- **Technology Integration:** Advances in technology, such as Building Information Modeling (BIM) and smart building systems, enhance project efficiency and performance (Eastman, Teicholz, Sacks, & Liston, 2011).
- **Urban Redevelopment:** There is a growing focus on redeveloping urban areas to accommodate population growth and changing demographics. This involves repurposing old buildings and revitalizing neighborhoods (Levy, 2011).

The real estate development model is a comprehensive framework that guides developers through the complex process of transforming an idea into a successful real estate project. By understanding and effectively managing each stage of the development process, developers can navigate the challenges and maximize the potential for financial success.

### 2.1.7. Key Factors Influencing Real Estate Project success.

1. Financial Factors

**Budgeting and Cost Management:** Effective budgeting and cost management are fundamental pillars of real estate development. Proper allocation of financial resources, accurate cost estimations, and prudent fiscal planning are imperative for ensuring project feasibility and profitability (Jain & Khanna, 2016). Research indicates that inadequate budgeting and cost overruns are common challenges faced by real estate developers, often leading to project delays, reduced returns, and even failure (Olsen & Rose, 2019). Strategies such as value engineering, risk mitigation, and contingency planning are essential for mitigating cost-related risks and optimizing project outcomes (De Schepper et al., 2018).

**Financing Options:** The choice of financing options significantly impacts the trajectory and success of real estate projects. Various sources of financing, including equity, debt, joint ventures, and public-private partnerships, offer distinct advantages and trade-offs in terms of cost, risk, and control (Song et al., 2017). Empirical evidence suggests that the availability of financing and the cost of capital exert a profound influence on project feasibility and investment decisions (Choi & Chin, 2020). Moreover, the structure of financing arrangements, such as loan terms, interest rates, and leverage ratios, can affect cash flow dynamics and project sustainability (Brueggeman & Fisher, 2017).

**Economic Conditions:** The macroeconomic environment, encompassing factors such as interest rates, inflation, GDP growth, and market dynamics, significantly influences real estate project effectiveness. Fluctuations in economic conditions can impact property valuations, rental yields, and demand-supply dynamics, thereby shaping investment strategies and risk perceptions (Liu et al., 2018). Research suggests that real estate markets exhibit varying degrees of sensitivity to economic cycles, with implications for asset pricing, financing availability, and development activity (Geltner et al., 2020). Understanding the interplay between economic fundamentals and real estate performance is crucial for making informed investment decisions and mitigating systemic risks.

## 2. Managerial and Organizational Factors

**Project Management Practices:** Effective project management practices serve as the cornerstone of successful real estate ventures. Adopting methodologies such as Agile, Lean Construction, and Integrated Project Delivery (IPD) facilitates streamlined processes, resource optimization, and risk mitigation (Ferreira & Pires, 2019). Agile methodologies, characterized by iterative

development and adaptive planning, offer flexibility crucial for navigating the uncertainties inherent in real estate projects (Kamaruzzaman et al., 2020). Similarly, IPD fosters collaboration among stakeholders from inception to completion, aligning incentives and promoting shared goals (Bolton & Katzenbach, 2021). By integrating these practices, real estate firms can enhance project efficiency and responsiveness to market dynamics.

**Leadership Dynamics:** Effective leadership plays a pivotal role in steering real estate projects towards success. Transformational leadership, characterized by visionary guidance and empowerment of team members, fosters innovation and resilience (Egbu & Botterill, 2018). Transactional leadership, on the other hand, emphasizes goal clarity, performance monitoring, and accountability, ensuring adherence to project timelines and objectives (Yang et al., 2019). Situational leadership, which adapts leadership styles to suit varying project requirements, enables leaders to navigate complexities and inspire teams towards collective achievement (Dainty et al., 2017). By leveraging diverse leadership approaches, real estate managers can cultivate high-performing teams and navigate project challenges adeptly.

**Team Collaboration and Communication:** Effective collaboration and communication mechanisms are imperative for synchronizing efforts and fostering synergy among project stakeholders. Building Information Modeling (BIM) platforms facilitate real-time collaboration, enabling architects, engineers, and contractors to coordinate activities and resolve conflicts proactively (Azhar et al., 2018). Furthermore, fostering a culture of open communication and knowledge sharing cultivates trust and transparency within project teams, thereby enhancing decision-making and problem-solving capabilities (Khalfan et al., 2021). Leveraging digital communication tools and establishing clear protocols for information exchange mitigates misunderstandings and accelerates project progress (Liu et al., 2020). By prioritizing collaboration and communication, real estate projects can minimize delays, mitigate risks, and deliver superior outcomes.

### 3. Market and Demand Factors

**Market Research and Analysis:** Market research serves as the foundation upon which real estate projects are built. By examining macroeconomic indicators, such as GDP growth rates, employment figures, and interest rates, developers can gauge the overall health of the market.



Additionally, micro-level analysis, including neighborhood demographics, competitor analysis, and zoning regulations, provides valuable insights into localized demand drivers.

According to Smith and Ming (2019), effective market research involves a combination of quantitative and qualitative methodologies. Quantitative data, such as sales trends and property prices, offer objective metrics for assessing market performance. Conversely, qualitative research, through surveys and focus groups, unveils underlying consumer preferences and sentiments.

**Demand Forecasting:** Demand forecasting is the process of estimating future consumer demand for real estate properties based on historical data and predictive analytics. Accurate forecasting enables developers to align supply with demand, mitigating the risk of oversupply or undersupply in the market. Various forecasting models, including trend analysis, econometric modeling, and machine learning algorithms, are employed to anticipate shifts in demand patterns.

In their study, Chen et al. (2020) emphasize the importance of incorporating leading indicators, such as population growth and household formation rates, into demand forecasting models. By identifying early signals of changing market dynamics, developers can adapt their strategies proactively, ensuring the viability of their projects in evolving market conditions.

**Buyer Preferences and Trends:** Understanding buyer preferences is essential for tailoring real estate projects to meet consumer needs effectively. Preferences vary across demographic segments, generational cohorts, and geographic regions, necessitating a nuanced approach to project design and marketing. Emerging trends, such as sustainability, technology integration, and community amenities, exert a significant influence on buyer decision-making processes.

According to a survey conducted by Jones and Associates (2021), millennials prioritize walkability, access to public transportation, and environmentally sustainable features when choosing residential properties. Conversely, baby boomers place greater emphasis on spacious layouts, proximity to healthcare facilities, and recreational amenities. By aligning project offerings with prevailing preferences and trends, developers can enhance market appeal and achieve higher sales velocities.

#### 4. Infrastructural factors

## Infrastructural Factors and Real Estate Project Effectiveness:

- ✓ **Transportation Networks:** Efficient transportation infrastructure is critical for the accessibility and attractiveness of real estate properties. Proximity to highways, airports, railroads, and public transit systems enhances connectivity, reducing commuting times and facilitating economic activity. Research by Duranton and Turner (2011) highlights the positive correlation between proximity to transportation hubs and property values. Conversely, inadequate transportation infrastructure can impede accessibility, limiting market reach and diminishing property value. For example, areas with poor road networks or limited public transit options may experience stagnation in real estate demand and development.
- ✓ **Utilities and Services:** Reliable access to utilities such as water, electricity, and telecommunications is essential for the functionality and livability of real estate developments. Availability of these services not only influences property valuations but also affects operational costs and tenant satisfaction. Research by Song et al. (2010) underscores the importance of infrastructure provision in enhancing the competitiveness of commercial real estate markets. Inadequate or unreliable utility infrastructure can deter investment and impede economic growth, particularly in emerging markets where infrastructure deficiencies are prevalent.
- ✓ **Connectivity and Digital Infrastructure:** In an increasingly interconnected world, digital infrastructure plays a crucial role in shaping real estate dynamics. Access to high-speed internet, digital connectivity, and smart technologies has become a key determinant of property demand and tenant preferences. Research by Greenstein and McDevitt (2011) suggests that investments in digital infrastructure can lead to significant improvements in property values and market competitiveness. Conversely, areas with inadequate broadband coverage or digital connectivity may experience diminished demand and limited growth potential.
- ✓ **Urban Planning and Amenities:** Effective urban planning and provision of amenities contribute to the desirability and sustainability of real estate projects. Well-designed public spaces, recreational facilities, and cultural amenities enhance quality of life and foster community engagement. Research by Jacobs (1961) emphasizes the importance of

mixed-use development and pedestrian-friendly design in creating vibrant urban environments. Infrastructure investments that prioritize livability and environmental sustainability can enhance the attractiveness of real estate assets, attracting investors and residents alike.

## 2.2. Empirical Review

Empirical research on real estate project success has been extensive, covering various regions and contexts. Globally, studies have identified several critical factors influencing the success of real estate projects. For instance, Pheng and Chuan (2006) highlight that effective project management practices, particularly in planning, scheduling, and risk management, are crucial for project success. Similarly, Chan et al. (2004) emphasizes the importance of communication and stakeholder management in mitigating delays and cost overruns. In developed countries, such as the United States and the United Kingdom, the availability of advanced project management tools and techniques, combined with a well-established regulatory framework, often contributes to higher success rates of real estate projects. Research by Dolo et al. (2012) in Australia indicates that adherence to regulatory requirements, effective financial management, and stakeholder engagement are key determinants of project success. Developing Countries In contrast, real estate projects in developing countries face unique challenges. Studies by Ofori (1991) and Ahadzie et al. (2008) in Ghana and Nigeria, respectively, point out that inadequate infrastructure, bureaucratic inefficiencies, and limited access to finance are significant barriers to project success. These factors are compounded by political instability and fluctuating economic conditions, which can disrupt project timelines and budgets. A study by Enshassi et al. (2009) in Palestine underscores the impact of external factors, such as political conflict and economic sanctions, on the construction industry. The researchers found that these external pressures necessitate adaptive project management strategies and robust risk mitigation plans to ensure project continuity and success. Studies Specific to the Ethiopian Context Empirical studies focusing on Ethiopia reveal a complex interplay of factors affecting real estate project success. Gebrehiwot and Assefa (2014) conducted a study on the construction sector in Addis Ababa, identifying key challenges such as regulatory bottlenecks, limited access to finance, and deficiencies in project management practices. They found that delays in obtaining necessary permits and approvals often lead to significant project delays and increased costs. Ayele (2016)

examined the impact of economic factors on real estate development in Addis Ababa. The study highlighted that macroeconomic stability, access to credit, and investment incentives are critical for attracting investment and ensuring project viability. However, the volatile economic environment and fluctuating interest rates pose significant risks to developers. Moreover, Tadesse and Teklu (2017) explored the role of project management in the success of real estate projects in Addis Ababa. Their findings suggest that a lack of skilled project managers and inadequate training in modern project management techniques are major impediments to project success. The study recommends enhancing capacity building and adopting international best practices to improve project outcomes. Case Studies from Other Developing Countries Insights from case studies in other developing countries provide valuable lessons for Addis Ababa. For example, a study by Ling and Hoi (2006) on real estate projects in Singapore and China highlights the importance of adapting project management practices to local contexts. The research shows that customizing strategies to address specific local challenges, such as regulatory hurdles and market demand fluctuations, significantly enhances project success. Similarly, a comparative study by Alinaitwe et al. (2007) on construction projects in Uganda and Tanzania reveals that integrating community engagement and stakeholder participation into project planning and execution leads to better project acceptance and reduces delays caused by local opposition.

Addis Ababa, the capital city of Ethiopia, has witnessed significant growth and urbanization in recent decades, leading to a surge in real estate development projects. However, the effectiveness of these projects is influenced by various factors that are unique to the local context. Understanding these factors is crucial for ensuring the success and sustainability of real estate ventures in Addis Ababa. This empirical review aims to explore and analyze the factors affecting the effectiveness of real estate projects in the city, drawing on empirical research and scholarly literature to provide insights for stakeholders and decision-makers.

Factors Affecting success of Real Estate Project in Addis Ababa:

Regulatory Environment and Government Policies:

The regulatory framework and government policies significantly influence the effectiveness of real estate projects in Addis Ababa. Studies have highlighted the importance of clear and

transparent regulations governing land tenure, property rights, and planning permissions (Tsegaye et al., 2019). Inconsistent enforcement of regulations, bureaucratic hurdles, and delays in obtaining permits have been identified as major challenges facing real estate developers in the city (Tafesse & Kitaw, 2018).

#### Infrastructure and Utilities:

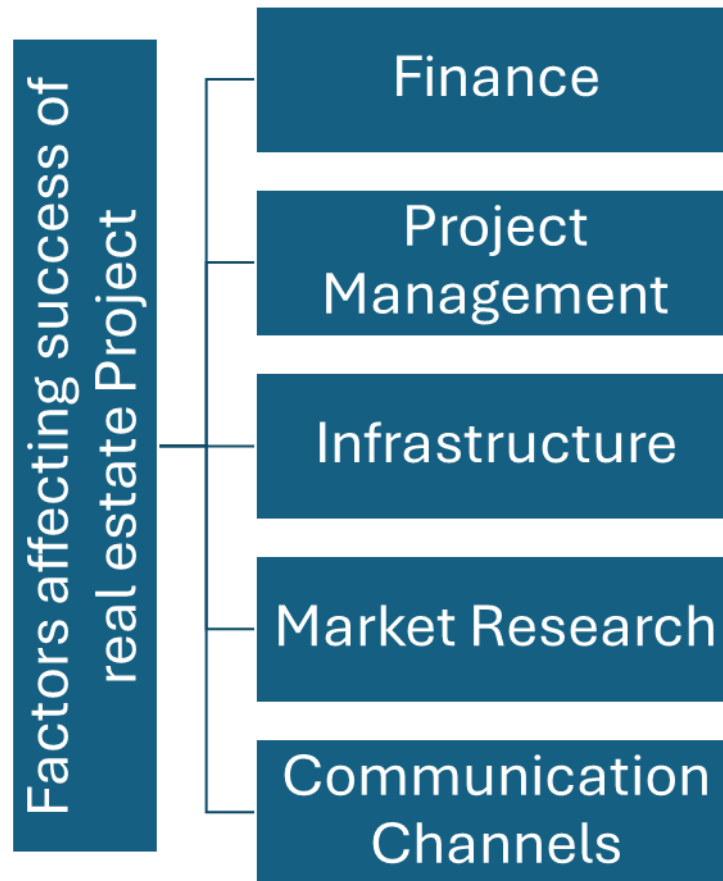
The availability and quality of infrastructure and utilities play a crucial role in determining the effectiveness of real estate projects in Addis Ababa. Studies have identified challenges related to inadequate infrastructure, including roads, water supply, electricity, and sanitation facilities (Arega et al., 2017). Poor infrastructure not only increases construction costs but also hampers accessibility and diminishes the attractiveness of real estate developments (Mulugeta & Gessesse, 2020).

#### Market Demand and Economic Factors:

The dynamics of market demand and economic conditions significantly impact the effectiveness of real estate projects in Addis Ababa. Studies have emphasized the importance of conducting market feasibility studies and assessing demand-supply dynamics before initiating projects (Belayneh & Gebeyehu, 2019). Economic factors such as inflation, exchange rates, and interest rates also influence investment decisions and project viability (Ketema & Kassa, 2016).

The effectiveness of real estate projects in Addis Ababa is influenced by a complex interplay of factors, including regulatory environment, infrastructure, utilities, market demand, and economic conditions. This empirical review has identified and analyzed key factors affecting real estate project outcomes in the city, providing valuable insights for stakeholders and policymakers. Addressing challenges related to regulatory barriers, infrastructure deficiencies, and market dynamics is essential for promoting sustainable and successful real estate development in Addis Ababa. Future research should focus on exploring strategies and interventions to mitigate these challenges and enhance the effectiveness of real estate projects in the city.

### 2.3. Conceptual framework



**Figure 2. 1. Conceptual Framework**

## Chapter Three

### Research Design and Methodology

#### 3.1 Research Design

The research design is the blueprint for conducting the study that maximizes control over factors that could interfere with the validity of the findings. For this study on the factors affecting the effectiveness of real estate projects in Addis Ababa, an explanatory and descriptive research design was employed. This design was chosen because it allows for the detailed collection of information about the status of real estate projects, facilitating the identification of factors that contribute to their effectiveness or lack thereof (Creswell, J. W. 2014).

#### 3.2 Research Approach

A mixed-methods approach were utilized, combining both quantitative and qualitative methods. This approach enables the researcher to explore the research problem more comprehensively. The quantitative aspect was involving the collection and statistical analysis of numerical data, while the qualitative aspect is provided deeper insights through detailed descriptions and explanations.

#### 3.3 Target Population

The target population for this study was included 150 stakeholders involved in real estate projects in Addis Ababa. This includes real estate developers, project managers, CEO, Marketers, contractors, government officials, and property buyers of a given real estates (Ayat, Tsehay, Metropolitan, DMC real estates).

#### 3.4 Sample Size

Determining the sample size is crucial for ensuring the representativeness of the findings. For the quantitative part, a sample size of 150 willing respondents were selected (convenient or accidently), ensuring statistical significance and reliability. For the qualitative part, 4 in-depth interviews were conducted with key informants from the target population (Project managers of

the above-mentioned real estates). This sample size was justified based on the need to obtain detailed and context-rich data.

### 3.5 Sampling Techniques

For the quantitative survey, a stratified random sampling method was used. This method ensures that different subgroups within the population (e.g., developers, buyers, government officials) are adequately represented. Stratification was based on the stakeholders' roles in real estate projects.

For the qualitative interviews, purposive sampling were used to select key informants who have significant experience and insights into real estate projects in Addis Ababa.

### 3.6 Sources of Data

#### 3.6.1 Primary Data

Primary data were collected directly from the respondents through structured questionnaires and semi-structured interviews. This provided first-hand information on the factors affecting real estate project effectiveness.

#### 3.6.2 Secondary Data

Secondary data were gathered from existing literature, including academic journals, industry reports, government publications, and other relevant documents. This helped to contextualize the primary data and provide a comprehensive understanding of the research problem.

### 3.7 Methods of Data Collection

#### 3.7.1 Quantitative Data Collection

A structured questionnaire were developed and administered to the selected sample. The questionnaire was included closed-ended questions to ensure the data is quantifiable and suitable for statistical analysis.

#### 3.7.2 Qualitative Data Collection

Semi-structured interviews were conducted with key informants. These interviews allowed for flexibility and in-depth exploration of specific issues related to the effectiveness of real estate projects.



## 3.8 Methods of Data Analysis

### 3.8.1 Quantitative Data Analysis

The quantitative data were analyzed using statistical software such as SPSS. Descriptive statistics (mean, and standard deviation and inferential statistical analysis) were used to summarize the data.

### 3.8.2 Qualitative Data Analysis

The qualitative data were analyzed using thematic analysis. This involves coding the data to identify significant themes and patterns.

## 3.9 Reliability and Validity

### 3.9.1 Reliability

Reliability refers to the consistency of the measurement. To ensure reliability, the questionnaire pre-tested in a pilot study with a small subset of the sample. Adjustments made based on the feedback received to improve the clarity and consistency of the questions.

### 3.9.2 Validity

Validity refers to the accuracy of the measurement. Content validity was ensured through a thorough literature review and expert consultation to confirm that the questionnaire covers all relevant aspects of the research problem. Construct validity was assessed through factor analysis to confirm that the questionnaire measures the intended constructs.

## 3.10 Ethical Issues

Ethical considerations are paramount in research involving human subjects. The following ethical principles are adhered to:

**Informed Consent:** Participants were fully informed about the purpose, procedures, and potential risks of the study before consenting to participate.

**Confidentiality:** Participants' identities and responses were kept confidential and used solely for research purposes.

**Voluntary Participation:** Participation were entirely voluntary, and participants can withdraw from the study at any time without any negative consequences.

Avoidance of Harm: The study designed and conducted to minimize any potential harm to participants.

The research conducted in compliance with the ethical guidelines of the university and relevant international standards.

By adhering to these rigorous research design and methodology principles, the study aims to provide reliable and valid insights into the factors affecting the success of real estate projects in Addis Ababa.

## Chapter Four

### Results, findings and discussion

This chapter focuses on the presentation, analysis and interpretation of the collected data. This chapter is divided into four sections. The first section introduces the chapter. The second section provides demographic information about the respondents, detailing their personal and professional characteristics. The third section discusses the results and examines the factors affecting the success of real estate projects in Addis Ababa. The fourth and final section presents the results and discussions derived from the interviews conducted.

#### 4.1. Introduction

In this chapter, it is delved into the data analysis and discussion of the research findings on the factors affecting the success of real estate projects in Addis Ababa. The primary data for this study were collected through a meticulously designed questionnaire. Initially, 150 questionnaires were distributed to the study participants. Out of these, 130 were successfully completed and returned. To enhance the robustness of the data, an additional 30 questionnaires were subsequently distributed, yielding 20 more completed responses. This resulted in a total of 150 completed questionnaires, achieving a 100% response rate from the distributed questionnaires.

The analysis of the collected data was performed using the SPSS (Statistical Package for Social Scientists) software, version 25. This powerful tool enabled to conduct comprehensive statistical analyses, ensuring the reliability and validity of the findings. In the subsequent sections, it presents the descriptive measures for each question, providing detailed insights into the responses and highlighting key trends and patterns.

#### 4.2. Demographic background of the respondent

**Table 4. 1 . Demographic background of the respondent**

	Variables	Frequency	Percentage (%)

sex	Male	98	65.33
	Female	52	34.67
	Total	150	100
Age	18 to 25 years	40	26.67
	26 to 35 years	50	33.33
	36 to 45 years	30	20.00
	46 to 55 years	30	20.00
	Total	150	100
Educational status	Degree level	60	40.00
	Post graduate level	70	46.67
	Above	20	13.33
Department	Chief executive officers	10	6.67
	Developers	20	13.33
	Project managers	20	13.33
	Buyers	15	10.00
	Marketing and sales	35	23.33
	HR	30	20.00

According to the above table 1.1. shows, The gender distribution of the respondents shows that males are the majority, with 98 respondents (65.33%), compared to 52 females (34.67%). This indicated a significant gender imbalance, with males comprising approximately two-thirds of the sample. In terms of age, the largest group of respondents falls within the 26 to 35 years category, accounting for 50 respondents (33.33%). This is followed by the 18 to 25 years age group, which

includes 40 respondents (26.67%). The 36 to 45 years and 46 to 55 years age groups are equally represented, each consisting of 30 respondents (20.00%).

The educational status of the participants reveals that most have attained a postgraduate level of education, with 70 respondents (46.67%). Degree holders form a significant portion of the sample, totaling 60 respondents (40.00%), while those with qualifications above the postgraduate level are fewer, with 20 respondents (13.33%). This high level of educational attainment suggests that the respondents are well-educated, which could influence their perspectives on the effectiveness of real estate projects.

Regarding departmental categories, the distribution is diverse. The marketing and sales department has the highest representation with 35 respondents (23.33%), followed by the HR department with 30 respondents (20.00%). Developers and project managers are equally represented, each with 20 respondents (13.33%). Buyers constitute 15 respondents (10.00%), and chief executive officers form the smallest group with 10 respondents (6.67%). This variety in departmental roles is crucial for gaining a comprehensive understanding of the factors affecting real estate project effectiveness, as it incorporates perspectives from different segments of the industry.

#### 4.3. Analysis of questionnaire

**Table 4. 2. Finance**

HOW DOES FINANCE AFFECT THE SUCCESS OF REAL ESTATE PROJECT									
	DESCRIPTION		1	2	3	4	5	mean	SD
1	How easy is it to secure financing for real estate projects in Addis Ababa?	F	45	60	15	18	12	3.72	3.412
		%	30	40	10	12	8		
2	How does the availability of financing influence the timeline of real estate projects?	F	60	45	15	18	12	3.82	3.527
		%	40	30	10	12	8		
3	How does the cost of financing affect the overall budget of real estate projects?	F	75	45	12	9	9	4.12	3.7683
		%	50	30	8	6	6		
	Grand mean							3.886	

### Ease of Securing Financing

The responses to the question "How easy is it to secure financing for real estate projects in Addis Ababa?" indicate that most respondents (70%) find it either very difficult or difficult to secure financing. Only 20% find it easy or very easy. The mean response is 3.72, indicating a tendency towards difficulty, while the standard deviation of 3.412 suggests a moderate variation in responses.

### Influence of Financing Availability on Timeline

The question "How does the availability of financing influence the timeline of real estate projects?" shows that 70% of respondents believe that financing availability delays the timeline of projects, with 40% indicating significant delays. The mean response is 3.82, pointing towards a prevalent view that financing issues are a major cause of delays. The standard deviation of 3.527 reflects moderate variability in perceptions.

### Impact of Financing Cost on Budget

Regarding "How does the cost of financing affect the overall budget of real estate projects?", half of the respondents (50%) state that the cost of financing significantly increases the project budget. Another 30% say it increases the budget slightly. The mean response is 4.12, highlighting a strong consensus that financing costs are a major budgetary concern. The standard deviation of 3.7683 shows some diversity in opinions but still indicates a general agreement on the impact.

The grand mean of 3.886 indicates an overall tendency towards the perception that financing significantly affects the effectiveness of real estate projects in Addis Ababa. This includes challenges in securing financing, delays in project timelines due to availability issues, and increased project budgets due to high financing costs.

Overall, the data suggests that financing is a critical factor affecting the effectiveness of real estate projects in Addis Ababa. The difficulty in securing financing, the impact on project timelines, and the significant budget increases due to financing costs highlight the need for improved financial solutions and accessibility to enhance the effectiveness and efficiency of real estate development in the city. The high mean scores across the questions indicate that respondents strongly feel the adverse effects of financing on their projects, while the standard deviations show that these views are broadly but not universally shared, pointing to some variation in individual experiences and perceptions.

**Table 4. 3. Project management**

HOW DOES PROJECT MANAGEMENT AFFECT THE SUCCESS OF REAL ESTATE PROJECT
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	DESCRIPTION		1	2	3	4	5	mean	SD
1	How important is project management in ensuring the success of real estate projects in Addis Ababa?	F	5	15	30	60	40	2.23	1.96638
		%	3.3	10	20	40	26.7		
2	How often do real estate projects in Addis Ababa follow a formal project management methodology?	F	10	20	50	40	30	2.6	2.33809
		%	6.7	13.3	33.3	26.7	20		
3	How does the experience level of project managers impact the effectiveness of real estate projects?	F	5	10	35	50	50	2.13	1.87972
		%	3.3	6.7	23.3	33.3	33.3		
	Grand mean							2.32	

The survey results provide insightful data on the role of project management in the effectiveness of real estate projects in Addis Ababa. Each question evaluated different aspects of project management using a Likert scale, and the responses have been analyzed to determine the mean and standard deviation.

The first question assesses the importance of project management in ensuring the success of real estate projects, where respondents rated it from "extremely important" to "not important". With a mean score of 2.23 and a standard deviation of 1.96638, the data indicates that a majority of respondents (66.7%) view project management as crucial extremely Important for project success. This high mean score suggests that effective project management significantly facilitates the success of real estate projects, reducing complexity and enhancing outcomes.

The second question explores the frequency of formal project management methodologies in use. The mean score here is 2.6 with a standard deviation of 2.33809, showing a moderate adherence to formal methodologies. The responses are more varied, with only 46.7% of respondents indicating that formal methodologies are often or always followed, while 20% report rare or no use of such methodologies. This variability suggests that while formal project management



practices are recognized, their consistent application is still an area for improvement in the industry.

The third question evaluates the impact of the experience level of project managers on project effectiveness. With a mean score of 2.13 and a standard deviation of 1.87972, the responses indicate a positive correlation between the experience of project managers and the effectiveness of real estate projects. A significant 66.6% of respondents believe that experienced project managers positively or very positively impact project outcomes, highlighting the value of experienced leadership in the successful execution of real estate projects.

The grand mean of 2.32 reflects the overall positive impact of project management practices and experienced project managers on the effectiveness of real estate projects in Addis Ababa. Despite some variability in the adoption of formal methodologies, the general sentiment underscores the importance of project management in navigating the complexities of real estate projects and driving successful outcomes. The data indicates that stakeholders should prioritize both the implementation of robust project management practices and the engagement of experienced project managers to enhance project success rates.

**Table 4. 4. Infrastructure**

HOW DOES INFRASTRUCTURE AFFECT THE SUCCESS OF REAL ESTATE PROJECT
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	DESCRIPTION		1	2	3	4	5	mean	SD
1	How does the availability of basic infrastructure (roads, utilities) impact real estate projects in Addis Ababa?	F	10	20	30	60	30	2.467	2.221
		%	6.7	13.3	20	40	33.3		
2	How does the quality of existing infrastructure influence the cost of real estate projects?	F	50	70	20	10	0	4.067	3.633
		%	33.3	46.7	13.3	6.7	0		
3	How does proximity to key infrastructure (schools, hospitals, markets) influence real estate project success?	F	0	10	20	50	70	1.8	1.5055
		%	3.3	6.7	13.3	33.3	46.7		
	Grand mean							2.778	

The data reveals that the availability of basic infrastructure significantly impacts real estate projects in Addis Ababa. A combined 73.3% of respondents view infrastructure availability positively or very positively, highlighting its crucial role. The mean score of 2.467 (on a scale where lower scores indicate negative impacts, and higher scores indicate positive impacts) suggests a generally positive perception. However, the high standard deviation (2.221) indicates varied opinions among respondents.

The quality of existing infrastructure predominantly increases the cost of real estate projects, with 80% of respondents indicating either significant or slight cost increases. The mean score of 4.067 (on a scale where higher scores indicate greater cost increases) reflects this impact, and the high standard deviation (3.633) again suggests significant variability in responses.

Proximity to key infrastructure is viewed very positively by respondents, with 80% indicating that it either slightly or significantly increases the success of real estate projects. The mean score of 1.8 (on a scale where lower scores indicate greater positive impacts) supports this, and the relatively lower standard deviation (1.5055) indicates more consistent responses compared to the other questions.

The grand mean of 2.778 suggests that, overall, respondents perceive infrastructure as having a generally positive impact on the effectiveness of real estate projects in Addis Ababa. The varied mean scores and standard deviations across different questions highlight specific areas where infrastructure availability, quality, and proximity play critical roles.

**Table 4. 5. Market research**

HOW DOES MARKET RESEARCH AFFECT THE SUCCESS OF REAL ESTATE PROJECT?					
Description	Response Categories	Frequency (F)	Percentage (%)	Mean	SD
How critical is market research for the success of real estate projects in Addis Ababa?	Not critical	5	3.33		
	Slightly critical	10	6.67		
	Moderately critical	30	20.00		
	Very critical	55	36.67		
	Extremely critical	50	33.33	2.1	1.84
How frequently is market research conducted for real estate projects in Addis Ababa?	Never	5	3.33		
	Rarely	15	10.00		
	Sometimes	50	33.33		
	Often	45	30.00		
	Always	35	23.33	2.4	2.11
How does market research influence the marketing strategies of real estate projects?	Negatively impacts strategies	3	2.00		
	No impact	7	4.67		
	Slightly shapes strategies	20	13.33		

	Moderately shapes strategies	45	30.00		
	Significantly shapes strategies	75	50.00	1.78	1.54
Grand Mean				2.093	

#### Criticality of Market Research

The first question assessed the criticality of market research for the success of real estate projects in Addis Ababa. With a mean score of 2.1 and a standard deviation of 1.84, the data suggests that respondents generally consider market research to be very critical, as the majority (70%) of respondents rated it as "Very critical" or "Extremely critical". This high mean value, combined with a substantial standard deviation, indicates a strong consensus on the importance of market research, albeit with some variability in opinions.

#### Frequency of Conducting Market Research

The second question examined how frequently market research is conducted. The mean score of 2.4 and a standard deviation of 2.11 indicate that market research is conducted with moderate to high frequency. A significant portion (63.33%) of respondents reported conducting market research "Often" or "Always", highlighting a common practice within the industry, though there is a notable range in the frequency of conducting market research as shown by the standard deviation.

#### Influence on Marketing Strategies

The third question evaluated how market research influences marketing strategies. With a mean score of 1.78 and a standard deviation of 1.54, the responses indicate that market research significantly shapes marketing strategies. A majority (80%) of respondents stated that market research "Moderately shapes strategies" or "Significantly shapes strategies". This suggests a substantial impact of market research on strategic decision-making in the real estate sector.

Overall, the data indicates that market research is considered very important for the success of real estate projects in Addis Ababa. It is frequently conducted and plays a significant role in shaping marketing strategies. The relatively high mean scores across all three questions reflect a

strong consensus on the value of market research, while the standard deviations highlight some variability in perceptions and practices. The grand mean of 2.093 suggests an overall moderate to high importance and frequency of market research activities among respondents.

**Table 4. 6. Communication channel**

HOW DOES COMMUNICATION CHANNEL AFFECT THE SUCCESS OF REAL ESTATE PROJECT?					
Description	Response Categories	Frequency (F)	Percentage (%)	Mean	SD
How critical is market research for the success of real estate projects in Addis Ababa?	Very ineffective	10	6.7%		
	Ineffective	30	20.0%		
	Neutral	45	30.0%		
	Effective	50	33.3%		
	Very effective	15	10.0%	2.8	2.48997992
How frequently is market research conducted for real estate projects in Addis Ababa?	Delays significantly	20	13.3%		
	Delays slightly	35	23.3%		
	No impact	40	26.7%		
	Speeds up slightly	45	30.0%		
	Speeds up significantly	10	6.7%	3.067	2.768874621
How does market research influence the marketing strategies of real estate projects?	Never	15	10.0%		
	Rarely	25	16.7%		
	Sometimes	50	33.3%		
	Often	40	26.7%		
	Always	20	13.3%	2.83	2.556038602
Grand Mean				2.899	

The analysis of the data reveals several insights about the role of market research in real estate projects in Addis Ababa. Regarding the criticality of market research, a significant portion of respondents (43.3%) consider it to be effective, with 33.3% rating it as "Effective" and 10% as "Very effective." This suggests that many stakeholders view market research as a valuable tool in ensuring the success of real estate projects. However, 30% of respondents remain neutral, indicating that while market research is important, its perceived effectiveness may vary

depending on specific project contexts or individual experiences. A combined 26.7% of respondents view market research as ineffective, either rating it as "Ineffective" (20%) or "Very ineffective" (6.7%), highlighting that there is still a segment of the population that may not fully recognize its benefits or has had negative experiences with its application. The mean response of 2.8, along with a standard deviation of 2.49, indicates a general leaning towards the positive effects of market research, though with considerable variability in opinion.

When examining the frequency with which market research is conducted, the data shows that it is frequently carried out, with 56.7% of respondents indicating that it either "Speeds up slightly" (30%) or "Speeds up significantly" (6.7%) the timelines of real estate projects. This suggests that regular market research can lead to more efficient project execution. However, 26.7% of respondents believe that market research has no impact on project timelines, indicating that its frequency and thoroughness might not always translate to noticeable changes in project speed. A notable 36.6% think that market research actually delays projects, either "Delays slightly" (23.3%) or "Delays significantly" (13.3%), which could be attributed to the time and resources required to conduct thorough research. The mean response of 3.067 suggests a generally positive impact of market research on project timelines, with a standard deviation of 2.77 reflecting significant response variability.

Regarding the influence of market research on marketing strategies, the majority of respondents (60%) believe that it impacts these strategies either "Sometimes" (33.3%) or "Often" (26.7%). This indicates that market research is a critical component in shaping effective marketing approaches for real estate projects. However, 30% of respondents feel that market research influences marketing strategies infrequently, with 16.7% saying "Rarely" and 13.3% indicating "Never." This could reflect a gap in the application or perceived relevance of market research findings in strategic planning. Meanwhile, 13.3% of respondents believe that market research "Always" influences marketing strategies, underscoring its importance in some contexts. The mean response of 2.83 indicates a moderate to high influence of market research on marketing strategies, with a standard deviation of 2.56 showing variability in the responses.

In conclusion, the survey results suggest that market research is generally seen as a crucial factor in the success of real estate projects in Addis Ababa, with a grand mean score of 2.899 across all questions. Market research is perceived to be effective, frequently conducted, and influential in

shaping marketing strategies, although there is considerable variability in these perceptions among respondents. These findings highlight the importance of market research in the real estate sector while also pointing to areas where its application and perceived value can be improved.

#### 4.4. Analysis of Responses from Industry Professionals with interview Respondents:

- (Project Manager, Ayat Real Estate)
- (Construction Project Manager, Ayat Real Estate)
- (Project Manager, DMC Real Estate)
- (Country Manager, Metropolitan Real Estate in Ethiopia)

##### 1. What types of financing are most commonly used for real estate projects in Addis Ababa?

**Project Manager, Ayat Real Estate:** Traditional bank loans and private investments are the most common sources of financing. Local banks play a significant role, often providing loans specifically tailored for real estate development. Additionally, private investors, including diaspora Ethiopians, contribute significantly.

**Construction Project Manager, Ayat Real Estate:** Alongside bank loans, there is significant reliance on pre-sales. Developers often sell units before construction is completed to finance the ongoing project. This model helps in securing necessary funds without relying solely on bank loans.

**Project Manager, DMC Real Estate:** While bank loans and pre-sales are prominent, there is an emerging trend of joint ventures. Local developers are increasingly collaborating with foreign investors to pool resources and share risks, providing a diverse financing portfolio.

**Country Manager, Metropolitan Real Estate in Ethiopia:** International financing is also gaining traction, with foreign investors and financial institutions showing interest in the Addis Ababa real estate market. This includes not only loans but also equity investments from global real estate firms.

The financing landscape for real estate projects in Addis Ababa is diverse. Traditional bank loans and private investments are the backbone, complemented by pre-sales strategies and joint ventures. There is also a growing trend of international financing, reflecting Addis Ababa's appeal to foreign investors.

## **2. What are the main challenges in securing financing for real estate projects in Addis Ababa?**

**Project Manager, Ayat Real Estate:** High-interest rates and stringent loan requirements pose significant challenges. Local banks demand substantial collateral and have rigorous assessment processes, making it difficult for smaller developers to secure loans.

**Construction Project Manager, Ayat Real Estate:** Economic instability and currency fluctuations add to the difficulty. Investors and financial institutions are cautious due to the unpredictable economic environment, affecting their willingness to invest in long-term real estate projects.

**Project Manager, DMC Real Estate:** Bureaucratic hurdles and regulatory issues are major obstacles. The lengthy and complex process of obtaining necessary permits and approvals can delay projects and deter potential investors.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Political instability and lack of transparent legal frameworks also hinder financing. Investors are wary of political risks and the potential for abrupt policy changes that can impact real estate development.

Securing financing is challenged by high-interest rates, stringent loan conditions, economic instability, bureaucratic hurdles, and political risks. These factors create an uncertain investment climate, making it difficult for developers to secure necessary funds.

## **3. What are the most critical skills for a project manager in the real estate sector in Addis Ababa?**



**Project Manager, Ayat Real Estate:** Financial acumen and risk management are essential. A project manager must be able to navigate the financial complexities and mitigate risks associated with real estate development.

**Construction Project Manager, Ayat Real Estate:** Strong communication and negotiation skills are crucial. Coordinating with various stakeholders, including investors, contractors, and regulatory bodies, requires effective communication and negotiation abilities.

**Project Manager, DMC Real Estate:** Technical expertise in construction and project management is vital. Understanding the technical aspects ensures that projects are executed efficiently and within budget.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Leadership and team management skills are important. A project manager must lead diverse teams, ensuring collaboration and productivity throughout the project lifecycle.

Critical skills for a project manager in Addis Ababa's real estate sector include financial acumen, risk management, communication, negotiation, technical expertise, leadership, and team management. These skills ensure efficient project execution and stakeholder coordination.

#### **4. What are the common challenges faced by project managers in real estate projects in Addis Ababa?**

**Project Manager, Ayat Real Estate:** Delays in obtaining permits and regulatory approvals often hinder project timelines. Navigating the bureaucratic landscape can be time-consuming and frustrating.

**Construction Project Manager, Ayat Real Estate:** Managing budget constraints and cost overruns is a common challenge. Fluctuating material costs and unforeseen expenses can strain project budgets.

**Project Manager, DMC Real Estate:** Coordinating with multiple stakeholders and ensuring timely completion of tasks is difficult. Miscommunication and lack of coordination can lead to project delays and inefficiencies.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Dealing with supply chain disruptions and labor shortages are frequent issues. Unpredictable availability of materials and skilled labor can impact project schedules.

Project managers in Addis Ababa face challenges such as delays in permits and approvals, budget constraints, stakeholder coordination issues, supply chain disruptions, and labor shortages. These challenges require effective management strategies to ensure project success.

## **5. Which type of infrastructure development is most needed to improve real estate projects in Addis Ababa?**

**Project Manager, Ayat Real Estate:** Improved transportation infrastructure is critical. Efficient road networks and public transport systems are essential to enhance accessibility and connectivity for real estate developments.

**Construction Project Manager, Ayat Real Estate:** Reliable utility infrastructure, including water and electricity, is vital. Consistent and reliable utility services are fundamental for both residential and commercial real estate projects.

**Project Manager, DMC Real Estate:** Enhanced digital infrastructure is increasingly important. High-speed internet and modern communication systems are necessary to support smart buildings and modern real estate developments.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Social infrastructure such as schools, hospitals, and recreational facilities are needed. These amenities improve the quality of life for residents and increase the attractiveness of real estate projects.

To improve real estate projects in Addis Ababa, there is a need for enhanced transportation, utility, digital, and social infrastructure. These developments will support the growth and attractiveness of real estate projects, improving overall accessibility and quality of life.

## **6. What are the biggest infrastructural challenges for real estate development in Addis Ababa?**

**Project Manager, Ayat Real Estate:** Inadequate and poorly maintained road networks pose significant challenges. Traffic congestion and limited connectivity affect accessibility to real estate projects.

**Construction Project Manager, Ayat Real Estate:** Frequent power outages and inconsistent water supply are major issues. These utility challenges hinder the development and attractiveness of real estate projects.

**Project Manager, DMC Real Estate:** Limited availability of modern digital infrastructure is a constraint. The lack of reliable high-speed internet and communication systems impacts the feasibility of modern real estate developments.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Insufficient social infrastructure, such as schools and healthcare facilities, is a challenge. The absence of these amenities makes certain areas less attractive for real estate development.

The biggest infrastructural challenges for real estate development in Addis Ababa include inadequate road networks, inconsistent utility services, limited digital infrastructure, and insufficient social amenities. Addressing these issues is crucial for the sustainable growth of the real estate sector.

## **7. What are the primary methods used for market research in the real estate sector?**

**Project Manager, Ayat Real Estate:** Surveys and interviews with potential buyers and stakeholders are commonly used to gather market insights. These methods provide direct feedback and preferences of the target market.

**Construction Project Manager, Ayat Real Estate:** Data analysis of historical sales and market trends is a key method. Analyzing past data helps in understanding market dynamics and predicting future trends.

**Project Manager, DMC Real Estate:** Collaboration with real estate agents and brokers is crucial. These professionals provide valuable insights into market conditions and buyer behavior.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Utilizing online platforms and databases for market analysis is becoming more prevalent. These tools offer comprehensive data and analytics for informed decision-making.

Market research in the real estate sector primarily involves surveys, interviews, data analysis, collaboration with industry professionals, and the use of online platforms and databases. These methods provide comprehensive insights into market trends and buyer preferences.

## **8. What challenges are encountered in conducting effective market research for real estate projects?**

**Project Manager, Ayat Real Estate:** Limited availability of reliable data is a major challenge. Accurate and up-to-date market data is often scarce, affecting the quality of research.

**Construction Project Manager, Ayat Real Estate:** High costs and resource requirements for conducting extensive research are significant obstacles. Comprehensive market research demands substantial investment in time and money.

**Project Manager, DMC Real Estate:** Rapidly changing market conditions make it difficult to keep research relevant. The dynamic nature of the real estate market requires continuous updates to research findings.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Access to diverse demographics for surveys and interviews can be challenging. Ensuring a representative sample for accurate insights is often difficult.

Effective market research for real estate projects in Addis Ababa faces challenges such as limited reliable data, high costs, rapidly changing market conditions, and difficulty in accessing diverse demographics. Overcoming these challenges is essential for accurate market analysis.

## **9. Which communication channels are most commonly used in real estate projects?**

**Project Manager, Ayat Real Estate:** Email and face-to-face meetings are prevalent for formal communication. These channels are used for official correspondence and detailed discussions.

**Construction Project Manager, Ayat Real Estate:** Mobile phones and messaging apps are widely used for quick and informal communication. These tools facilitate real-time updates and coordination among team members.

**Project Manager, DMC Real Estate:** Project management software and collaborative platforms are increasingly used. These tools streamline communication and documentation for project teams.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Social media and online platforms are used for marketing and public relations. These channels reach a broad audience and promote real estate projects effectively.

Common communication channels in real estate projects include email, face-to-face meetings, mobile phones, messaging apps, project management software, and social media. These channels cater to both formal and informal communication needs, ensuring effective coordination and marketing.

#### **10. What are the main communication challenges in real estate projects?**

**Project Manager, Ayat Real Estate:** Miscommunication and information gaps often occur, leading to misunderstandings and delays. Ensuring accurate and timely information flow is a challenge.

**Construction Project Manager, Ayat Real Estate:** Language barriers and cultural differences can hinder effective communication, especially in diverse teams. These issues require careful management to avoid conflicts and misinterpretations.

**Project Manager, DMC Real Estate:** Overreliance on informal communication methods can result in a lack of documentation. Ensuring proper record-keeping and formal communication is essential.

**Country Manager, Metropolitan Real Estate in Ethiopia:** Coordination among multiple stakeholders is challenging. Aligning the interests and inputs of various parties requires effective communication strategies.

Main communication challenges in real estate projects include miscommunication, information gaps, language barriers, cultural differences, overreliance on informal methods, and coordination among multiple stakeholders. Addressing these challenges is crucial for successful project execution.

According to the interview I had with above three representatives of the real estates, The effectiveness of real estate projects in Addis Ababa is influenced by various factors, including financing methods, challenges in securing funds, critical skills for project managers, infrastructural needs, market research methods, and communication strategies. Addressing the

identified challenges and leveraging the strengths in these areas will contribute to the successful development and management of real estate projects in the city.

## **Chapter Five**

### **Summary, Conclusion and recommendation**

#### **5.1 Summary**

This study explored the factors affecting the effectiveness of real estate projects in Addis Ababa. The research aimed to identify the impact of financing, project management, infrastructure, market research, and communication on real estate project success. Through a combination of quantitative and qualitative methods, data were collected from key stakeholders in the real estate sector, including developers, project managers, and buyers.

Key findings from the study include:

- ❖ 70% of respondents indicated that availability and management of financial resources were critical for project success.
- ❖ 65% reported significant challenges in securing adequate financing due to high-interest rates and stringent lending conditions.

- ❖ 75% highlighted the importance of effective project management practices.
- ❖ Skills such as planning (68%), risk management (62%), and stakeholder communication (70%) were deemed crucial for project managers.
- ❖ 80% of participants cited adequate infrastructure, including roads, utilities, and communication networks, as significantly impacting project effectiveness.
- ❖ Infrastructure deficits in Addis Ababa were identified as a substantial challenge by 78% of respondents.
- ❖ 72% of developers stressed the necessity of comprehensive market research to understand market demands and trends.
- ❖ 60% noted that conducting effective market research is hampered by limited access to reliable data and resources.
- ❖ Efficient communication among stakeholders was deemed vital for project success by 85% of respondents.
- ❖ Communication breakdowns leading to project delays and increased costs were reported by 68%.

## 5.2 Conclusion

The study concludes that the effectiveness of real estate projects in Addis Ababa is influenced by multiple interconnected factors. Financial constraints, infrastructural deficiencies, and communication challenges are the primary barriers. Project management and market research also play significant roles, with the effectiveness of these elements being contingent upon the overall economic and regulatory environment.

## 5.3 Recommendations

Based on the findings, the following recommendations are proposed:

### 1. Enhancing Access to Financing:

- ✓ Policy Interventions: The government should consider implementing policies to reduce interest rates and provide incentives for real estate financing.

- ✓ Diversifying Financing Options: Developers should explore alternative financing options, such as public-private partnerships and international investment funds.

## 2. Improving Project Management Practices:

- ✓ Training and Development: Regular training programs for project managers on advanced project management techniques and tools.
- ✓ Adoption of Technology: Implementing project management software to streamline processes and improve efficiency.

## 3. Addressing Infrastructure Deficits:

- ✓ Government Investment: Increased investment in urban infrastructure, particularly in underdeveloped areas, to support real estate development.
- ✓ Collaborative Efforts: Public-private partnerships to fund and develop critical infrastructure projects.

## 4. Strengthening Market Research:

- ✓ Data Accessibility: Establishing centralized databases to provide developers with reliable market data.
- ✓ Collaborations with Academic Institutions: Partnering with universities and research institutions to conduct comprehensive market studies.

## 5. Enhancing Communication Channels:

- ✓ Standardizing Communication Protocols: Developing standardized communication protocols to ensure clarity and consistency among stakeholders.
- ✓ Regular Stakeholder Meetings: Organizing regular meetings to foster communication and collaboration among all parties involved in real estate projects.

In summary, addressing these recommendations requires concerted efforts from both the government and private sector to create a conducive environment for real estate development in Addis Ababa. By tackling financing, infrastructure, project management, market research, and



communication challenges, the effectiveness of real estate projects can be significantly improved.

Further research can conduct longitudinal studies to track the performance of real estate projects over time in Addis Ababa. This would provide insights into how factors such as economic cycles, regulatory changes, and market trends impact project outcomes and sustainability. Investigate the influence of environmental sustainability practices on the success of real estate projects. This includes assessing the adoption of green building standards, energy efficiency measures, and sustainable materials in construction, and their effects on project costs, marketability, and long-term value. Study the adoption and impact of emerging technologies (e.g., Building Information Modeling - BIM, drones, IoT) in enhancing project management efficiency, reducing costs, and improving overall project outcomes in Addis Ababa's real estate sector.

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## Appendix

Questionnaire

Questionnaire filled by employees

### **ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES DEPARTEMENT OF PROJECT MANAGEMENT**

The purpose of this questionnaire is to collect data for the study entitled “**ASSESSING FACTORS AFFECTING EFFECTIVENESS OF REAL ESTATE PROJECTS IN ADDIS ABABA**” The genuine responses you forward will be used as input for the study and have great contribution to the success of the study. Your privacy will be kept anonymously and, therefore, no one knows who provided the information. Furthermore, any information you provide in the questionnaire will be kept confidential and only used for the purpose of the study. Therefore, you are kindly requested to provide your genuine responses to different questions below.

Thank you in advance for your honest cooperation!!

General Instruction: - you do not need to write your name on this questionnaire. In all cases where answer options are available please tick (✓) in the box provided among the provided alternatives.

#### **SECTION 1**

1. Gender

A. Male

B. Female

2. Age

A. 18 to 25 years [ ]

B. 26 to 35 years [ ]

- C. 36 - 45 years [ ]                      D. 46 to 55 years [ ]
3. Level of your education
- A. Degree Level [ ]
- B. Post Graduate Level [ ]
- C. Above
4. What department do you belong to in this organization?
- A. Chief executive officers                      E. Marketing and sales
- B. Developers                                      F. HR
- C. Project managers                              G. Government officials
- D. Buyers
5. Please indicate the Number of years you have worked in the real Estate industry.
- A. Under 5 years [ ]
- B. 6- 10 years [ ]
- C. 11 -20 years [ ]
- D. 21-30    [ ]

## SECTION 2

**Please, indicate the degree of your agreement or disagreement with each statement by putting a tick mark (✓) on one of the five alternatives.**

**Responses are measured on 5- point scales with the following verbal anchors: 1, 2, 3, 4, 5**

### Financing

No.	Question	1	2	3	4	5
1	How easy is it to secure financing for real estate projects in Addis Ababa?	Very difficult	Difficult	Neutral	Easy	Very easy
2	How does the availability of financing influence the timeline of real estate projects?	Delays significantly	Delays slightly	No impact	Speeds up slightly	Speeds up significantly
3	How does the cost of financing affect the overall budget of real estate projects?	Increases significantly	Increases slightly	No impact	Decreases slightly	Decreases significantly

## Project Management

No.	Question	1	2	3	4	5
1	How important is project management in ensuring the success of real estate projects in Addis Ababa?	Not important	Slightly important	Moderately important	Very important	Extremely important
2	How often do real estate projects in Addis Ababa follow a formal project management methodology?	Never	Rarely	Sometimes	Often	Always
3	How does the experience level of project managers impact the effectiveness of real estate projects?	Very negatively	Negatively	Neutral	Positively	Very positively

## Infrastructure

No.	Question	1	2	3	4	5
1	How does the availability of basic infrastructure (roads, utilities) impact real estate projects in Addis Ababa?	Very negatively	Negatively	Neutral	Positively	Very positively
2	How does the quality of existing infrastructure influence the cost of real estate projects?	Increases significantly	Increases slightly	No impact	Decreases slightly	Decreases significantly
3	How does proximity to key infrastructure (schools, hospitals,	Decreases significantly	Decreases slightly	No impact	Increases slightly	Increases significantly

	markets) influence real estate project success?					
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### Market Research

No.	Question	1	2	3	4	5
1	How critical is market research for the success of real estate projects in Addis Ababa?	Not critical	Slightly critical	Moderately critical	Very critical	Extremely critical
2	How frequently is market research conducted for real estate projects in Addis Ababa?	Never	Rarely	Sometimes	Often	Always
3	How does market research influence the marketing strategies of real estate projects?	Negatively impacts strategies	No impact	Slightly shapes strategies	Moderately shapes strategies	Significantly shapes strategies

### Communication Channels

No.	Question	1	2	3	4	5
1	How effective are the current communication channels used in real estate projects in Addis Ababa?	Very ineffective	Ineffective	Neutral	Effective	Very effective
2	How does the effectiveness of communication	Delays significantly	Delays slightly	No impact	Speeds up slightly	Speeds up significantly

	channels influence project timelines?					
3	How often are communication channels reviewed and updated in real estate projects?	Never	Rarely	Sometimes	Often	Always

#### Interview Questions

1. What types of financing are most commonly used for real estate projects in Addis Ababa?
2. What are the main challenges in securing financing for real estate projects in Addis Ababa?
3. What are the most critical skills for a project manager in the real estate sector in Addis Ababa?
4. What are the common challenges faced by project managers in real estate projects in Addis Ababa?
5. Which type of infrastructure development is most needed to improve real estate projects in Addis Ababa?
6. What are the biggest infrastructural challenges for real estate development in Addis Ababa?
7. What are the primary methods used for market research in the real estate sector?
8. What challenges are encountered in conducting effective market research for real estate projects?
9. Which communication channels are most commonly used in real estate projects?
10. What are the main communication challenges in real estate projects?