

Request for Proposal (RFP)

Scoping Study for the Introduction of Real Estate Investment Trusts/ Funds (REIT/Fs)

1. Background

The Ethiopian financial market is witnessing significant transformation. With the establishment of the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange (ESX) alongside a wide range of economic and institutional reforms being undertaken, the prospect for a vibrant capital market ecosystem is being set on a strong foundation. To expand the pool of financing and investment options to the construction and real estate sector and investors alike, ESX alongside its partners, FSD Africa and FSD Ethiopia, would like to support the development of relevant products, among others, by promoting the introduction Real Estate Investment Trusts/Funds market. This effort is being carried out in close coordination with ECMA, which plays a key role in developing the regulatory framework and enabling regulatory environment.

Real Estate Investment Trusts/Funds (REIT/Fs) are investment vehicles that pool capital from multiple investors to acquire or finance income-generating real estate. They are widely used in developed markets and increasingly in emerging economies to broaden access to real estate investment, enhance capital market products, and support economic development.

Ethiopia has a growing real estate sector and strong investor interest in property; however, investment remains limited to direct acquisitions and private investments, with little transparency and restricted access to market information for wider pool of investors. Introducing REIT/Fs in Ethiopia presents an opportunity to formalize existing investment practices, increase financial inclusion, mobilize resources for housing and infrastructure, and expand the range of instruments available on the Ethiopian Securities Exchange (ESX).

1.1. About Ethiopian Securities Exchange (ESX)

The Ethiopian Securities Exchange (ESX) is Ethiopia's first organized securities exchange. ESX is established as a public private partnership in line with Article 31 of the Capital Market Proclamation (No.1248/2021).

ESX functions as a Self-Regulatory Organization ("SRO") and serves as the central market organizer providing an integrated product suite covering the equities, fixed income, and money market segments of the capital markets. As the pioneer securities exchange, ESX aims to play a critical role in the development and growth of the Ethiopian capital markets.

ESX's core objective is to facilitate access to capital and support effective capital allocation in a manner that supports Ethiopia's economic growth. By developing a well-regulated and efficient capital market ecosystem, ESX will enable mobilization of financial resources for both the public and private sector while providing investors with a platform to invest in a reliable and efficient environment.

You may find out more about ESX on our website: www.esxethiopia.com

1.2. About ESX Market Development Fund

ESX has partnered with FSD Africa and FSD Ethiopia to support the development and strengthening of Ethiopia's capital market. This strategic collaboration brings together financial resources, technical expertise, and strategic guidance aimed at fostering the growth of potential issuers, driving product development, and advancing investor education, ultimately enabling ESX to operate efficiently and in line with international standards.

This partnership is formalized through the creation of the ESX Market Development Fund, a joint commitment to support and implement key market development initiatives that ensure the long-term effectiveness and sustainability of the Ethiopian Securities Exchange.

Under this framework, FSD Africa and FSD Ethiopia will provide funding, strategic oversight, and technical assistance. ESX will lead the initiative by managing financial allocations, ensuring the quality of development activities, and overseeing the overall implementation of the program.

2. Objective

The objective of the assignment is aimed at conducting a high-level feasibility analysis of the market potential, regulatory and institutional readiness and showcase demonstration transactions to promote the development of REIT/Fs in Ethiopia. To this end, the consultant is expected to provide practical recommendations and tools to guide regulators, market participants, and ESX.

3. Scope of Work

A. Market Analysis

- Evaluate the current landscape of Ethiopia's real estate and capital markets, identifying factors that affect REIT/F viability, including:
 - Scheme Assets: Availability, suitability, valuation practices, and liquidity considerations for potential REIT/F underlying assets.
 - Professional Service Providers: Availability and readiness of parties essential for establishing and operating Collective Investment Schemes (CIS), including fund managers, custodians, valuers, legal, tax, and property managers.
 - Taxation Framework: Identify key tax barriers and potential incentives relevant to REIT/F structures and investor returns (e.g., double taxation, capital gains, income tax treatment), drawing insights from peer market benchmarks.
- Identify potential demand from existing and planned real estate assets (commercial, residential, industrial, hospitality) that could form the basis of REIT/Fs and map out potential REIT/F sponsors.
- Assess investor appetite, risk perceptions, and potential for product diversification through REIT/Fs.
- Benchmark peer African and emerging markets for REIT/F best practices, regulatory approaches, tax treatments, and market structures, assessing their applicability to Ethiopia.

B. Legal and Regulatory Framework

- Analyze applicable regulatory and institutional framework relevant for REIT/Fs, and those dealing with real estate ownership, transfer and taxation of REIT/Fs.
- Propose necessary reforms to enable REIT/Fs under Ethiopian law.
- Provide recommendations for fund structure and licensing, asset eligibility and valuation, disclosure, governance, investor protection

- Consult relevant stakeholders, including regulators (NBE, ECMA, MOF), potential issuers (developers, institutional owners), institutional investors, financial intermediaries, and legal/tax experts, to validate findings and recommendations.

C. Pipeline Development and Issuer Mapping

- Identify and profile potential REIT/F promoters/ sponsors (developers, institutional real estate owners, government entities) assessing their readiness and willingness to participate in a potential pilot program.
- Classify investment products, assess issuer readiness and willingness to participate in a pilot income-based REIT/F program, identify potential service providers.
- Advise on appropriate REIT/F structure, develop a high-level financial model template.

D. Service Provider Ecosystem Mapping

- Assess Critical Service Providers: Map the availability, capacity, and readiness of critical market infrastructure providers essential for REIT/F operations, specifically focusing on CIS Operators (Fund Managers), Custodians, and Valuation firms. Assess any gaps or capacity-building needs.

E. Toolkit Development

- Develop Foundational Guidance: Create high-level, foundational templates and guidance documents to inform future REIT/F development, including:
 - Key considerations for issuers preparing REIT/F listings (asset selection, structuring basics).
 - Core elements of an offering memorandum/prospectus outline.
 - Essential components of fund management/service provider agreements (term sheets).
 - Fund management structure and role of service providers
 - Valuation Framework: Guidance on appropriate valuation methodologies (referencing relevant standards like IFRS where applicable), recommended frequency for ongoing valuations, principles for valuation report structure, and mechanisms to address potential discrepancies between asset valuations and market trading prices (identifying relevant best practices for consideration).

F. Pilot Issuance Roadmap

Develop a 12-month implementation roadmap for a pilot REIT/F issuance, including:

- Define selection criteria and timeline for pilot promoter/issuer
- key legal and regulatory preconditions to address
- Coordinate with key authorities
- Implement marketing and investor outreach strategies
- Complete listing preparation and documentation
- Establish post-listing reporting and performance monitoring
- Identify quick wins and early-stage policy actions to de-risk the pilot phase.

4. Deliverables

The consultant/firm is expected to submit the following:

Deliverable	Timeline
Inception report	Within three (3) weeks of contract award
Draft Report Market Analysis: <ul style="list-style-type: none">• Current landscape assessment (Scheme Assets, Service Providers, Taxation framework)• Potential demand & sponsor mapping• Investor appetite assessment.• Peer market benchmarking & best practices. Legal & Regulatory Findings: <ul style="list-style-type: none">• Existing framework analysis & gap identification.• High-level reform proposals.• Initial recommendations (structure, licensing, assets, disclosure, governance, investor protection). Preliminary recommendations: Prioritized high-level reforms required; initial concepts derisking mechanisms. Stakeholder Consultations Summary: insights from regulators, investors, developers, legal/ tax experts, potential fund managers.	Within twelve (12) weeks of contract award
Toolkit Package and Issuance Roadmap Standardized templates: offering memorandum, prospectus, term sheets, fund governance structures, and issuer guides. Valuation Framework: reference standards, ongoing valuation principles, best practice overview for addressing NAV and market price differences Pipeline development: Mapping of potential sponsors, eligible real estate assets 12-month implementation plan for REIT/F pilot launch: selection criteria, legal preconditions, investor outreach, listing steps, and monitoring	Weeks 13 to 16
Stakeholder and Validation workshop Presentation and discussion of draft findings and recommendations with key stakeholders for validation and feedback.	To be scheduled during weeks of 17
Final Consolidated Report Comprehensive report integrating all findings, validated recommendations, toolkit materials, stakeholder feedback, and the finalized roadmap.	Within twenty (20) weeks of contract award

5. Consultant/ Firm Qualifications

The selected consultant or firm must demonstrate the following:

- Proven track record in emerging market real estate analysis (specifically Sub-Saharan Africa), including asset valuation, demand-supply dynamics, and investor sentiment studies.
- Experience in structuring REITs/real estate funds (public or private) in regulated markets, with at least 3 completed projects.
- Demonstrated benchmarking studies comparing African/emerging markets (e.g., Kenya, Ghana, South Africa, India).

- Experience drafting financial market regulations, fund governance frameworks, and investor protection mechanisms.
- Experience developing REIT/F prospectuses, term sheets, fund management agreements, and disclosure templates.
- Delivery of pilot issuance roadmaps for capital markets products (include sample timelines).
- Proficiency in creating financial models for income-generating real estate assets and fund cash flows.
- Deep knowledge of Ethiopian financial, property, and tax laws (submit examples of prior work in Ethiopia/East Africa).

Core Team Credentials:

- Team Leader: 10+ years in real estate finance/REITs, with emerging market experience.
- Legal/regulatory specialist with African financial laws expertise (Ethiopian experience preferred).
- Specialized in emerging market valuation and feasibility.
- Experience in fund launches and investor outreach.

6. Duration and Reporting

The assignment will be completed within **five (5) months** from the date of contract signing. The consultant/firm will report to the Ethiopian Securities Exchange (ESX) and will provide regular progress updates, including participation in validation workshops as required.

7. Submission Requirements

Interested consultants should submit a full proposal, consisting of:

7.1. Technical Proposal

- Company profile highlighting REIT/fund structuring projects.
- Curriculum Vitae (CVs) of key personnel (maximum three pages each), tailored to the scope of this assignment.
- Team structure and composition, with clearly defined roles.
- Summary of relevant experience, especially in capital markets, REITs, and related areas.
- Detailed methodology and approach outlining the execution plan for each assignment component.
- Work plan and timeline, highlighting key milestones and deliverables.

7.2. Financial Proposal

- Itemized budget by phase and deliverable.
- Any reimbursable expenses (e.g., travel, accommodation).

8. Invitation to Submit Proposals

The Ethiopian Securities Exchange (ESX), in partnership with FSD Africa and FSD Ethiopia, formally invites proposals from qualified consulting firms and organizations for a foundational scoping study on the viability and implementation of Real Estate Investment Trusts/Funds (REIT/Fs) in Ethiopia.

Deadline for Inquiries: All questions and requests for clarification must be submitted in writing to **Info@esx.et** by **July 4, 2025**. To ensure a transparent process, all responses will be shared with all applicants.

Submission Deadline: All proposals must be submitted electronically to the email address below by no later than **5:00 PM East Africa Time on Friday, July 25, 2025**. Late submissions will not be considered.

Submission Requirements:

- **Submission Email:** Info@esx.et
- **Email Subject:** Please ensure the subject line of your submission reads: "*Proposal – Scoping Study on REIT/Fs in Ethiopia.*"
- **Proposal Format:** Technical and financial proposals must be submitted as separate documents.
- **Financial Proposal:** The financial proposal must be encrypted. The password for the document should only be shared upon request from the ESX evaluation team.