HOSPITALITY & REAL ESTATE · ADDIS ABABA

Hotel Apartment Feasibility Study

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Serviced Apartment and Leisure Development in Addis Ababa, Ethiopia

Market, technical, organizational and financial assessment of a 44-unit, 2B+G+11 hotel apartment with restaurant, bar, spa and gymnasium.

- **7 chapters + 11 annexes**
  Market to financial study
- **10-year financial model**
  P&L, cash flow, NPV, IRR
- **Market & pricing**
  Tourism, conferences, rates
- **Design & operations**
  Units, facilities, staffing



2026
EDITION

Project feasibility study (original analysis 2024).
Updated market notes and model review in Annex 11.
Not investment advice.

Contents

1. Executive Summary, Conclusion and Recommendation 1
1.1 Executive Summary 1
1.2 Conclusion and Justification 2
1.3 Recommendation 2

2. Introduction 4
2.1 The Project Sponsor 4
2.2 About the Project 4
2.3 Benefits of the Project 4

3. Market Study 6
3.1 Overview of Addis Ababa's Hospitality Sector 6
3.2 Hotel Occupancy Rate 6
3.3 Tourist Arrival Trends 9
3.4 Demand Analysis and Projection 13
3.5 Analysis of Current Supply 15
3.6 Demand–Supply Gap Analysis 17
3.7 Marketing Strategies 17
3.8 Price Survey: Hotel Apartments 19
3.9 SWOT Analysis 20

4. Technical Study 22
4.1 Project Location 22
4.2 Land and Site Analysis 22
4.3 Building and Civil Works 23
4.4 Hotel Apartment Design 24
4.5 Other Facilities and Services Design 26
4.6 Technology and Engineering 28
4.7 Service Capacity 31
4.8 Capacity Utilization 32
4.9 Major Raw Materials and Supplies 33
4.10 Power Requirements 35
4.11 Utility and Infrastructure 36

5. Organization and Manpower 38
5.1 Organization and Management 38
5.2 Organizational Structure 38
5.3 Manpower Requirement and Annual Salary Expenses 39
5.4 Training Requirement and Plan 41

6. Implementation Schedule 42

7. Financial Study 43
7.1 Total Investment Cost 43
7.2 Sources of Funding and Financing Structure 44
7.3 Assumptions Used for the Financial Study 44
7.4 Service Capacity and Purpose 44
7.5 Room and Rental Rates 45
7.6 Annual Revenue at 100% Capacity 45
7.7 Occupancy Rate and Projected Revenue 46
7.8 Direct Materials, Supplies, and Operating Costs 47
7.9 Projection of Operating Costs 48
7.10 Profitability Analysis 49
7.11 Cash Flow Analysis 51
7.12 Sensitivity Analysis 53
7.13 Conclusion on Financial Profitability 55

Annex 1. Investment Cost and Financing by Item 56

Annex 2. Depreciation and Amortization 57

PREVIEW

Preview: selected pages only. The full report contains 72 pages.

Annex 3. Projected Operating Costs....58
Annex 4. Projected Income Statement....59
Annex 5. Cash Flow for Financial Planning....60
Annex 6. Cash Flow for Discounting Purposes....61
Annex 7. Loan Repayment Schedule (as Presented)....62
Annex 11. Model Consistency and Edition Notes....63
References....65

PREVIEW

Preview: selected pages only. The full report contains 72 pages.

1. Executive Summary, Conclusion and Recommendation

1.1 Executive Summary

This study assesses the market, technical, organizational and financial feasibility of a furnished hotel apartment development in a prime commercial area of Addis Ababa, Ethiopia. The project combines 44 serviced apartments with a bar and restaurant, a nightclub, a spa and wellness centre, a gymnasium and central laundry facilities. The study was originally prepared in 2024 to support a request for land allocation from the city's sub-city land development and administration office.

1.1.1 Market Analysis

The market analysis points to strong demand for high-quality furnished apartments in Addis Ababa, driven by the city's role as a diplomatic and conference hub, rising business travel and the recovery of international tourism. A location close to commercial areas, the airport and major event venues supports the project's positioning, while competition from established international brands makes differentiation through service and pricing essential.

1.1.2 Technical Feasibility

Location and Design: The site is in a prime commercial area of Addis Ababa, close to the airport, business districts and major event venues. The building comprises two basements, a ground floor and 11 upper floors (2B+G+11) on a 1,000 m² footprint, with the remaining 3,000 m² of the 4,000 m² plot allocated to parking, landscaping and other facilities.

Number of Apartments and Services: The building will contain 44 furnished apartments (11 one-bedroom, 22 two-bedroom and 11 three-bedroom units) and offer a nightclub, bar and restaurant, spa and wellness centre, gymnasium and central laundry.

1.1.3 Employment Creation

The project is expected to create more than 100 jobs across construction and operation; the operating manpower plan in Chapter 5 provides for 79 permanent staff.

1.1.4 Investment Cost and Sources of Finance

The total investment cost is estimated at Birr 431,790,570 (2024 prices), to be financed as follows:

- **Equity Financing:** 30% of the total investment, amounting to Birr 129,537,171.
- **Bank Loan:** 70% of the total investment, amounting to Birr 302,253,399.

The equity and loan amounts are stated slightly differently in the financing annex (Birr 129,637,171 and Birr 302,153,399); see Annex 11.

1.1.5 Financial Profitability

The original financial analysis reports the following results:

- Net Present Value (NPV) at 16.5% discount rate: Birr 693,693,710, indicating substantial value creation.
- **Internal Rate of Return (IRR):** 51%, significantly higher than the cost of capital, suggesting high returns on investment.
- **Payback Period:** Approximately 1.98 years, reflecting a swift recovery of the initial investment.
- **Net Cash Inflows:** Positive and increasing annually, with substantial cumulative cash inflows over the project's lifecycle.

On the basis of these results, the original study concludes that the project is financially viable and strategically positioned, with strong market potential, a sound technical design and significant socio-economic benefits, and that it supports the land request.

> **EDITION NOTE – FINANCIAL RESULTS**
>
> The results above are those of the original model (2024 prices). Review for this edition found that the model services a loan of only Birr 1.95 million instead of the Birr 302 million bank loan, grows revenue by 10% a year from Year 5 although the text holds it flat, and treats the whole investment as a single Year 0 outlay despite a five-year implementation schedule. The project NPV recomputed from the study's own cash flows is about Birr 814 million (IRR 51%); holding revenue flat from Year 4 as the text states gives about Birr 596 million (IRR 48%). See Annex 11.

1.2 Conclusion and Justification

1.2.1 Conclusion

The comprehensive feasibility study for the hotel apartment project presents a compelling case for developing a furnished hotel apartment in a prime commercial area of Addis Ababa. The analysis covers market demand, technical specifications, organizational structure, and financial viability, highlighting the project's strong potential for success. The strategic location, combined with a well- thought-out design and diverse service offerings, positions the hotel apartment to meet the growing needs of both business and leisure travelers effectively.

1.2.2 Justification for the Land Request

The study considers the site well suited to the project because of its proximity to major commercial centres, the airport and event venues, which provides visibility and accessibility. It cites demand for high-quality furnished apartments from international visitors and business travellers, the attraction of the planned amenities, the creation of more than 100 jobs and the tax revenue the project would generate.

On these grounds, the study argues that the project justifies the allocation of land by the sub-city land development and administration office, enabling the sponsor to proceed with the development.

1.3 Recommendation

The original study recommends that the project be approved for implementation, for the following reasons:

1. **Strategic Location Advantage:** The project's location in a prime commercial area of Addis Ababa, positions it to capitalize on high visibility and accessibility. This prime location will attract a steady stream of business and leisure travelers, ensuring consistent occupancy rates and revenue generation.
2. **Strong Market Demand:** The market analysis highlights a robust demand for high-quality furnished apartments in Addis Ababa. With the increasing influx of international visitors and business travelers, the hotel apartment is well-placed to meet this demand. The diverse range of amenities, including luxury apartments, a nightclub, bar and restaurant, spa, and wellness center, will cater to a wide spectrum of guest preferences.
3. **Economic and Social Benefits:** The project is expected to create significant employment opportunities, both during the construction phase and upon commencement of operations. This will stimulate the local economy and provide livelihoods for many residents. Additionally, the project will generate substantial tax revenues for the local government, contributing to the socio-economic development of the area.
4. **Financial Viability:** The financial projections for the hotel apartment are exceptionally strong. The project boasts a Net Present Value (NPV) of Birr 693,693,710 at a discount rate of 16.5% and an Internal Rate of

Year	Personal (In thousand)	Business and Professional (In thousand)	Total (In thousand)	Growth Rate (%)
2018	653	196	849	-9.10
2019	635	177	812	-4.36
2021	495	23	518	-36.21
2022	863	34	897	73.17

Source: World Tourism Organization (2023), as cited in the original study.

This table and analysis provide valuable insights for the hotel project, indicating a potential for growth in the tourism sector, which could be capitalized on by the hotel apartments

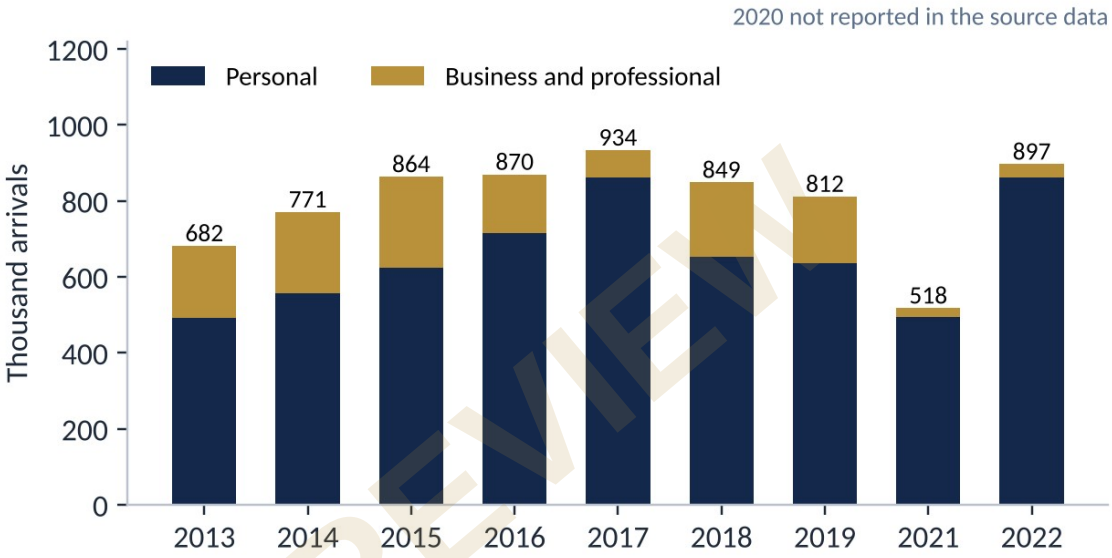


Figure 3.1 Inbound Tourist Arrivals to Ethiopia, 2013–2022 (Thousands)

Source: World Tourism Organization (2023), as cited in the original study; chart redrawn for this edition.

The above graph represents the tourist arrivals and their corresponding growth rates in Ethiopia from 2013 to 2022. The blue bars indicate the total number of arrivals (in thousands), while the red line with markers shows the annual growth rate in percentage. This visual representation helps in understanding the trends and fluctuations in tourist arrivals over the years, providing a clear overview for strategic planning and forecasting for the hotel apartment project

3.3.1 Conference Tourism

Conference tourism is a key component of Ethiopia's broader tourism industry. Typically, between 7% to 11% of the nation's tourists are attendees of conferences, which underscores the segment's significance. Analyzing the data on business and professional visitors, we can correlate these figures to conference tourism, since these visitors are likely to be involved in such events.

Analyzing the figures, we see that the number of conference tourists peaked in 2015 at 241 thousand, suggesting a strong period for conference tourism in Ethiopia. There was a notable decrease in subsequent years, with a significant drop in 2017, reaching a low of 72 thousand, indicating a period of decline for this sector. The numbers somewhat recovered in 2018 and 2019, showing resilience in the industry. However, data for 2020 is missing, which coincides with the global downturn in travel and tourism due to the pandemic. The years 2021 and 2022 show markedly low figures, likely a continuing impact of the global situation.

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Table 7.12 Net Profit Margin

Year	Net Income	Total Revenue	Net Profit Margin (%)
1	166,932,462	296,478,000	56.3
2	227,786,598	371,419,200	61.3
3	179,785,606	417,846,600	43.0
4	191,654,078	442,599,300	43.3
5	221,907,651	486,859,230	45.6

Source: Original study.

Return on Investment (ROI)

ROI is calculated by dividing the net income by the total investment cost and expressing it as a percentage. This metric assesses the profitability of the investment.

Total Investment Cost: Birr 431,790,570

Table 7.13 Return on Investment (ROI)

Year	Net Income	Total Investment Cost	ROI (%)
1	166,932,462	431,790,570	38.7
2	227,786,598	431,790,570	52.8
3	179,785,606	431,790,570	41.6
4	191,654,078	431,790,570	44.4
5	221,907,651	431,790,570	51.4

Source: Original study.

PREVIEW

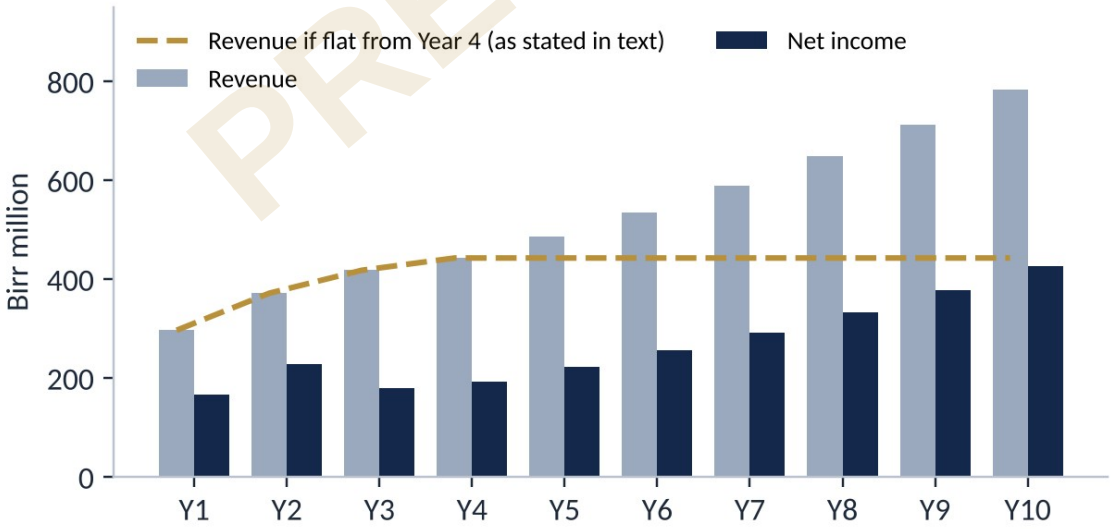


Figure 7.2 Revenue and Net Income, Years 1–10 (as Modelled)

Source: Projected income statement (Annex 4). Revenue grows 10% a year from Year 5 in the model; see Annex 11.

The profitability analysis indicates that the hotel apartment is projected to achieve a strong net profit margin and return on investment over the first five years. The net profit margin ranges from 43.0% to 61.3%, reflecting efficient cost management and high profitability. The return on investment is particularly strong, with the highest ROI reaching 52.8% in the second year, showcasing the project's financial viability and potential for significant returns.

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Annex 11. Model Consistency and Edition Notes

This annex records matters identified while preparing this edition. The original analysis and results are preserved and flagged rather than changed. Recomputations use the study's own cash flows; they are editorial checks, not a corrected model.

Table A11.1 Model Consistency and Edition Notes

No.	Matter	Treatment in this edition
1	Loan repayment and financial costs are calculated on Birr 1,949,847 instead of the Birr 302 million bank loan; interest is understated by roughly Birr 50 million in Year 1.	Flagged; indicative full-loan schedule in Table A11.3.
2	Revenue is described as flat at Birr 442.6 million from Year 4, but the statements grow it by 10% a year from Year 5 to Birr 784.1 million in Year 10, with flat direct costs.	Flagged; flat-revenue sensitivity in Table A11.2.
3	Reported NPV (Birr 693.7 million) results from discounting Year 0 and placing the scrap value in Year 11. Correctly discounted: Birr 813.9 million. IRR (51%) reproduces.	Flagged; recomputed in Table A11.2.
4	Whole investment treated as a Year 0 outlay; the implementation schedule spans five years (phase durations sum to 63 months). No interest during construction.	Flagged.
5	Room rates converted at Birr 100 per US dollar; costs at 2024 prices, before most of the effect of the July 2024 exchange-rate reform.	Edition notes in Chapters 4 and 7.
6	Labour and benefits (Birr 5.34 million in Year 1) below the Chapter 5 payroll (Birr 9.51 million including 15% benefits). Repair and maintenance (Birr 18,750) and insurance (Birr 1,250) a year are implausibly low.	Flagged.
7	Insurance, lease payments and laundry direct costs appear in the operating-cost projection but not in the income statement (sub-total Birr 106.8 million vs Birr 109.4 million in Year 1).	Flagged.
8	Tax row displayed one column early; net income implies a two-year tax holiday. Minimum-tax rules under Proclamation No. 1395/2025 not modelled.	Flagged.
9	The nightclub, a major element of the concept, has no revenue or cost line. Technology systems (about USD 36,000) are not in the investment budget.	Flagged.
10	Equity and loan amounts differ by Birr 100,000 between the executive summary and the financing annex; SWOT and payback text use Birr 428.8 million (fixed investment) as the total.	Flagged.
11	Working capital of Birr 2 million is very small for a business with Birr 100+ million operating costs; the "working capital recovery" in the cash flow (Birr 1,760,191) equals the office-equipment cost.	Flagged.
12	Apartment guest capacity stated as 198; at the stated occupancy per unit it is 176.	Edition note in Chapter 4.
13	Hotel occupancy survey data show repeating patterns and duplicate brands; competitor names attached to unverified occupancy data.	Names withheld; flagged for verification.
14	Tourism data end in 2022; demand drivers since then include 2025 arrival growth, the 2027 COP32 conference and a large branded-hotel pipeline.	Edition note in Chapter 3.
15	Sponsor company, founder, consultant name and contacts, site address and nearby landmark, a related planned project, the source spreadsheet name, brand renderings and document author metadata.	Removed or generalized.
16	Original numbering errors (SWOT numbered as 4.9 within Chapter 3; duplicated section titles; two sections numbered 7.12.3).	Renumbered.

Source: Edition review, 2 November 2026.