

Property law in Somalia is largely based on customary law. (Part one).



Regulatory body.

The lack of proper regulations has made it extremely difficult for potential buyers to get a clear picture of the market, as prices are often inflated and there is no organized system in place to manage the rental or buyer's market. This has resulted in a situation where buyers must rely on their own instincts to make judgment. The property sector in Somalia is in dire need of regulation in order to protect the rights of buyers and sellers, as well as to ensure that real estate transactions are conducted in an orderly manner. Currently, there is no unified system of land registration, meaning that many disputes over ownership remain unresolved.

The property boom in Somalia is likely to be short-lived due to the instability and lack of infrastructure in the country. Property prices have been rising rapidly in recent years, but this trend is unlikely to continue for long as the market is too volatile and unpredictable.

Economic assistance, helping or hurting the Somalia economy.?

According to Somalia.un.org, "Somalia received US\$2 billion in official development assistance (ODA) in 2020, consisting of roughly equal amounts of humanitarian and development aid."

In general, economic assistance can have a positive impact on the property economy in Somalia by stimulating economic growth, creating jobs, and increasing demand for property. For example, if economic assistance is provided to small businesses, they may be able to expand their operations, which can increase the demand for commercial real estate. Similarly, if economic assistance is provided to individuals or families, they may be able to afford to purchase or rent better housing, which can increase demand for residential real estate.

The country's economy is largely dependent on foreign aid and remittances, making it vulnerable to external shocks. Therefore, while there may be some short-term gains from investing in property in Somalia, it is unlikely to be a long-term investment opportunity.

As Somali's we must develop a recognised valuation system. This will help to ensure that property owners are able to receive a fair market valuation for their properties and, in turn, that the Somali economy is able to benefit from increased investment. The development of a valuation system for Somalia should include the creation of a system of professional appraisers and assessors who are licensed and trained to accurately determine the value of land and property. This system should also include the establishment of clear guidelines and standards for valuation, as well as a code of ethics governing the conduct of appraisers and assessors. Additionally, a system of public records should be established to ensure that the values assigned to properties are fair and accurate. Finally, an appeals process should be put in place to allow property owners to dispute the valuation of their property if they feel it is unfair or inaccurate.

Improving the property market.

Adopting two valuation approaches can be beneficial in regulating the market, as it can help ensure that asset valuations are accurate and reflective of market conditions.

One commonly used approach is the income approach, which involves estimating the present value of an asset based on its expected future income streams. This approach is particularly useful for valuing income-generating assets such as rental properties or businesses.

Another approach is the comparison approach, which involves comparing the asset being valued to similar assets that have recently sold in the market. This approach is based on the principle of supply and demand, where the value of an asset is determined by what other buyers are willing to pay for similar assets in the market. This approach is particularly useful for valuing assets such as residential properties or other assets that are difficult to value using other methods.

By adopting both approaches, regulators can ensure that asset valuations are accurate and reflective of market conditions. This can help to prevent overvaluation or undervaluation of assets, which can have negative impacts on the economy and financial markets. Additionally, using multiple valuation approaches can provide a more complete picture of the value of an asset, which can be useful for making informed investment decisions and managing risk.

Property valuation system is essential in helping assess the worth of a particular piece of land or property. In Somalia, such a system is particularly important due to the lack of a stable government and legal framework to govern property rights. A reliable property valuation system would help inform decisions on investment, bank lending and land use.

Part two of this article, titled "[Unpacking the Resilience of Somalia's Property Market: Examining Factors Driving Growth](#)," involved conducting a series of interviews with eight Somali Dallaalo chosen based on their experience in the Somali real estate market and their willingness to answer our questions.

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Part two: Unpacking the Resilience of Somalia's Property Market: Examining Factors Driving Growth.

Methodology approaches.

- The descriptive study. This approach attempts to identify the characteristics of a problem through description.
- The explanatory study. This approach attempts to find the answer to an enigmatic question.
- Interviews were conducted using a semi-structured questionnaire that asked questions about the Dallaalo' experience in the Somali real estate market, their assessment of property assets in Somalia, and their views on the future of the Somali real estate market. We asked the Dallaalo' to describe the process they use when assessing the value of a property asset in Somalia, as well as their views on the current state of the Somali real estate market.

An overview of interviews conducted with Somali Dallaalo regarding the state of the property market in three major cities: Hargeisa, Bosaso, and Mogadishu. We discussed how they formulate market value for properties within the cities in which they operate. The following five questions were asked to eight different Dallaalo , Their responses will be summarized in the following paragraphs. I will not provide direct quotes, but I will provide an overview of the consensus between all eight Dallalo.

1. What methods do you use to value assets.?
2. Who is responsible for the sharp increase in property prices?
3. Are there any limitations or assumptions that your valuation method relies on?
4. How do you stay up to date with changes in the market that may impact your valuation.?

The primary factors that influence the price of a property in each city vary. The availability of basic amenities such as water connections, electricity, Markets and holy sites. The primary factors are listed below.

The primary factors that influence the price of a property in each city vary.

Cities	Population	Location	Size	Condition	Market	Mosque	Access	Safety
Mogadishu	2,587,183	Y	Y	N	Y	Y	Y	Y
Hargeysa	1,700,000	Y	Y	Y	Y	Y	Y	N
Bosaso	74,287	Y	Y	N	Y	Y	Y	Y

1. What methods do you use to value assets.? The two most common methods used in Somalia to value property assets include the following.

- **Previous price of the property approach:**

This approach is used to determine the current value of the asset. The way it's implemented is quite unique as it uses the previous sale of the property to determine its current market value at any given time. This approach ignores current market conditions. For example, if I sold my residential property for \$50,000 five years ago, the current value of my assets would be 50,000 today, plus the increase in the market for similar properties. To add further complications, no property can be sold for less than it was bought for at any given period.

By setting a minimum sale price for each property. This means that if a property was bought for a certain price, it cannot be sold for less than that price. This ensures that the value of the property is not devalued and that the investor does not incur a loss.

- **Market Approach:**

This method uses the prices of similar assets that have recently been sold in the market to determine the value of an asset. This approach is implemented in a unique way in Somalia. Despite the title of the approach, it must consider, the previous price of the property and use current market value to add a gain amount. This approach can never devalue the original sale price of the property, it can only add capital gain.

By using the original sale price as a starting point, it allows for a more accurate comparison of the current market value to the original sale price. This can help to identify any potential capital gains but neglects to consider any losses that have occurred since the original sale.

2. Who is responsible for the sharp increase in property prices? The one group identified as having the most influence in the property market in Somalia is Dayoos bare (Expat Somalis)

Dayoos bare (Expat Somalis are people of Somali descent living outside of Somalia.) While these investments are helping to improve the overall quality of life in Somalia, they are also driving up the cost of land. This is especially true in major cities such as Mogadishu, Hargeisa and Bosaso where the cost of land has increased significantly over the past decade.

It is possible that some Dallahalo may overcharge expats due to their lack of knowledge in the property sector, as they may be unaware of the true value of the property they are purchasing. However, it is important to note that this is not necessarily the case for all Dallahalo, as there are many reputable and trustworthy Dallahalo who are committed to providing a fair and honest service. Furthermore, Dallahalo commission is 5% of the property selling price plus 15% bonus of the profit which is commonly split between both the seller and buyer. which is dependent on the profit of the sale, and thus incentivises low morals.

This is pricing out many locals, who may not have the resources to compete with the expats. In order to ensure that locals are not priced out of the market, whichever government of Somalia should consider implementing policies that limit the amount of land that expats can

buy. Additionally, the government should ensure that expats are paying their fair share of taxes on their investments, which will help to fund public services for the local population.

3. Are there any limitations or assumptions that your valuation method relies on in Somalia.? Some of the limitations and assumptions that our valuation method relies on in Somalia include:
 - The availability of reliable and up-to-date market data.
 - The accuracy of the assumptions used in the valuation process.
 - The accuracy of the information used to calculate the market value of the property.
 - The accuracy of the assumptions made about the future performance of the property.
 - The availability of comparable sales data.

valuation method relies on the assumption that the market is efficient, meaning that all relevant information is available to all participants in the market, and that no single participant has an advantage over another. This assumption may not hold true in Somalia, as there may be limited access to information, or certain participants may have an advantage over others due to their connections or resources.

4. How do you stay up to date with changes in the market that may impact your valuation.?

Combination of methods such as word of mouth, online research, and field research. Word of mouth can provide valuable insights into the local market and can be obtained by networking with other business professionals. Field research can also be conducted by visiting local businesses and speaking to people in the industry to get a better understanding of the market. Building relationships with local landowners. Make sure that you have a good understanding of their needs and goals. Ask questions about their current situation and what they are looking for in terms of a sale.

Property prices seem to be impacted by political elections, although there is no reliable data to assess the impact of a new government on property prices. My assumption is that sentiment plays a role.

Conclusion.

Overall, the interviews highlighted the importance of understanding the complex dynamics and interplay of factors that drive the resilience of Somalia's property market. They also highlighted the need for further research to better understand the role of informal markets and the impact of foreign investors in the Somali real estate market. Additionally, the interviews highlighted the need for policies and regulations to support the growth of the Somali real estate market and to ensure its resilience in the face of political turmoil in some parts.

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