Appraisal of the Performance of Foreign Direct Investment in Commercial Real Estate in Nigeria from 2006 - 2017

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DECLARATION

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DEDICATION

This dissertation is dedicated to Almighty GOD for His Mercy and Blessings and to my family, parents and siblings.

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ABSTRACT

Literature abounds on the performance of Foreign Direct Investments (FDIs) in banking, telecommunication and oil and gas in Nigeria. However, the performance of FDI in commercial real estate in Nigeria when compared to international benchmark figures is yet to be established and documented in literature. This aim of this work is to appraise the performance of FDI in commercial real estate in Nigeria from 2006 to 2017 in a bid to empirically assist foreign direct investors' decisions on investing in the Nigerian commercial real estate sector. The objectives are to; ascertain and compare yield and capital growth rate of foreign direct investments in commercial real estate in Nigeria with international benchmark; examine how FDI tax responsibilities in Nigeria compare with the global benchmark rate, and the effect of ownership structure risk on sustainability strategies of foreign commercial real estate portfolios in the study area. The study adopted the survey approach. Primary data were collected using structured questionnaire and interview. The study is based on selected major foreign controlled commercial real estates in Lagos and Abuja. The study adopted the Jones Lang LaSalle benchmark settings for commercial real estate performance indicator due to its empiricism from an international perspective where yield is 5.7%, capital growth is 7% and rental growth is 5.5%. Data were collected on rental values, capital values, tax responsibilities and effect of ownership structure risk. Tables and percentages were used to present and analyse the data collected. T-test and Pearson Product Moment Correlation Coefficient were used to test the hypotheses. The study showed a yield of 4%, ($t = 6.364$; $p < 0.05$) and a capital growth rate of 21%, ($t = 1.592$; $p > 0.05$). There was no negative variation in the of FDI tax responsibilities in Nigeria and international benchmark rate cap of 30% ($t = .8666$; $p > 0.05$); Ownership structure risk has a significant effect on sustainability strategies of foreign direct commercial real estate investment in Nigeria ($r = .867$; $p < 0.05$).The results are consistent with the World Culture Theory of Globalisation and FDI. The yield of 4%, capital growth of 21% equal tax responsibilities and absorptive effect of ownership structure risk indicates a satisfactory performance. The study recommends that property managers should practice tenant mix and flexible leases and spaces. Government should implement investor's friendly land and fiscal policies to improve FDIs.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The globalization of investment markets has provided a great platform for universal investments in diverse investment vehicles across different sectors and geographical locations (Dabara, Odewande, Olatunde, Anthony & Anthony, 2016). This subsequently delves into the identification of choice as the key precursor to investment success or failure. While choice may present a vertical challenge in identifying the most suitable among competing and equally ideal business opportunities, a horizontal aspect presents itself in terms of choosing among geographical alternatives which may have unique appeal and limitations. The horizontal aspect becomes imperative given the need to diversify investment portfolio among differing regions in a bid to manage risk and aid shrewd investors in their investment decisions in a globalized world. Jones Lang LaSalle (2006) avers that "cross border transactions represented 42% of total real estate investment volume, an 8% increase from the previous year" (Udobi, Kalu & Elekwachi, 2016).

Usually, one significant factor influencing investors' decision to diversify real estate investment is risk. Therefore, in consideration of risk, a rational investor may prefer long term investments in commercial real estate so as to reduce impact of risk. In doing so, the investor normally goes for a location which enjoys a stable political and economic environment to ensure security of capital. This decision may come at an opportunity cost of tapping into real estate gains from inflationary periods. Therefore, in consideration of these elements, an investor may choose to diversify his real estate portfolio across various countries as each country offers unique opportunities and threats to the investment. One such scenario is a foreign investor contemplating diversification of his real estate assets through an expedition into the Nigerian commercial real estate market. Such a move is referred to as Foreign Direct Investment (FDI).

Foreign Direct Investment (FDI) is an investment by multinational corporations in various sectors of foreign economies (Mallampally and Sauvant, 1999). Evidence from extant literature shows that, FDI represents both macro and micro economic prospects to recipient economies (Moss, Ramachandran and Shah, 2005). The macroeconomic side of FDI presents an influx of foreign exchange as new capital for investments (thus increasing a country's capital stock), increase in employment generation (Central Bank of Nigeria, 2001), and contribution to positive balance of payments. This is a precursor to sustainable economic and national growth and development as FDI provides the funds and resources which can be channeled into poverty alleviation programmes and schemes. One such instance is any possible influx of FDI into social housing programmes in Nigeria.

On the microeconomic side, the benefits of FDI include higher productivity and profitability through new investment in physical and human capital, skills cum technology transfer (CBN, 2001). It is usually risk-free for the recipient country and also comes with the prospects of introducing new ideas, new technology, assured and open markets, new management practices and knowledge to the recipient nation. In agreement, Edrak, Gharleghi, Fah and Tan (2014) contribute that FDI is a non-debt, non-volatile investment and returns received on these are generally spent on the host country itself thus helping in the development of the country. Therefore, it contributes to foreign exchange earnings, employment creation and increases incomes, especially of skilled and semi-skilled workers in emerging economies like Nigeria.

Evidence from India suggests that FDI is a long term source of capital as well as a source of advanced and developed technologies (Edrak et al., 2014). Their study shows that this capital influx triggered an increase in the amount of industries in India with multiplier effects on employment, internal trade, and positive balance of payment, income level and standard of living in India. The struggles of the Nigerian economy towards the increasing of FDI and attainment of economic diversification remain an open secret. An assessment of the performance levels of erstwhile FDI in commercial real estate assets already in the country arms the serious investor (interested in horizontal diversification of real estate investment assets) with information on the prospects and challenges of taking such decision.

Inflow of FDI into the Nigerian economy dates back to the 19th century with greater concern on export-oriented mineral and agricultural production as well as on public utilities. A striking illustration is a railway line, constructed in the south and extended northwards in the country to Kano by 1914. This was mainly financed by pressures on the colonial administration by the Royal Niger Company (later known as UAC), a famous Liverpool merchant (Mr. John Holt) and the Association of West African Merchants (AWAM); a cartel organization operating as a monopsony to buy Nigerian products under a price understanding arrangement. The British positively responded by funding the project through both the colonial loan raised on the London Capital Market and the colonial treasury loans.

Ominously, empirical evidence of how well FDI has performed in commercial real estate sector in Nigeria remains scanty at best. The study is an evaluation of this problem. To come to a decision on this, evaluation of certain FDI performance indices becomes necessary. Performance evaluation is vital as performance occupies a strategic place in the scheme of sustainable development (Ewurum, 2006). Also, investors in the course of their decisions making form impressions about the relative worth of each investment within their portfolio through performance appraisal. Therefore, the study is a 'look before you leap' archetype for a foreign investor who might wish to test the waters of commercial property investment in Nigeria. Misiewicz (2014) summed it all up with the question - would you spend money if you did not know your bank balance?

Accordingly, a performance appraisal of FDI in commercial real estate in Nigeria with respect to global benchmarking becomes imperative as Nigeria will no doubt revel in being associated with such facts as evident in the United States where in 2013, foreign buyers made up about 7% ($92.2 billion) of transactions in the $1.2 trillion U.S. real estate market (Balasubramanyam, V., Sapsford, D. & Salisu, M. 2017). To make this effective, performance standards or goals must be established and evaluated against actual portfolio performance. An illustration is made in figure 1:

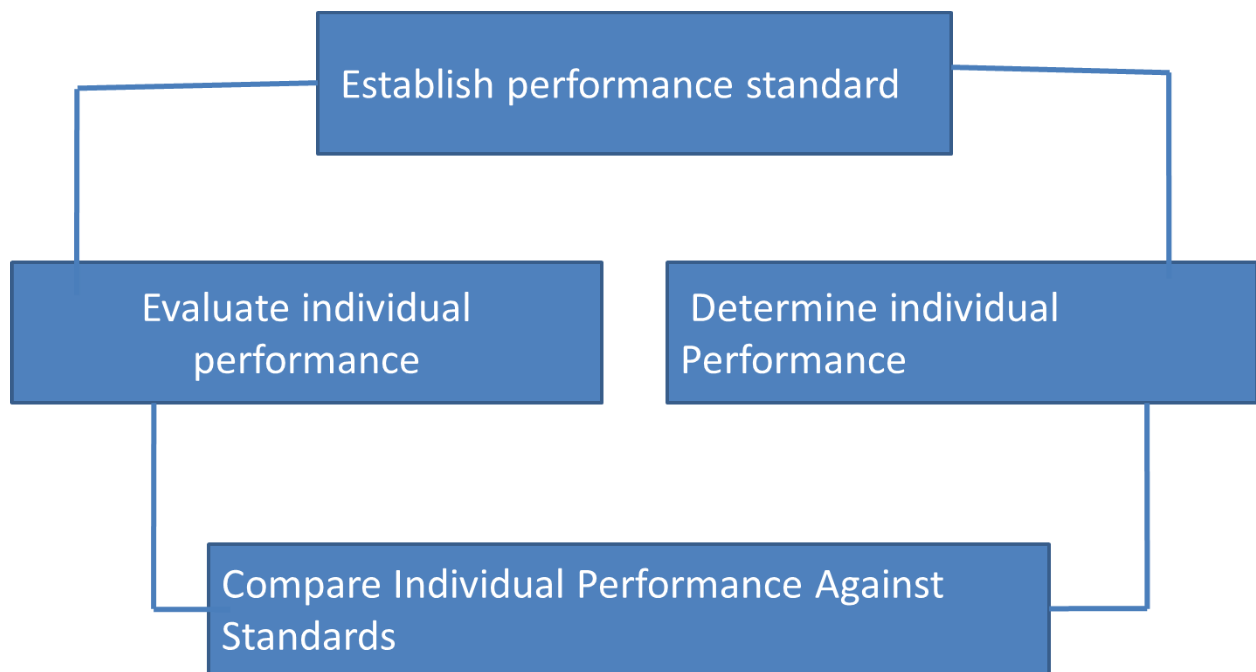


Figure 1: Organizational Performance Evaluation

Source: Richard M.H. (1984). Modern Human Relations. New York: CBS college publishing.

Consistent with Figure 1, a good performance appraisal system reinforces a portfolio's strategic business plan by focusing attention on each distinct investment asset progress towards meeting their portion of the plan (Lawrence, 2000:210). The goal then remains to identify and communicate the effect of each investment's performance strengths and weaknesses on the general portfolio performance. The result of this analysis is then used for developmental purposes, so that gaps in performance can be closed. Studies of portfolio performance measurement began in the 1960s along with the development of modern asset pricing theory and the Capital Assets Pricing Model (Treynor, 1965; Treynor and Mazuy, 1966; and Jensen, 1968, 1969). Others were the Intertemporal Marginal Rates of Substitution-Based Measures of Glosten and Jagannathan (1994), the Positive Period Weighting Measures of Grinblatt and Titman (1989), the Higher Moment Measure of Hwang and Satchell (1998).

Despite their wide acceptance, criticism levelled against the models suggest a faulty foundation which rests on the premise that all asset returns are normally distributed and thus distributed symmetrically or that investors have mean-variance preferences and thus ignore skewness. This is especially false for most real estate investment assets in developing countries, particularly Sub-Saharan Africa. Performance measurement of real estate investments presents a harder task relative to stocks, shares and other liquid assets. Also, common methods of investment performance measurement owe their roots to the stock market. It is obvious that these methods cannot easily be applied to real estate investment performance measurement. This is based on the heterogeneity of real estate assets with attendant differing characteristics.

For instance, performance measurement of liquid investments as shares require commonly applied benchmarks and highly liquid indices such as the S&P 500 or the Dow Jones Index. In addition, the investment opportunities are usually limited to the underlying stocks of that benchmark categorized into sectorial based indices (Hilsted, 2012). This cannot be compared to the difficulties of placing value on real estate assets due to characteristics such as immobility, low liquidity, indivisibility etc. The indivisibility issue is most represented in the Internal Rate of Return method of appraisal which suggests that cash flows are reinvested at the internal rate whereas the indivisibility of real estate makes reinvestment almost impossible. Still, literature offers a reprieve. The performance or suitability of real estate investment can be evaluated on the basis of a rate of return (rental yield and capital appreciation), payback period, profit margin and risks (Lidonga G., 2015).

Also, sustainability of performance has emerged as a critical factor under consideration in the performance measurement of real estate investment assets. The measurement analyzes data relevant to presence of sustainability related strategies in the formation of the business plan, extent of implementation of such strategies and level of SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the operating environment. Another issue worthy of consideration is real estate related taxation. In the US, foreign non-resident real estate owners have two taxation options. One is to have the real estate investment taxed at the same rates that apply to U.S. real estate investments. The second option is to have the property treated as an

investment property and subject to a flat 30% tax for Foreign Direct Investments (FDI). However, many countries have entered into income tax treaties with the U.S. with a bid to reducing the 30% rate.

Given Knight Frank's Africa Report (2015) that international investors are increasingly looking for opportunities in Africa's real estate markets occasioned by the fact that in the past two years , property searches from outside Nigeria have increased from under 30 percent to well over 45 percent of all searches on Knight Frank website (Ejimofo, 2015); the wave of serious interest from international real estate portfolio observers in the Nigerian property market calls for a serious examination of the pertinent facts. To achieve this, the study resorted to real estate benchmarking as it compares actual performance from existing FDI in commercial properties in Nigeria against a predetermined framework of measurement.

The study relied on this foundation to examine the empirical constructions of the Morgan Stanley Capital International (MSCI) index in a bid to establish a mean global benchmark index for measuring FDI performance in Nigeria's commercial real estate market. The MSCI Global Real Estate Performance Index covers at least 23 countries globally, and utilizes consistent and comprehensive methodology of index construction that allows for global market comparisons across all market capitalization sizes. The index uses Global Industry Classification Standard (GICS) to provide a benchmark for investors to track and compare real estate performance with their peers; taking account of listed and unlisted residential and commercial real estate investments.

Table 1 illustrates the global real estate performance benchmark of MSCI Global Real Estate Performance Index over a 10-year period from 2008 to 2017:

Table 1: MSCI Global All Property Total Return History

(%)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Yield	5.2	6.1	6.2	6.0	5.9	5.8	5.5	5.3	4.8	4.7
Capital Growth	-10.2	-14.1	3.2	3.5	1.4	2.8	4.5	5.4	2.6	3.2
Total Returns	-5.6	-8.0	9.4	9.5	7.3	8.6	10.0	10.7	7.4	7.9

Source: MSCI; KTI (2016) and MSCI Global Real Estate Performance (2018)

From Table 1, one can discern a stochastic distribution of the income return, capital growth rate and total returns from global real estate investments. The Index in Table 1 provides international benchmark settings for commercial real estate investment performance which would be used as comparison for the determination of FDI performance in the Nigerian commercial real estate sector. Also, it can be observed in Table 1 that real estate investments suffered the incidence of negative returns in 2008 and 2009 due to the prevalence of global economic meltdown within that period. The explanation is that, being a capital intensive investment, real estate investment portfolios rely on vibrant mortgage and monetary policies. With the mortgage system at the eye of the global meltdown storm of 2008, returns from real estate portfolio were adverse at best. The world's dominant commercial real estate markets are in better shape than at any time since global financial crisis of 2008-2009 (Udobi, Kalu and Elekwachi, 2016), but the period of negativity is sure to impact on any mean capital growth calculation involving those periods.

This is structural in nature going by the assertion that the state of a country's economy has an impact on the economic risk of the real estate market (Chen and Hobbs, 2003 in Udobi, Kalu & Elekwachi, 2016). Structural real estate risk such as incessant strike actions by labour unions arising from non-payment of workers' salary and government policies have posed serious challenges to international real estate investors in the country (Udobi, et al., 2016). Yet, scholarly evidence of the effect of such risk on foreign commercial real estate investment returns in Nigeria remains scanty.

Jones Lang LaSalle Property Index (2016) provides international benchmarking settings for commercial real estate portfolio performance indicator as at 2nd Quarter of 2016, using variables such as yield, capital growth and rental growth. This was summarized in Table 2:

Table 2: Benchmark Settings for Real Estate Investment Performance Indices

BENCHMARKING INDICATOR	GLOBAL REAL ESTATE BENCHMARK (COMMERCIAL)
Yield	5.7%
Capital Growth	7%
Rental Growth	5.5%

Source: Jones Lang LaSalle (2016). JLL Property Index Q2 2016.jll.co.uk_united-kingdom_en-gb_Documents_UK-Property-Index-Q2-2016-JLL, retrieved on 3/13/2017.

Table 2 shows benchmark performance indices for commercial real estate. For the purpose of this study, this benchmark of performance measurement of FDI in commercial real estate assets was adopted due to its empiricism from an international perspective towards ascertaining its empirical realities in Nigerian-based foreign commercial real estate sector. In accordance to a study by Lidonga G. (2015), performance measurement indices such as risk and sustainability levels were tested in consistence with their operational realities as they concern foreign real estate investments domiciled in Nigeria.

Government land policy such as the Nigerian Land Use Act of 1978 will also be analyzed as it affects FDI in commercial real estate investments in Nigeria since it would constitute a great lacuna if considered unworthy of assessment due to the ownership structure risk it may pose.

Ownership risk looks at the land ownership structure prevalent in the area where such an investment might be considered. This is due to its foundation role in determining land ownership and utilization in the host country, such as Nigeria, as against what obtains in capitalist societies like the United States which Nigeria models its economy on. Therefore, the study attempts an assessment of foreign direct investment performance in the Nigerian commercial real estate sector and covers the period 2006 -2017.

1.2 Statement of the Problem

Despite the prominence of actuaries in the discourse of performance appraisal and long-term investment modelling, there is little discussion in literature of the subjects of real estate performance indices and modelling especially from the perspective of foreign real estate investments in Nigeria. Since no sane investor leaps without looking first, the paucity of empirical data on any form of appraisal of the drivers of investment performance of existing foreign real estate investments in Nigeria renders foreign real estate investors at the mercy of a rule of thumb approach to investment decisions. The consequence of this empirical lacuna is most significant considering that the dominant themes in the Nigerian economic discourse remain the improvement of FDI and economic diversification, and any upsurge in foreign real estate investments in the country will not only help ameliorate these concerns but also contribute towards eradicating the serious housing deficit in the country.

It is therefore clear that this dearth of research on foreign real estate performance measurement indices in Africa and particularly in Nigeria calls for serious empirical consideration. This gap motivated the researcher to conduct the research and the study sought to contribute to literature by providing evidence from Nigeria on the extent to which yield and capital growth of foreign commercial real estate matches up to international benchmark. This study is one of the scholarly works to analyze government land policy implications in the sustainability of foreign commercial real estate assets domiciled in Nigeria. Thus, this presents the terms of reference of this dissertation.

1.3 Aim and Objectives of the Study

There have been indigenous studies on the performance of FDI in residential real estate (Bello 2003), the performance of property investments in general, indirect property investment and stocks; Amidu, Aluko, Nuhu and Saibu (2008), Olaleye and Ajayi (2009), and Adegoke (2009). None of these studies appraised the performance of FDI in commercial real estate The aim of the study is to appraise the performance of foreign commercial real estate investments in Nigeria from 2006 to 2017 in a bid to empirically assist FDI considerations in the Nigerian commercial real estate sector towards enhanced economic development. The objectives of the study are as follows:

1. To ascertain whether yield from foreign commercial real estate investments domiciled in Nigeria compares with international benchmark yield.

2. To compare the capital growth rate of foreign commercial real estate assets in Nigeria against international benchmark capital growth rate for commercial real estate investments.

3. To examine how FDI tax responsibilities in Nigeria compare with the global benchmark rate cap of 30%.

4. To examine the effect of ownership structure risk on sustainability related strategies of foreign commercial real estate portfolios in Nigeria.

1.4 Research Questions

1. Does yield from foreign commercial real estate investments in Nigeria compare with international benchmark yield for commercial real estate?

2. How does the capital growth rate of foreign commercial real estate assets in Nigeria compare against international commercial real estate metrics?

3. How does FDI tax responsibilities in Nigeria compare with global benchmark rate cap of 30%?

4. What is the effect of ownership structure risk on sustainability related strategies of foreign commercial real estate investment in Nigeria?

1.5 Research Hypotheses

1. There is no negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments.
2. There is no negative variation between the capital growth rate of foreign commercial real estate assets in Nigeria and international benchmark for commercial real estate investments.
3. There is no negative variation in the mean score of FDI tax responsibilities in Nigeria and international benchmark rate cap of 30%.
4. Ownership structure risk has no significant effect on sustainability strategies of foreign commercial real estate investments in Nigeria.

1.6 Justification and Significance of the Study

Foreign Direct Investment plays a crucial role in improving productivity and profitability through new investment in physical and human capital, and technology transfer (CBN, 2001). By so doing, FDI is found to generate employment in downstream and upstream sectors of the economy (Wilkinson and Rocha, 2008). Particularly, a gap exists in literature as to any evidence of how FDI has performed in the commercial real estate industry in Nigeria. This informs the need to carry out a descriptive study to appraise the performance of FDI in commercial real estate in Nigeria.

In view of the aforementioned, the results of this study are expected to clear any doubt as to the performance of FDI in commercial real estate in Nigeria. The empirical results will enable policy makers and industry stakeholders to approach strategically, the issue of FDI and real estate investment in Nigeria in order to avoid pitfalls of the nexus and to enhance the relationship and marketability of the real estate industry in the country.

This study is significant for a number of reasons. Firstly, it exposed the performance of foreign real estate assets in Nigeria to potential foreign investors interested in a horizontal diversification into the Nigerian economy thus, providing an empirical fact on the performance of commercial

real estate in Nigeria. The examination of the performance of foreign commercial real estate investments in Nigeria will aid decision making by market participants including foreign investors and eliminate the almost rule of thumb approach in use.

The study will also keep policy makers informed as to the extent to which the real estate industry in Nigeria is attractive to Foreign Direct Investment into the Nigerian economy as a means of achieving the desired goals and if not, the problems militating against it.

Furthermore, the study will show if the land policy in Nigeria encourages the much needed investment flow for economic growth. The study will be beneficial to scholars in relevant fields as they would find the work a supportive reference material in further research. The study will also be beneficial to economists and stakeholders in international law and international relations.

1.7 Scope of the Study

There are scholarly works on the performance of property investments in the different parts of the country but there is no published empirical data on the performance of commercial real estate in Nigeria using the study areas in this study. This study is limited to the appraisal of the performance of FDI in commercial real estate in Nigeria. The study rummaged through prior empirical works as they relate to the discourse. The study however focused on malls to represent foreign direct investments in commercial real estate in Nigeria. The survey was based 17 foreign commercial real estates located in Lagos and Abuja, Nigeria. These areas formed the focus of the study due to the greater representative of such properties in the areas.

1.8 Study Area

The areas used for the study are Lagos and Abuja. The two areas boast a greater number of foreign direct investments in commercial real estate than other cities in the country.

Lagos here is referred as the Lagos metropolitan area. Lagos is acknowledged as the most economically important state of the country and the nation’s most populated urban area with a population of over 12 million as at 2012. Lagos is a major financial centre and according to Wikipedia, would be the fifth largest economy in Africa. Its total generated revenue in 2017 was around N334 billion (equivalent to USS 20 million).Lagos state is currently the home of 65% of Nigeria’s businesses, with a presence of over 2,000 manufacturing companies, 200 financial institutions and the largest collection of small and medium enterprises in Africa.. Two of the nation’s largest seaports- Apapa and Tin Can ports are located in Lagos state. Lagos is also Nigeria’s aviation hub.

Figures 2 show the geographical map of Lagos state.

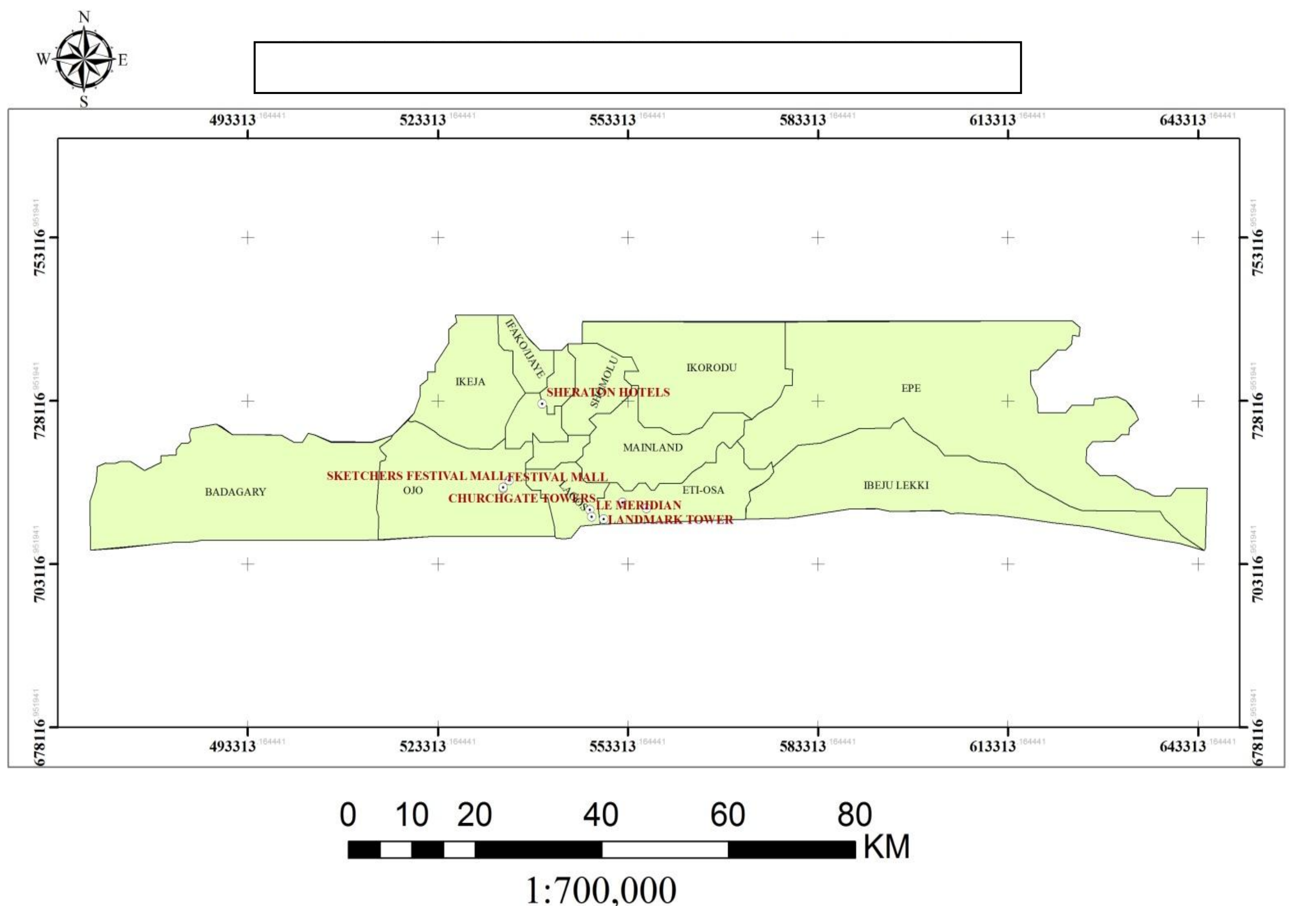


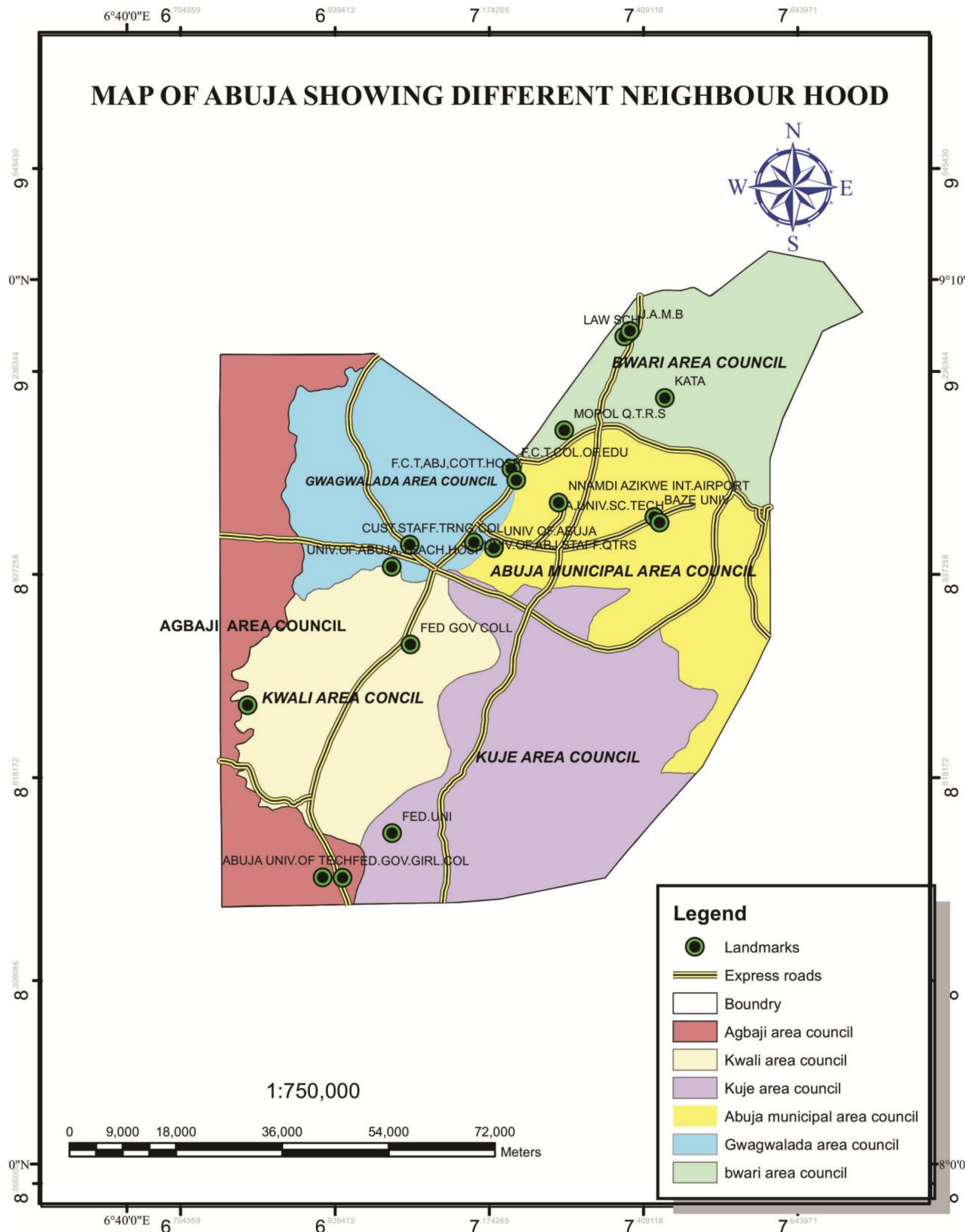
Figure 2: Map of Lagos state.

Source: Lagos state Ministry of Lands, Lagos.

Figure 2 is the geographical map of Lagos state. The state is bounded on the North and East by Ogun State. In the West, it shares boundaries with the Republic of Benin. Behind its southern orders lies the Atlantic. This makes the state accessible form different parts of the world. Lagos has been blessed with a relatively stable political environment when compared with other states in the country. Lagos houses about 22 shopping malls and has the highest number of commercial real estate in Nigeria. These features amongst others make Lagos metropolitan area attractive for foreign direct investment.

Figure 3 illustrates Abuja, the administrative capital of Nigeria. Abuja is located within the Federal Capital Territory (FCT). It is a planned city and was built mainly in the 1980s replacing the country's most populous city of Lagos as the capital on 12 December 1991. Abuja's geography is defined by Aso Rock, a 400-metre (1,300 ft) monolith left by water erosion. The Presidential Complex, National Assembly, Supreme Court and much of the city extend to the south of the rock. Zuma Rock, a 792-metre (2,598 ft) monolith, lies just north of the city on the road to Kaduna State. Abuja has witnessed a huge influx of people into the city; which has led to the emergence of satellite towns, such as Karu Urban Area, Suleja, Gwagwalada, Lugbe, Kuje and smaller settlements towards which the planned city is sprawling as is seen in figure 3.

Figure 3: Map of Abuja.



Source: Federal Capital Development Authority, Abuja.

Figure 3 is the map of Abuja which the 2006 census tagged a population of 776,298, making it one of the ten most populous cities in Nigeria. According to the United Nations, Abuja grew by 139.7% between 2000 and 2010, making it the fastest growing city in the world. As of 2015, the city is still experiencing an annual growth of at least 35%, still retaining its position as the fastest-growing city on the African continent and one of the fastest-growing in the world. As at 2016, the metropolitan area of Abuja is estimated at 6 million persons, placing it behind only Lagos, as the most populous metro area. The city is served by the Nnamdi Azikiwe International Airport. Abuja is known for being one of the few purpose-built capital cities in Africa, as well as being one of the wealthiest.

1.9 Limitations of the Study

The study is limited to foreign owned commercial real estate in Nigeria. Data for the study are limited to 17 (Seventeen) foreign owned commercial real estate in Lagos and Abuja, Nigeria which are used to represent commercial real estates in Nigeria. These areas were chosen because of the large concentration of foreign owned commercial real estate in them. The variables or factors that were used for the assessment of the performance of these properties were limited to yield, capital growth and tax capitalization rate and ownership structure.

The researcher also encountered some constraints in the course of this work as follows:

Attitude of the Respondents: There is the expected typical reluctant attitude on the part of some respondents to fill the questionnaire or grant interview. In some cases, some respondents expected to be paid for the use of their time and knowledge; if otherwise, they were very reluctant in giving the required information. Some hoard information in keeping with the oath of secrecy. In spite of repeated assurance of confidentiality most of them feared the loss of their jobs.

Dearth of Data: The researcher was in contact with the National Bureau of Statistics, Central Bank of Nigeria, Real Estate Developers Association of Nigeria, Ministry of Lands and Ministry of Housing; yet, none could provide any significant record of foreign commercial real estate investments in the country. This was a major reason for limiting the study to foreign commercial real estate investments.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

A performance appraisal of Foreign Direct Investment is not new in extant literature. What are relatively new, however, are the theoretical and empirical approaches undertaken to the investigation of this problem from a real estate perspective in developing economies like Nigeria. The study devoted its attention to extant investigations into the conceptual, theoretical and empirical paradigms of FDI and performance appraisal. The study looked at the meaning and categories of FDI, before offering several definitions of the performance appraisal/measurement concept. Then, it provided a review of theoretical framework for the study in which the validity of reasons were analyzed and tested, and finally, several examples of empirical studies in the areas were examined. The summary of the review of related literature offered a critique of literature which helped in the identification of gaps in literature which this study attempted to fill.

2.2 Conceptual Framework

This section reviewed the contributions of various scholars to the definitions of the concepts that make up the theory of Foreign Direct Investment. It outlined points of view made in previous studies on FDI and captures the researcher’s observation.

2.2.1 Foreign Direct Investment (FDI)

Prior to an incursion into the meaning of FDI, it is pertinent to examine some salient concepts which predate the FDI concept. In this context, the study examined the conceptual underpinnings of globalization, transnational companies (TNCs) and foreign investment. Generally speaking, the different nomenclature of globalization, be it global trade, global village, internalization, network society, universalism, mega regionalism, etc. all point to the concept captured by Adejo (2003); that globalization is “the culmination of gradual inter-community contacts, propelled by materialistic and exploratory motivations.” In a similar perception, the concept of globalization is

that which encapsulates the growth of connections between people on a planetary scale (Onah, 2007).

To lend credence to this, Omolayole (2004) describes globalization as a concept by which the whole world for the purpose of trade and commerce is treated as one sovereign political entity. This implies that globalization is a process that culminates the world into a global village where something that happens at one end of the world affects the other end notwithstanding the distance in-between. Izuogu (2007) supports the foregoing in his view that the world is a global village where countries which had hitherto existed as separate entities would now become global corporate entities in which there will be a breakdown of time and space which will give room for wide spread communication, rapid transportation and shared community norms and values that tie the world globally together as one village. This is fulcrum of the foreign direct investment ideology.

Conceptually, this study examined globalization from the economic perspective which encapsulates foreign direct investment. Economic globalization is a process of increasing economic integration between two or more countries leading to the emergence of a global market place or a single world market (Izuogu, 2007). In this market, the main staples are identified as material transfer of people and things and nearly instantaneous communication enabled by emerging information technology (Okpaga, 2003). Specifically, these staples are classified into flows of goods/services (free trade), people (migration), capital (loans and grants) and flows of technology. This is supported by the International Monetary Fund in their view of globalization as the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, freer international capital flows, and more rapid and widespread diffusion of technology (IMF, World Economic Outlook, May, 1991).

This view is stressed by the World Bank who defines globalization as the freedom and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries. There is need to establish globalization as being quite distinct from internalization in

its semblance of foreign direct investment. This is pointed out by Fafowora (1998) who buttressed the fact that internalization describes the activities of multinational companies dealing across borders in financial instrument, commodities, or products that are extensively tailored to 'local markets'. Therefore, the concept of Globalization refers to increasing economic interdependence among countries as reflected in the flow of goods and services, financial capital and knowledge across the country borders (Hitt, 2003). This gave rise to transnational corporations.

It is crucial to bring TNCs into the discourse of FDI literature given their status as fulcrum to FDI. A transnational company is an enterprise that controls assets of enterprises in other countries other than their own, usually by owning a certain equity stake of at least 10% share of such assets, which confers voting power on them (Görg and Greenaway, 2004). They are private sector companies willing to invest anywhere, and they provide foreign direct investment (FDI) in form of supply of financial resources, technology, jobs, and are of great benefit to emerging economies.

Alluding to the foregoing, Prasad, Rajan and Subramanian (2007) argue that the contribution of TNCs in FDI actualization lies in the fact that they possess vast technical resources, control enormous financial resources, and have extensive global coverage. Uzoma (2008) submits that this global capital flow has been fueled by globalization. With globalization, which has broken down trade barriers among nations, the activities of TNCs have been enhanced (Uzoma, 2008). Chanda, Alfaro, Kalemli-Ozcan and Sayek (2006) infer that in the world, there are 64,000 TNCs controlling 870,000 affiliates with the main countries of origin being USA, Germany, United Kingdom, France, China, Japan, Netherlands, South Africa, Spain, Italy, and Canada. Their most favoured destinations in Africa are South Africa, Egypt, Morocco, Nigeria, and Algeria (Nwezeh, 2010).

However, much as they are providers of FDI, they are not development agencies; they are profit-seeking organizations. Hence they have become a major source of controversy because of their dual roles as funding sources and profit seekers. Questions being asked are: Do they truly give or

their mission in the countries of investment is mainly to take from them? Are they stakeholders or exploiters? Can they be good world citizens or are they indifferent? These questions raise the issue of Foreign Investment. Foreign Direct Investment has sometimes been confused or interchanged with Foreign Investment, (Lougani and Razin, 2001; Abobaker, 2015). This is an anomaly as instead of being utilized as one, FDI which may be viewed as more of an aspect of foreign investment, is uniquely different.

Abobaker (2015) argues that any form of injection of private or public foreign capital into an economy is foreign investment. The misperception here is that FDI can also be likened to such an expression. Therefore, it is pertinent to carefully extricate the FDI concept from the foreign investment nomenclature as this will make our conceptual framework of FDI meaningful. Nweze (2010) avers that foreign investment is a situation where foreign donors make money available for investment into crucial sectors of an economy. Their job commences with a feasibility and viability appraisal of the proposed investment. This appraisal informs the modalities of the release of funds in tranches. Thereafter, they monitor and supervise the implementation of the project. An illustration of this is the reported $58.8bn which the World Bank pumped into weak economies in 2009 (Nweze, 2010). While the funds come from foreign investors and are directed into local investments, Uzoma (2008) still argues that such move cannot be classified among Foreign Direct Investment.

Clarifying further, Uzoma (2008) opines that Foreign Direct Investment takes the form of a foreigner setting up a subsidiary or taking over control of an existing firm in another country, thus internationalizing products in order to service markets hitherto served by exports. The implication of this assertion is that foreign investors do not stop at providing monetary incentives and monitoring of investments, but go further to own and operationalize the investment. Lending credence, Moosa (2002) stresses that FDI is the process where people in one country obtain ownership of assets for the purpose of gaining control over the production, distribution and other activities of a firm in a foreign country.

Offering a global benchmark definition of FDI, the Organization for Economic Cooperation and Development (OECD, 2008) defines FDI as "the objective of obtaining a lasting interest by a resident entity in one economy (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise)". The "lasting interest" phrase in the definition offers a distinct indication of the variability in meaning between FDI and foreign investment as it reflects the correlation between the direct investor and the country where both are direct recipients of each other's actions. This is consistent with the submissions of Moosa (2002) that the terms "influence" or "control" and "long-term" are used to make a distinction between FDI and portfolio investment because the latter is a short-term investment where the investor does not seek to control the firm.

In continuance, Nweze (2010) opines that the resultant ownership structure which the "influence" in the OECD (2008) definition represents is as follows:

1) Wholly Foreign-Owned, this takes the form of either a branch or locally incorporated company. In a branch arrangement, the local branch conducts the local activities of its parent company without having a separate legal entity. The second arrangement allows a local incorporation with separate legal entity status from its foreign parent company and shareholders. This results to the formation of a wholly owned subsidiary company (Nweze, 2010).

2) Joint Ventures, which is a form of partnership between foreign investors and the host economy's investors in carrying out a business activity. It is pertinent to note that this arrangement wholly depends on the indigenization policy of the host government. This may reflect on the degrees of control and sharing of responsibilities, risks and profits proportionally to the contribution of each party. Joint venture is at present an important vehicle for foreign participation in industrial ventures and remains the most common form used in developing countries of Asia, Africa and Latin America (Nwezeh, 2010).

3) Special Contractual Arrangements, which are similar to contractual joint ventures except that here, a foreign investor's share of benefit is determined by the negotiation of a fair return for his contribution, liability and risk rather than in strict proportion to his contribution (Nwezeh, 2010).

4) Technology, Management and Marketing Agreement, whereby the host country's enterprise enters into a contract for the purchase of technology, management or marketing from a foreign enterprise for an agreed price (Nwezeh, 2010). There is no sharing of control, decision-making, liability, risk and profit although the foreign partner runs the risk of non-payment in case of non-performance of the enterprise. The most prominent types of such business arrangement are licensing agreements where the extents of the agreements depend largely upon the specific sector or economic activity, the nature of technology and the level of domestic technological capabilities available.

5) Sub-contract, Co-production and Specialization Contract Agreement, which as opposed to joint ventures, are based on purely contractual arrangement and like the technology, marketing and management agreements do not involve sharing of control and decision making, liability, risk and profit (Nwezeh, 2010). They differ from these forms of agreement in that the technology provided by the investor is only meant to supplement a purchase from the local entity or act as a joint effort by the foreign and local entity in production and/or marketing with no ownership or control consideration relating to the subject of joint effort.

From the foregoing, the study adopted the OECD (2008) definition as the conceptual framework of FDI due to its holistic appeal. The definition also sees FDI as a tool which can be used to transform import-oriented economies into export-oriented ones. The BRICS countries which comprise Brazil, Russia, India, China and South Africa present a recent reminder of this transformation (Brakman, Garretsen and van Marrewijk, 2006). This is achieved through its extraordinary and growing role in global business by providing a firm with new markets and marketing channels for their products, thus creating a positive balance of payment statistics. Lending credence, Sauvant (2009) argues that for a host country or the foreign firm which receives the investment, FDI provides a source of new technologies, capital, process, products, organisational technologies and modern management practices. All of these are presumed to contribute to economic growth and development in an economy.

How true is this with respect to FDI in Africa? The following studies offer various arguments on FDI incursion into Africa using cross-sectional and panel data approaches. Dupasquier and Osakwe (2005) studied the performance, promotion and prospects of FDI in Africa. This descriptive paper identified political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, as causes of low FDI into Africa. The study suggested that conscientious efforts are needed at national, regional and international level to promote the African market and signal improvement in political stability and transparency in the conduct of the affairs of corporate firms as well as the national governments.

Focusing more on FDI determinants in Africa, Morrisset (2000), used a panel data approach for 29 African countries to examine the main determinants of FDI and found that good government policy, growth in GDP and trade openness have significant positive relationship with FDI. He also argued that political instability and volatile financial environment are not helpful to FDI although they did not come up as significant in the regression. He further suggested that a conducive business environment with appropriate incentives and promotion are crucial requirement to attracting FDI. These conditions are applicable to every economy including the developing economies of Africa.

Asiedu (2002) compared the determinants of FDI in African to other developing economies in the world. She concluded that Africa share a lot in common in terms of the determinants of FDI but observed that some factors seem distinctively unique to the Region. This is on the backdrop of the fact that while certain factors generate significant effect on FDI, the magnitude or effect of such factors are different in the case of Africa. For example, she observed that although the region offers a high return on investment this has not been sufficiently instrumental in increasing the flow of FDI to Africa because this seemingly high return is somewhat neutralised by the risky business environment in the region.

She also noted that Africa does not seem to enjoy locational advantage compare to other developing economies despite the deposit of substantial number of world natural resources. She

suggested that the level of trade openness in the region is lower compare to other developing economic regions and that while infrastructural facilities attracts FDI in other regions its impact on the flow of FDI into Africa is minimal. She put this to the presence of abundance natural resources which depends less on the existing infrastructures.

Like most developing countries in Africa, Nigeria participates actively in the global competition for FDI. However, by all standards- regional or international, the country has attracted relatively small FDI inflows since its independence (Uzoma, 2008). Nwezeh (2010) argues that for FDI to thrive in Nigeria, a holistic review of the investment climate is pertinent. Oji-Okoro and Huang (2012) beg to differ with Uzoma (2008). They assert that Nigeria is an increasingly attractive destination for foreign direct investment (FDI), revealing itself as a serious contender to the BRIC nations - Brazil, Russia, India and China. Lending credence, Ashiedu (2002) argues that Nigeria is recognized in all newly designated economic groupings of increased interest, including the PINE economies (the Philippines, Indonesia, Nigeria, and Ethiopia) and the MINTs (Mexico, Indonesia, Nigeria and Turkey).

This argument finds support in the report of Ernst & Young (2014) which suggests that FDI in Nigeria has been growing at an annual rate of 23.4 percent over the last six years with the US, UK and South Africa the biggest investors. Whilst Nigeria's economic outlook has previously been dependent on its oil industry, the non-oil sector has seen strong growth in recent years across agriculture, telecommunications services, and retail. As part of an effort to further attract FDI into Nigeria, the European Union (EU) stated plans to invest around €600 million in the country over the next five years. The Ambassador and Head of EU Delegation to Nigeria and Economic Community of West African States, Michael Arrion, recently told the media that "Foreign Direct Investments (FDIs) stock by EU countries in Nigeria grew from N5.3 trillion in 2011 to N5.7 trillion in 2012. In 2013 alone, the total EU-Nigeria trade stood at N8.5 trillion. EU imports from Nigeria were valued at N6 trillion while EU exports to Nigeria stood at N2.5 trillion."

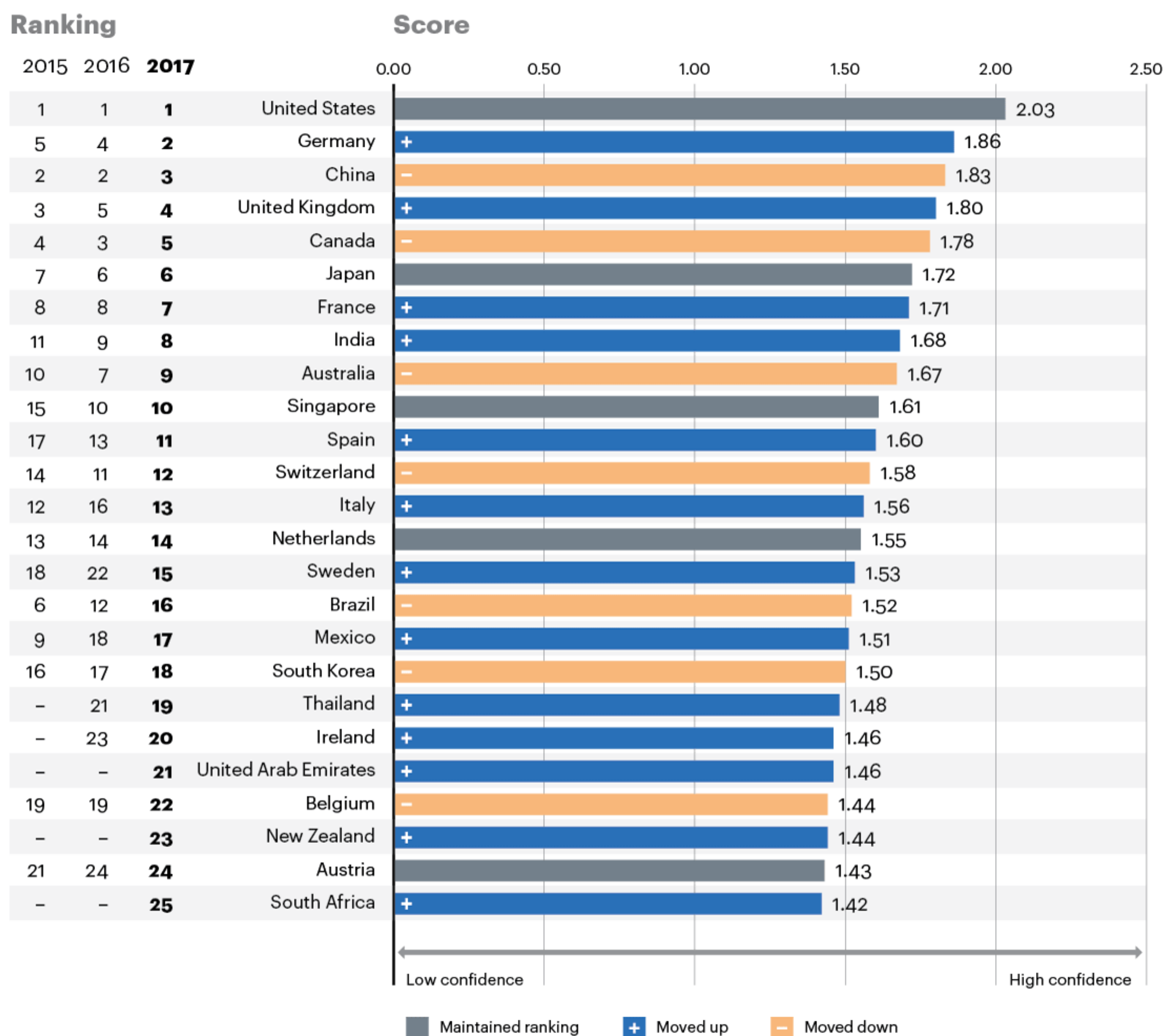
This is consistent with economic websites glowing report on the country. Firstly, the Business, Trade and Investment Guide (2010/2011) reports that Nigeria receives the largest amount of FDIs in Africa and the inflows have been rising enormously over the course of the last decade. Statistics cited shows that it was N786.40 million in 1980, and reached $11 billion in 2009 (UNCTAD 2009), making the country the 19th greatest recipient of FDI in the world (Business Trade and Investment Guide, 2010/2011). Recent report from tradingeconomies.com (2017) infers that Foreign Direct Investment in Nigeria increased by $1.3 billion in the fourth quarter of 2016 and averaged $1.4 billion from 2007 until 2016. This, according to the website, propelled to an all-time high of $3 billion in the fourth quarter of 2012 and a record low of $501.83 million in the fourth quarter of 2015.

Yet, in spite of these mouth-watering prospects, the consensus obstinately suggests that Nigeria can do better with FDI. Yet another grim perspective is that the over 17 million housing deficit in the county suggests that where FDI has trickled down the non-oil sector, the real estate industry (which inarguably remains a very crucial sector) in Nigeria has not benefitted handsomely. Harding and Javorcik (2007) extrapolate that this can only be achieved through what they call country attractiveness. Country attractiveness describes how striking or appealing a country is to international investors. The suitability and attractiveness of various destinations is the primary determinant for any FDI because capital formation is an important determinant of economic growth (Durham, 2004).

From a global perspective, Nigeria ranks outside the top 25 of the global FDI Country Attractiveness Index with South Africa at 25th position being the only African country in the top 25 as shown in figure 4:

Figure 4

2017 A.T. Kearney FDI Confidence Index®



Note: Values are calculated on a 0 to 3 scale, with 3 being the highest level of confidence in a market as a future destination for FDI.
Source: 2017 A.T. Kearney Foreign Direct Investment Confidence Index

Figure 4: Foreign Direct Investment Country Attractiveness Index. Source: A.T. Kearney FDI Confidence Index, cited from https://www.atkearney.com/gbpc/foreign-direct-investment-confidence-index/publication/-/asset_publisher/oXeK018TjbvE/content/the-2017-foreign-direct-investment-confidence-index/10192 on August 17, 2017.

This attributes to the ongoing contention that despite the mouth-watering prospects of FDI in the country, perhaps the country has a long way to go to match global best standards in attracting FDI. However, recent evidence suggests that this may be a long reach. Ernest and Young's latest release on the FDI Africa Attractiveness Index (AAI, 2017) which measures foreign direct investment (FDI) attractiveness of African countries ranks Africa's largest economy (Nigeria) 17th in the 2017 ranking, compared to being ranked 15th in 2016 and 1st in 2013. The EY index attributes the decline in Nigeria's FDI attractiveness to the country's macroeconomic challenges – including the first recession in 25 years – arising mainly from the slump in oil prices, and muddled investment incentives.

The Oxford Dictionary defines incentive as a thing that encourages somebody to do something. Likening the term to investments, Alfaro, Kalemli-Ozcan and Volosovych (2008) opine that investment incentive is the act of motivation, on the part of government, in order to encourage multiple investments into the economy of a country. Carlin and Mayer (2003) stress that government uses these incentives mainly for the purposes of:

a) To boost the economy;

b) To encourage export earnings;

c) To reduce the dependency ratio on exported goods;

d) To encourage foreign direct investment.

Given the right investment incentives, Feldstein (2000) observes that Foreign Direct Investment brings about, firstly, international flows of capital, reduce the risk faced by owners of capital by allowing them to diversify their lending and investment. Secondly, the global integration of capital markets can contribute to the spread of best practices in corporate governance, accounting rules, and legal tradition. Thirdly, the global mobility of capital limits the ability of governments to pursue bad policies; and fourthly, FDI allows for the transfer of technology, particularly, in the form of new varieties of capital inputs that cannot be achieved through financial investments, also trade in goods and services. Foreign recipients of FDI often gain employee training in the

course of operating new businesses, which contributes to human development in the host country (Alfaro et al., 2008).

One of the issues which have been raised in the investment incentive literature as it concerns FDI is the institutional framework of the FDI attracting country. This covers the administrative and legal policies which govern investment and the status of foreigners in a country. Given the provision of the Land Use Act (1978) and its overlying influence on land use, the laws governing FDI entry into the Nigerian real estate sphere is subject to a review by the study in line with the objective 4 of the study. The study examines this issue and its implications in appraising FDI performance in the Nigerian commercial real estate sector.

2.2.1.1 Administrative and Legal Structure for FDI in Nigeria

It is pertinent to note that Nigerian authorities have been trying to attract FDI through the enactment of various policies and reforms. Emmanuel (2016) opines that some of the policies that were put in place to attract FDI include;

i. the deregulation of the economy in the 1980s,

ii. the New Industrial Policy of 1989,

iii. establishment of the Nigerian Investment Promotion Commission (NIPC) in early 1990s,

iv. the signing of Bilateral investment treaties in the late 90s (BIT),

v. establishment of the EFCC and the ICPC, and

vi. the establishment of Trade Free Zones (such as Lekki, Lagos and TINAPA, Calabar).

The potency of these laws may not form the immediate remit of this study. However, it is crucial to point to the fact that some other indigenous laws exist which may have influenced FDI entry into the real estate sector of Nigeria. The principal laws regulating foreign investments in Nigeria are:

a. the Nigerian Investment Promotion Commission Act No.16 of 1995; and

b. the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act No.17 of 1995.

c. the Nigerian Land Use Act (1978). It is safe to throw in the Nigerian Land Use Act as a third option given that its provisions with respect to land domiciled in Nigeria cannot be ignored.

a. NIPC Act No. 16 (1995)

The basic functions and powers of the NIPC as prescribed by Act 16 of 1995 include to:

(i) "co-ordinate, monitor, encourage and provide necessary assistance and guidance for the establishment and operation of enterprises in Nigeria;

(ii) initiate and support measures which shall enhance the investment climate in Nigeria for both Nigerian and non-Nigerian investors;

(iii) promote investments in and outside Nigeria through effective promotional means;

(iv) collect, collate, analyze and disseminate information about investment opportunities and sources of investment capital and advise on request, the availability, chance or suitability of partners in joint-venture projects;

(v) register and keep records of all enterprises to which the NIPC Act legislation applies;

(vi) identify specific projects and invite interested investors for participation in those projects;

(vii) initiate, organize and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments;

(viii) maintain liaison between investors and Ministries, government departments and agencies, institutional lenders and other authorities concerned with investments;

(ix) provide and disseminate up-to-date information on incentives available to investors;

(x) assist incoming and existing investors by providing support services;

(xi) evaluate the impact of the Commission on investment in Nigeria and recommend appropriate remedies and additional incentives;

(xii) advise the Federal Government on policy matters, including fiscal measures designed to promote the industrialization of Nigeria or the general development of the economy; and

(xiii) Perform such other functions as are supplementary or incidental to the attainment of the objectives of NIPC Act".

While all these provisions have one relevance or the other to FDI in the commercial real estate sector of Nigeria, provisions i, ii, and x, can be adjudged more conspicuous as they relate to the entry and support of FDI in the country. However, the potency of the Act was hampered by the Indigenization Policy which was fashioned to protect local content and facilitate employment opportunities for locals. Lending credence, Uwubanmwen and Ogiemudia(2016) assert that in a bid to consolidate the gains of and to make meaningful the political independence which Nigeria had received in 1960 from Britain, the erstwhile colonial masters; Nigeria had in 1972 chosen, and reinforced in 1973, 1974 and 1977, the path of indigenization as a way of achieving economic independence.

The country was evidently highly dependent on external trade, which was mainly based on primary export commodities; and there was a sharp contradiction between the traditional and modern sectors of the economy. With Nigeria's weak economic base, indigenization was therefore not only to take over the businesses of expatriates in Nigeria in what has been described as the taking over of the 'commanding heights' of the economy, it was also an attempt to transform the economy into an 'authentically self-reliant African economy' using an internally bred process of development.

However, at independence these foreign owned companies had started Africanizing their lower-management levels, even though the sincerity of that exercise was in doubt (Adedeji, 1981; Edokpayi, 1981: 353-357). As the gradual Nigerianization at the lower-management level cannot be said to be the same at the top management levels at independence, indigenization therefore became the option to reverse the trend. In the Nigerian context, indigenization is the process whereby, through a deliberate policy of Government, the investments of Nigerians in the ownership, control, and management of economic activities in the country, with particular regard to strategic businesses hitherto dominated by foreigners, were increased (Chete, Adeoti, Adeyinka and Ogundele, 2006). The businesses included manufacturing, oil refining, petroleum oil distribution, cement manufacture, banking, insurance, transportation, haulage, and distributive trades.

The predominance of the foreign businesses in these areas was made possible by the financial backing given to them by their parent companies in the industrialized countries. This presupposes that they had better access to operating techniques, personnel, and huge financial support from their parent organizations. On the contrary, the indigenous businesses lacked managerial skills, experience and knowledge of modern business methods which were major requirements for running large-scale trading and manufacturing businesses (Adedeji, 1981). As a result of these weaknesses, there was a low level of participation by Nigerians in the ownership, control, and management of these foreign companies (Ezeife, 1981).

Therefore, the main policy thrust of the first phase of the indigenization policy in 1972 was anchored on the following pillars:

1. to create opportunities for Nigerian indigenous businessmen;
2. to maximize local retention of profit;
3. to raise the level of intermediate goods production;
4. to raise the proportion of indigenous ownership of industrial investment; and
5. to increase Nigerian participation in decision-making in the larger commercial and

   industrial establishments" (Ezeife, 1981).

The second phase of the policy was embarked upon because of the "need to place control of the Nigerian economy squarely in the hands of Nigerians and to ensure that Nigerians are the main beneficiaries from the resources of their country" (Ezeife, 1981:171) and the relevant decrees (as they then were) ensured that all alien companies were sold as going concerns. The reason for the tough stance on the part of the Nigerian government is not far-fetched as evidence from the capital market would reveal, out of the 2,079 shareholders in businesses in Nigeria pre-indigenization, 1,258 or 60.4% were foreigners while only 821 or 39.5% were Nigerians. Besides, Adedeji (1981) argues that in spite of the laudable objectives of the scheme, the foreigners and their Nigerian collaborators did not allow the programme to succeed; and this has

implications for the way the companies have continued to be managed even till today, long after the indigenization exercise.

In the submission of Ezeife (1981), even though the Nigerian Enterprises Promotion Decree 1972 (as amended in 1973, 1974 and 1977) had made provisions for comprehensive training programmes for the Nigerian personnel to ensure a smooth transfer of the control and management of those companies, with the ultimate goal of Nigerianizing the top positions hitherto occupied by the expatriates; no appreciable progress was recorded in this direction because the expatriates were not happy divesting, and wanted to continue to remain relevant in the operations of these businesses. Besides, the policy failed to meet the desired objectives because Nigerians acted as 'fronts' for the foreigners to buy back their shares (Ezeife, 1981).

This attitude showcased by foreigners to the indigenization policy has implications for the companies' commitment to corporate social responsibility in Southern Nigeria. In his study on corporate environmental responsibility of multinational oil companies operating in the Niger Delta Region of Nigeria, Obeta (2006) observes that "business motivations rather than core corporate obligation influence oil companies' community development programmes in Niger Delta". The companies claim that because they pay royalties to government, and have some influential traditional rulers and politicians on their pay roll, they owe no serious obligations to their host communities. That explains why "Shell's annual profits in Nigeria are between US$170 and US$190 million as Banfield and Mabro (1997) report" (Obeta, 2006), yet their involvement in environmental responsibility and to development projects in the Region is not proportional to these profits.

In a bid to alter some of the negative consequences of the Indigenization Policy, the NIPC Act was amended in 2014 to allow for the following provisions:

(i) Deregulation of equity structure in Nigeria enterprises — the NIPC Act No.16 of 1995,as amended, abolished any restrictions, in respect of the limits of foreign shareholding, in Nigeria

registered/domiciled enterprises. However, certain business/enterprises are exempted from free and unrestrained participation by any person or group irrespective of their nationality. These are: Production of arms and ammunition; Production of and dealing in narcotic drugs and psychotropic substances; Manufacture of military/paramilitary wears and accoutrements; in coastal and inland shipping. The commercial real estate industry is one of the key beneficiaries of this amendment as it created an influx of FDI into the sector with many delving into the development shopping malls across the country.

(ii) Provisions Relating to Investments — notable amongst the provisions relating to investments are the following: A non-Nigerian may invest and participate in the operation of any enterprise in Nigeria; An enterprise, in which foreign participation is permitted, shall after its incorporation or registration, be registered with the NIPC; A foreign enterprise may buy the shares of any Nigerian enterprise in any convertible foreign currency; A foreign investor in an approved enterprise is guaranteed unconditional transferability of funds through an authorized dealer, in freely convertible currency be it (a) dividends or profit (net of taxes) attributable to the investment, (b) payments in respect of loan servicing where a foreign loan has been obtained; The remittance of proceeds (net of taxes) and obligations in the event of sale or liquidation of the enterprise or any interest attributable to the investment; Total repatriation of capital should the investor choose to relocate.

(iii) Investment Protection Assurance - no enterprise shall be nationalized or expropriated by any Government of the Federation, and No person who owns, whether wholly or in part, the capital of any enterprise shall be compelled by law to surrender his interest in the capital to any other persons. There will be no acquisition of an enterprise by the Federal government unless the acquisition is in the national interest or for a public purpose under a law which makes provision for:

(iv) payment of fair and adequate compensation, and (b) a right of access to the courts for the determination of the investor's interest of right and the amount of compensation to which he is entitled. Compensation shall be paid without undue delay, and authorization given for its repatriation in convertible currency where applicable.

b. Nigerian Land Use Act

Perhaps the most crucial policy to be considered with respect to FDI in Nigeria's commercial real estate sector is the Nigerian Land Use Act (1978). Lending credence, Babalakin (2004) avers that government has overbearing influence in the Nigerian real estate sector which constitutes another hindrance to the development of virile real estate markets conducive for foreign direct investment. This is conversant with the provisions of Section 1 of the Land Use Act(1978) which proclaims that all land is vested in government to be held in "trust and administered for the use and common benefit of all Nigerians".

Babalakin (2004) argues that the government control over land and the philosophy behind the Land Use Act of 1978 and the Nigerian Urban and Regional Planning Decree of 1992 in particular has been a hindrance to housing development and investment in the country. These laws have made it mandatory for a developer to obtain two layers of approval from government and hence more difficult and costly for private real estate developers and foreign investors who intend to acquire land for real estate development and investment purpose (Oyewole, 2013). Akeju (2007) also believed that government control over land and involvement in housing development constitutes a difficult investment climate for private sector participation and foreign investment in Nigerian housing sector due to the long term risks involved.

Also, the current mode of land acquisition and registration of titles are too clumsy, non-transparent and rigorous and investors can only be comfortable in an environment where land registration is automated and procedures are minimal (Akeju, 2007). These laws present a conflict with the orientation of multinational and transnational corporations who come from an environment of assured security of long term investments. The reality of this law in Nigeria presents a culture shock to these corporations as a result of the fear of losing their title along the line. This fear is further hiked by the inability of the country to signal transparency and accountability in governance both at the national and state levels. This is impeding Nigeria's FDI country attractiveness (Adelopo et al, 2011).

The transparency issue was further propagated by Udobi, Kalu and Elekwachi (2016) with the assertion that one of the greatest contrasts in developed and emerging markets is the difference in

“transparency”, which refers to the quality and quantity of the information made available to participants, as well as the consistency of the rules and regulations with respect to property rights in the market. The essence of market transparency which the Land Use Act (1978) seems to negate is its ability to acquaint the investor with significant knowledge of the operating market which would engender sound variance measurement and management in an imperfect market.

Lawal (1985) argues that these difficulties arise not from the absence of an effective administrative machinery to mobilize and organize the country's resources for housing and urban development. He attributed this to the multiplicity of authorities that have to deal with decisions on land uses without any effective national coordinating machinery. Also, where such has existed, the committee may be faulted on its constitution of requisite professionals (Section 87, Nigerian Urban and Regional Planning Act, 1992). The implication is that the housing market is subjected to political uncertainty and conflicting statutory intervention (Nubi, 2001). The result is low transparency in the real estate market which imposes additional risks and transaction costs due to the lack of reliable current market statistics (including investment performance indexes and market data), as well as a weak record for property rights (Udobi et al., 2016).

There is also no requirement to report sale or transfers of property, and therefore many real estate transactions are not transparent to the market .In such a circumstance, foreign involvement is discouraged, for investors will be unwilling to take the risk of investing in an atmosphere of political uncertainty compounded by legal complexity (Oyewole, 2013). These administrative lapses have weakened the nation's judiciary with multiplier effects on human rights, and entrenchment of endemic corruption (Adelopo, 2011). For example, Transparency International in 2008 ranked Nigeria as more corrupt than 22 of 47 African states (Oyewole, 2013). Other areas where bad governance has greatly hampered foreign direct investment in the real estate sector is the mismanagement of the nation's economy leading to unstable microeconomic environment, high inflation rate, high interest rate and tax policy devoid of transparency (ibid).

2.2.1.2 Barriers to FDI in the Nigerian Real Estate Sector

Lending credence to the foregoing, the United States Department of State (2009) observed that other administrative and legal impediments to preponderance of Foreign Direct Investment into Nigeria include inadequate infrastructure, an inconsistent regulatory environment, restrictive trade policies and slow and ineffective court and disputes resolution mechanisms. These were examined in detail by Udobi et al (2016) and these were presented by their study as follows:

I. Political Risk

Many foreign investors consider political risk to be one of the most determinants in real estate decision (Ganster, 2007). Country risk analysis involves an examination of the country's economic outlook and stability of its government, as well as factors including corruption and crimes. A major political risk associated with real estate investment in unstable markets is expropriation of the property by military government, or physical damage to real estate from revolution, rebellion, or civil war. Nigeria has witnessed series of political instability until 1999. Even the present constitutional democracy does not warrant less political risk as there is still large scale corruption in the polity. Nigeria is still regarded at present as one of the most corrupt countries of the world even when the present government is currently doing everything to change the perceptions.

There are still cases of unrest and strife, caused by regional dissension, cases of militancy in the Niger Delta region, inter-tribal wars in most part of the country, kidnapping, armed robbery and Boko Haram insurgency in the North East Nigeria, leading to high political risk. The country's political risk is at present rated as CC, depicting poor stable political environment.

II. Structural Real Estate Risk

Structural factor- including the size and state of country's economy have an impact on the economic risk of a real estate market (Chen and Hobbs, 2003). Larger economies are stable and capable of withstanding external economic turmoil. The country's economic stand point and its place in the world economy also have a significant effect on investment risk in that country. Nigeria with an estimated population of 179.1 million people is regarded as one of the emerging

economies of the world and in fact the 8th largest country of the world in terms of population (World Bank, 2014).

The country is supposed to be among least risky countries in terms of economic structure, but lack of transparency in doing business in the country, incessant strike actions by labour unions arising from non-payment of workers' salary and government policies have posed serious challenges to international real estate investors in the country. Currently, the country is rated BB by the Economist Intelligence Unit in the Economic structure risk with the desired rating being AA, which assures a better environment for foreign investment. This means that in spite of the size of the population of the country, it is still not economical very stable, though it got its best rating compare to other challenges or risks.

III. Financing Risk (Banking Risk)

Another major challenge of international real estate investment in Nigeria is the banking system. Just like most of other emerging market economies, the country's bank lending is relatively inefficient. The bank is the most common source of financing for both domestic and foreign investors. Nigerian bank lending rate has been fluctuating over the years and hovers between 15-20%, and currently at 11%. This high cost of finance is a serious impediment to international real estate investors. In support, Emoh and Nwachukwu (2011) posit that the bane of real estate investment in Nigeria is finance and this can be attributed to weak mortgage apparatus. Most banks in Nigeria are not into long terms financing and therefore the non-availability of project real estate financial is a considerable risk.

Though Nigeria operate a well-regulated banking system, with central bank of Nigeria as regulatory authority, which serves as "lender of last resort, the banking sector has suffered a series of inconsistency in term of operations. These inconsistencies have has resulted to the series of bank distress in Nigeria. The inconsistency in terms of operations and regulation in the banking sector has resulted to the consolidation of banks from forty-nine (49) banks to twenty-five (25) banks in 2006 and further down to twenty-one (21) banks presently. The inconsistency in monetary policies and regulations in Nigeria is a threat to the stability of the banking sector

and pose a serious challenge to international real estate investors. The country's bank sector risk is therefore rated "C" (country risk summary, 2014).

IV. Currency Risk

The risk of currency devaluation is a threat to the stability of dollar denominated returns. Many Latin America markets have had a history of volatile currency fluctuation, and consequently devaluation remains a real risk, mostly recently seen in Argentina in 2002. Currency risk is readily applicable to Nigeria since 1986, when the government of President, Babangida devalued the Nigerian local currency, Naira. The exchange rate of naira stood at N199 to $1 (Key indicators, 2015), and it is expected to worsen over the years. This assertion is true given that at present it is more than N300 to a Dollar. Additionally, Nigeria has a few legal restrictions on the transfer abroad of funds associated with capital employed in an investment and this perhaps is one of the greatest risks mitigating investment in Nigeria (Udobi et al, 2016). The country's currency risk is consequently rated (B) and this poses a challenge to foreign direct investment in the country (ibid).

V. Ownership Structure Risk

This forms the crust of the fourth objective of this study. The right to own or use land is a prevalent issue in many emerging markets economies (Udobi, et al., 2016). National and local governments still own a vast majority of land in many emerging markets, requiring investors to structure long term leases, a risk that some institutional investors have trouble accepting. In Nigeria, the current law guiding the use and ownership of real estate is the Land Use Act of 1978

(Cap 202 of law of federal of Nigeria, 1990).The Act vested all land in the territory of each state in Nigeria in the Governor of that State who holds it in trust and administered for the use and common benefit of all Nigerians.

The Act also stipulates that all land in the urban areas shall be under the control and management of the Governor while rural land shall be under the control and management of the local government Chairman of the local government in which the land is situated. The implications of

this is that individual has only possessory rights, thus individual are only entitled to right to occupancy covered by statutory or customary certificate of occupancy issued by Governor of a state or a local government chairman for land in urban area or land in rural areas respectively. These statutory or customary rights of occupancy are not easy to obtain; hence most properties do not have perfect titles. Generally speaking, acquisition of property and perfection of the title documents are tedious, cumbersome and costly in the country.

Another challenge is the power vested by the Act to the government to revoke right of occupancy for overriding public interest. The Act stipulated that the holders or owners of the right of occupancy will only been titled to compensation for economic crops, trees and other unexhausted improvements (section 29(1) and there is no compensation for land. Yet another challenge arising from this is the issue of consent. For real estate development transactions, banks look at the subject land as collateral, but the transaction is put at risk because of the myriad of problems under the Act. The banks are required to obtain a consent which they do at very heavy costs. The original title documents which the banks place safely in their vaults may turn out to be worthless, if the Federal Capital Territory minister's announcement to withdraw such certificate of occupancy is carried out.

We witnessed such rascality from the former Federal Capital Territory minister-Mallam El-Rufai and immediate past minister- Mallam Balla Mohammed recently, with cancellation of Certificates of Occupancy and demolition of several buildings and Estates in the capital territory (ibid). Thus, many investors consider Nigeria property rights to be at considerable risk for real estate investment.

VI. Transparency of Regulatory System

In an effort to encourage FDI, Nigeria introduced the Nigeria Investment Promotion Commission Decree No.15of 1995.This Decree makes it possible for foreign investors to invest in any part of the Nigerian economy with or without Nigerian partners. This attracted a foreign direct investment (FDI) of $723.49 million to the country in 2015. However, despite the current administration's effort to make government more transparent, corruption in Nigeria seems to

have not been reduced. For real estate developers, the level of corruption often translates into inconsistencies in the building codes, building approvals and documentations, increasing the uncertainty and risk associated with the investment. In a nutshell, international real estate investors are faced with challenges arising from weak property rights, regulatory inconsistencies, low transparency, currency risk, political policy inconsistencies and unstable banking system (Udobi, et al., 2016).

Therefore, foreign direct investors are naturally skeptical as a result of these negative innuendos despite whatever investment incentives are on offer. As a result, the study examined the real effect of ownership structure risk on sustainability strategies of foreign direct investors in the Nigerian commercial real estate sector with respect to objective 4. This is based on the premise by Walsh and Yu (2010) that serious organizations are busily moving sustainability from the periphery of business operations to the centre, as it is only when sustainability issues are dealt with in the same way as other core issues, that real, long-term value is created. Lending credence, Quazi (2007) argues that only short-term gain will be created if sustainability is viewed as a 'nice to have' – it needs to be treated as a 'must-have' if it is to drive long-term value creation.

Offering a definition of strategic sustainability, Girma, Greenaway and Wakelin (2013) opine that sustainability strategies are approaches utilized by managers towards the attainment of an optimal structure and maximized corporate value. Offering their take, Fedderke and Romm (2006) argue that strategic sustainability entails that as sustainability moves up the boardroom agenda, it is increasingly being integrated into corporate level strategic planning where management designs a balance for increased regulation, protecting the brand and ensuring stable cash flow while seeking opportunity for enhanced performance and using the sustainability agenda for strategic advantage. Developing and integrating a detailed sustainability vision into your long-term strategic plan in a way that creates lasting value whilst also building public trust is a common challenge for all types of organisations (Mohamed and Sidiropoulos, 2010).

Amal, Raboch and Tomio (2009) contend that transnational corporations build their strategic sustainability in the host country by identifying the organizational goals, conducting environmental scanning to determine where the pressures are likely to be and raise awareness of what needs to happen to make the business more sustainable. This is consistent with the views of Santoro (2009) which hamper on an influx of sustainability into every segment of commercial designing. The implication is that sustainability strategy is meant to be aligned to the overall corporate strategy. Santoro (2009) further asserts that this will aid the recognition and management of risk, improve efficiency, revenue potential, growth and other opportunities in the host nation.

Offering a conclusive notion to the foregoing, Bonaglia, Goldstein and Mathews (2007) stress that strategic sustainability of FDI entails the development of a robust sustainability programme that includes prioritised initiatives, enablers, milestones, key performance indicators, and measurable targets. What is becoming increasingly evident from these submissions is that a sound sustainability strategy protects a multinational company's reputation; it drives innovation and employee engagement, it satisfies consumers and attracts and retains top talent; it demonstrates compliance and leads to market differentiation - all key ingredients for long-term growth and profitability in an alien economy.

The foregoing suggests that for the goals of FDI to be achieved from the standpoint of the foreign direct investors, strategic sustainability must not be neglected. Studies such as Quazi (2007), Neumayer and Spess (2005), Büthe and Milner (2008), Walsh and Yu (2010), Campos and Kinoshita (2003), Biglaiser and DeRouen (2010), Karakaplan, Neyapti and Sayek (2005), Nwezeh (2010), and Akinkugbe (2005) offer empirical evidence to the argument. Walsh et al. (2010) extrapolate that an effective sustainability strategy will have assessed risks and opportunities up and down the business of the organization. Through long-term objectives and short-term targets designed to mitigate the risks and maximise the opportunities, the sustainability strategy should deliver greater resilience in business operations as this, in turn, should reduce the degree of exposure to sharp environmental and social shocks (Campos et al., 2003).

However, perhaps the problem with the submissions made in the preceding paragraph lies in the neglect of external environmental factors influencing the business of an organization. Businesses are influenced by legal, religious, socio cultural, political, economic indicators inherent in their operating environment. The essence of these factors can be found in Campos' et al. (2003) submissions in the concluding statement of the preceding paragraph. Lending credence, Ezeh (2014) asserts that organizations do not and cannot exist in a vacuum. Therefore, the sustainability strategy of foreign direct investors is susceptible to the factors prevalent in its operating environment. Ogboja for (1998) explains business environment, as the totality of factors, which are external to the organization and capable of leading to firm's opportunities and threats.

These parameters highlight the relevance of environmental factors in the sustainability strategy for FDI literature. One of these influences is the political environmental factor which envelopes the Land Use Act (1978). The study is guided by the objective of examining how this ownership structure risk shapes the sustainability strategies of multinationals operating in the commercial real estate industry in Nigeria.

2.2.1.3 Types of FDI

Egbo (2010) argues that the two major types of FDI are horizontal FDI and vertical FDI. Yet other categories of foreign direct investment exist such as mergers and acquisition, joint ventures, green field investments etc. Horizontal FDI is undertaken when the company wants to expand horizontally to produce the same or comparable goods in the host country as in the home country. This is basically an expansion into different markets in foreign countries. There are two main motives for a company to engage in horizontal FDI. The first one is that it is more profitable for the multinational company to be at the foreign location, and the second motive is that the company can save a lot on low cost inputs, such as labour (Egbo, 2010). It is imperative to point out that the exchange rate has a lot to say about Egbo's latter assertion. However, she adds that, horizontal FDI is often undertaken to make substantial use of monopolistic or oligopolistic advantages, especially if there are fewer restrictions in the host country.

Vertical FDI is undertaken when a company seeks to exploit raw materials, or wants to be closer to the consumer by acquiring distribution outlets (Egbo, 2010). The idea is to make the production process more cost-efficient by reallocating some stages to low-cost locations. By establishing their own network in the host country, it is easier for the multinational companies to market their products (Brakman,Garretsen and van Marrewijk, 2006). FDI can also take the form of green field investment, mergers and acquisitions (M&As) and joint ventures (Egbo, 2010). Greenfield investment is the process whereby the investing company establishes new production and distribution facilities in a foreign country. Since this form creates new employment opportunities and high value added output, the host country is considered to be generally positive to such investments.

An acquisition of, or a merger with an already existing company in a foreign country is another form of FDI (Egbo, 2010). These are cheaper than green field investments and make it easier for the investor to get quick market access, however, they can be harmful to the host country because they may only imply a transfer of ownership that is followed by layoffs and closing of advantageous activities. Moreover, compared to green field investments, the acquisition of companies in the host country is generally not as welcomed, since the majority of host countries prefer to maintain control over domestic companies.

Joint venture is the third form of FDI and can be seen as a partnership, either with a company in the host country, a government institution or another foreign company. Joint ventures are often formed to share the risk and expertise (Egbo, 2010).Usually, one partner provides the technical skills and access to financial means, while the other partner offers its local knowledge concerning the market as well as laws and regulations (Moosa, 2002). This is of course very valuable to the foreign company and in particular if the investment takes place in a developing country (Egbo, 2010).

2.2.1.4 Conceptual Analysis of General FDI Performance

The study is on the appraisal of the performance of FDI in the commercial real estate sector in Nigeria. A review of the existing evidence of FDI performance from a general perspective shows that although it seems to have become publicly accepted wisdom that FDI is beneficial rather than harmful in enhancing economic growth, empirical literature has not reached a consensus on whether FDI has a positive impact on economic growth. Since FDI represents a composite bundle of capital stock, technology, management, and know-how (Balasubramanyam, Sapsford and Salisu, 2017), it is believed to have multi-dimensional impact on the recipient economy. The study examined both barrels.

There are several ways in which FDI can stimulate economic growth. Firstly, through capital accumulation, FDI is expected to be growth enhancing in that more new inputs are incorporated into production (Buckley, 2002). Economic growth may additionally result from a wider range of intermediate goods in FDI-related production (Javorcik, 2004). Second, FDI is considered to be an important source of technological change and human capital augmentation (Buckley, 2002). Technological change occurs simultaneously through the process of capital deepening, as new varieties of knowledge-based capital goods are introduced, and through the human capital augmentation, as productivity-increasing labour training, new skills acquisition, alternative advanced management practices and organizational innovations take place.

More importantly, from a positive perspective, FDI leads to what is called “technology diffusion” – the transmission of ideas and new technologies, productivity spillovers, sharing and implementation of know-how, knowledge transfer (Egbo, 2010), all of which are important factors of economic development. Technological change occurs not only within the FDI-recipient firm, but also in the overall economy, due to the spillover effects such as positive externalities. By so doing, FDI improves efficiency of the locally owned firms. Broadly speaking, Egbo (2010) argues that the efficiency of firms in the host economy is supposed to be increased in direct and indirect ways.

She submits that the direct effect entails that FDI will contribute to the productivity of the sector in which a foreign firm operates. This is based on empirical findings that suggest that whenever firms in open sector are owned domestically, productivity is not very high (Schoors, 2002). This is due to the utilization of cheap labour as a source of comparative advantage. This is in contrast to the foreign-owned firms in the same sectors, who hire more expensive labour, but benefit from higher productivity (Egbo, 2010).

On the other hand, cross-sector, or indirect effects are also present whenever labour and knowledge are moving from sector to sector, technology diffusion occurs (Egbo, 2010). Also, more productive foreign firms stimulate healthy competition in the domestic market. In addition to the reasons mentioned above, FDI is believed to be especially important for economies in transition because these countries have much potential human capital, but lack the technology and capital necessary for development and growth. FDI is seen as serving as a stimulus for capital accumulation and technology transfer in these economies. Moreover, as is widely known and understood, transitional economies lack capital and financial means, and they have to rely on foreign assistance (Egbo, 2010).

During the transition period, a country is faced with reorienting its production and consumption structures and rebuilding its capital stock as a whole, since the capital stock inherited from the past is old and inadequate for the new market situation. Consequently, the speed of the transition may be related to the ability of a country to stimulate capital inflows (Garibaldi et al, 2002).The experience of transition economies, however, suggests that such sources of external help as foreign aid and credits have proven themselves to not always be beneficial for the recipient countries, since much of the aid is being stolen or used ineffectively, whereas credits require interest payments (Egbo, 2010). In this light, Foreign Direct Investment plays an important role as an outward factor that can and does represent a real working financial injection into transitional economies (Balatsky, 1999).

Another reason why transition economies may be interested in attracting FDI, in words of Blavatsky (1999), is the ability of a foreign-owned sector to lead the economy out of a temporary

shock or a short-run recession, provided it is not very deep in order not to affect domestic producers. Furthermore, Sumanjeet (2009) suggests that a large shift in capital flows to one or more large (or more developed) countries in the region, may generate externalities for the neighbouring countries ,by means of making investors more familiar with the emerging markets and more willing to invest into countries with similar economic prospects.

Lending credence, Shoors (2002) avers that other important outcomes of FDI include increase in consumer choice, enabling household to smooth consumption over time, provision of support for

Pension funds and retirement accounts, improving tax collection on the local and state levels. (Carbaugh, 2000) added that there will be possible increase in domestic investment stemming from increased competition. It is important to note, however, that not all researchers are so sanguine with regard to the impact of FDI on the host economy. For example, with respect to the spillover effects, some authors (Schoors, 2002; Blomstrom et al, 1998) drew attention to the fact that the initial stages of the development and/or transition to the market economies, FDI may have a negative impact on the recipient economy. This fact is referred to as a "market stealing" effect, when domestic firms are so unproductive compared to the foreign ones, that foreign owned firms drive domestic producers out of the market.

Policy makers and academics often maintain that foreign direct investment (FDI) can be a source of important productivity externalities for the host countries. In addition to supplying capital, FDI can be a source of valuable technology and know-how and foster linkages with local firms that can help to jumpstart an economy. In line with this, Kamaraj (2009) analyzed FDI performance in the Indian economy using several case studies and made the following findings:

1. Helps in economic development of the host country

FDI helps in the growth of a country by direct influx of capital. A typical characteristic of developing and underdeveloped economies is the fact that these economies do not have the needed level of savings and income in order to meet the required level of investment needed to sustain the growth of the economy. In such cases, foreign direct investment plays an important

role of bridging the gap between the available resources or funds and the required resources of funds.

Case in point: The Asia-Pacific region continued to attract the most FDI in 2012, increasing its global share to 31.7%. Consequently, Bangladesh, Indonesia and the Philippines recorded project growth of 66.7%, 11.3% and 7.6% respectively.

2. Helps in creating jobs and increases employment

Case in point: The FDI projects in India increased by 20% in 2011 with 932 projects, which created an estimated 255,416 jobs.

3. Technology transfer

Countries are able to learn newer forms of technologies and skills. Through FDI, technology transfer takes place. There is also introduction of latest equipment and technology fosters production with minimal error.

Case in point: The automotive industry in India where state of the art manufacturing plants have been set up and world class vehicles are available for consumers.

4. Domestic businesses get more competitive

To escape being ousted, domestic businesses gear up for competition and update themselves with international standards. This opens export market for them and their performance metrics improve. Businesses benefit by receiving management, accounting or legal guidance in keeping with the best practices practiced by their lenders. They can also incorporate the latest technology, innovations in operational practices, and new financing tools that they might not otherwise be aware of.

Case in point: Bajaj Auto which was two wheeler and three wheeler manufacturer changed its face by entering into the motor cycle market in 1986. It revamped itself, garnered to competition and went global.

5. Improvement of infrastructure

Developing countries do not have infrastructure to support growth of domestic industries, in many cases. The significance of infrastructure in the growth and development the economy is advanced by Emoh (2016) with the assertion that the development of any nation cannot be considered in isolation of the infrastructural facilities prevalent in that country. FDI and PPP either invest in infrastructure or governments develop the facilities to attract the FDI.

Case in point: Roads, shipyards, communications networks and power get a focus in the host country. Improved transport network though a derived demand, Ministry of Railways is constructing a Dedicated Freight Corridor (DFC) covering about 2700 route km long two routes - the Eastern Corridor from Ludhiana in Punjab to Dankuni in West Bengal and the Western Corridor from Jawaharlal Nehru Port, in Mumbai, Maharashtra, to Tughlakabad, Delhi/Dadri along with the interlinking of two corridors at Khurja in Uttar Pradesh.

6. Achieving global market integration

FDI creates a global consumer with standardized brands being available all through the world. It encourages more international travel and thus, a cultural fusion takes place with people enjoying music and cuisines of other cultures and countries.

7. More efficient global allocation of resources

The entire capital instead of getting invested in the local country gets invested across the globe because of emergence of transnational organisations.

8. Consumer benefit

Consumers get better quality products, better incomes because of job opportunities and greater saving capability.

9. Investment in new sectors stimulates growth of new industry and new products

The standard of living in the recipient country is also improved by higher tax revenue from the company that received the foreign direct investment. UNCTAD's World Investment Report 2006 for instance describes "quality FDI" as "the kind that would significantly increase employment, enhance skills and boost the competitiveness of local enterprises.

10. Increased demand for inputs

Since the available resources in developing and under-developed countries are not optimally used, with FDI converging, they are utilized, therefore, shifting the production possibility curve outward.

11. Related and supporting Industries prosper

When a multinational, such as Suzuki Motors, Hyundai, or Bombardier makes entry into a country, it sources parts and raw materials from the host country because an FDI is always a long term trade.

12. New markets

FDI helps enterprises enter markets and gain a foothold in countries that have several import tariffs in place, so reaching these countries through international trade is difficult (Kamaraj, 2009).

Offering a critique to the work of Kamaraj (2009), Francis (2010) argues that too much foreign ownership of companies can be a concern, especially in industries that are strategically important. Her second argument portrays that sophisticated foreign investors can use their skills to strip the company of its value without adding any. These companies can sell off unprofitable portions of the company to local, less sophisticated investors (Francis, 2010). Or, they can borrow against the company's collateral locally, and lend the funds back to the parent company (ibid).

Lending credence, Hussain and Haque (2016) state that the past has given many examples of how foreign direct investment can also at times be detrimental to the economy of a country. Citing experiences from another developing country, Bangladesh, Hussain et al. (2016) categorize the negative externalities of FDI as follows:

1. Political Lobbying

In the past, there have been many instances in which Multi-National Companies (MNCs) have resorted to political lobbying in order to get certain policies and laws implemented in their favor. At times, these MNCs are so large that their revenues even exceeded the Gross Domestic Product (GDP) of some smaller nations and compel or threaten them to pass judgments and policies in their favor.

2. Exploitation of Resources

Exploitation of natural resources of a host country is not a very uncommon phenomenon in the case of FDI. Multi-National Companies of other countries have been known to indiscriminately exploit the resources of host countries in order to get short run gains and profits and have even chosen to ignore the sustainability factors associated with the local communities and local habitat, very much like what happened in the 17th century colonialism.

3. Threaten Small Scale Industries

MNCs have large economic and pricing power due to their large sizes. With immense capital resources at hand, they can resort to prolific advertising, which gives them an instant edge over small local competitors. They can also use pricing strategies to not only capture the market but also prohibit new entrants. Since these companies are global players and their operations spread across countries, they have effective supply chains which enable them to have economies of scale which smaller players in the domestic market of the host country cannot compete with. Consequently, MNCs have been known to push out smaller industries out of business.

4. Technology

Although, the MNCs have access to new and cutting edge technology, they do not transfer the latest technology to the host country with a fear that their home country may lose its competitive advantage; hence the maximum potential of the host economy cannot be achieved as a result of old technology transferred.

Points 1 and 2 of Hussain’s et al. (2016) argument suggests that FDI may promote neocolonialism of the host country. It is assumed that the strength, power and influence of these Multinational/Transnational corporations may in the long run overpower smaller host countries. This seems to be the suggestion of point 3 too as it contends that MNCs may use FDI to suppress small scale industries in these countries and thus influence related government policies and reforms. Moreover, FDI hinders domestic investment, demand for domestic investment decreases with exchange rates increasing in one and reducing in the other (Francis, 2010).

Parthapratim (2006), however, offers that the positive effect outweighs the negative one. This is alludes to the fact that foreign-owned firms that operate on domestic markets usually come into contact with firms of other sectors, suppliers and consumers of these firm’s products. So, the argument is based that while this may aid other firms in the host country, the high quality production of foreign firms can only satisfy local customers and revitalize local firms to comply with this quality. This is evident in the commercial real estate landscape of Nigeria where local firms such as Persians Group, UAC property etc. recently follow the blueprint of foreign developers in the development of shopping malls and office complexes.

Nevertheless, it is therefore ,not unequivocal that FDI can be viewed as a remedy for unemployment since not only workers may be hired by foreign-owned firms, but also workers may be fired by domestically-owned firms that cannot compete. Similarly, it is not clear whether FDI can strengthen domestic competition in the short-run. Some other ambiguous consequences of FDI inflows are pointed out by Maathai (2008), who suggest that whenever capital inflows are large, they may have less desirable macroeconomic effects, such as rapid monetary expansion, inflationary pressures, real exchange rate appreciation and widening current account deficits. He

also warns that FDI movements tend to possess some cyclical components. In the case of developing countries, FDI may lead to “booms and busts in capital inflows”, and, consequently, to economic upswings and downswings in the host country.

The implication is that developing capital-importing economies may be quite vulnerable to cyclically based FDI decisions. Not surprising, de Mello (1999), concludes that “whether FDI can be deemed to be a catalyst for economic growth, capital accumulation, and technological progress seems to be a less controversial hypothesis in theory than in practice” and Campos (2002) points out that “a closer examination of the attendant empirical evidence disappoints all but the most fervent believer”. Therefore, different opinions presented in the literature, as well as evolving macroeconomic situation in transitional economies stimulate further elaboration on the problem of FDI and economic growth interrelation. This offers a motivation for the study to embark on an appraisal of the performance of foreign direct investment in the commercial real estate sector of the Nigerian economy.

2.2.2 Performance Appraisal

Understanding performance is a concept fundamental to any business, whether it is the measuring of achievements against set goals and objectives or, against the competition, or in this regards – against established acceptable standard (Esmer, 2008). Until the late 1970s the standard techniques for measuring and analyzing investment performance were restricted to investment like gilts and equities (Ajayi, 1998; Udoetuk, 2008). Investment in property was seen as specialized because of the special investment characteristics of property and of the property investment market. For instance, investment in property provides tax shelters to some classes of investors, and acts as a good hedge against inflation and a good medium for diversification. As a result, investment decisions were made on the basis of intention and past experiences (Ajayi (1998). Sound investment strategy demands that investment performance measurement/appraisal should be made on a regular basis in order to gain insight into the portfolio (Kalu, 2001).

However, in recent times, technological developments, especially computerized valuation systems now make the storage and retrieval of historic data in property easier (Adeniran, 2015).

Also, Udoetuk (2008) reviewing Kalu (2001) asserts that performance measurement is very new and barely developing in the property world, especially in the emerging economies. Accordingly, Kalu (2001) argues that the need for property performance measurement arises for the following reasons namely: Communication, Accountability, Actual performance against goal and Basis for future action. This implies that prudent investment strategy demands that investment performance should be evaluated or measured regularly.

Investment performance analysis follows a consistent pattern regardless of the investment vehicle or investor entity: the streams of benefits from alternative proposals are forecast and are adjusted for timing and risk differences (Oyebanji, 2003). Alternatives are then ranked according to their desirability, in terms of the trade-off between perceived risk and anticipated return. As such, investors differ in both their perceptions of and their attitudes toward risk. More so, "the major units of comparison are price of the investment and current income produced" (Udo, 2003). This can be portrayed as the returns from the investment and the capital value of the investment.

Baum and Crosby (1988) identified returns from five broad classes of comparable investments as follows: For bank deposits, this is the current interest rate; for fixed interest gilts, the coupon; for index linked gilts, the next interest payment (based on the retail price index already published); for ordinary shares, the last dividend payment; and for property, the last contract rent. It is widely believed that the major determinant of the required return on asset or capitalization rate on a stream of income is its risk. Increased risk however, results in higher initial yield and vice-versa (Sharpe, 1963). The difference among attitudes towards risk is sometimes expressed as the degree of risk aversion. The more risk-averse the investor, the greater the expected reward will have to be to induce investment in a given project.

Okere (1983) in Udo (2003) used the same theory to explain the guidelines used for securities evaluation in the Nigerian Stock Exchange. He concludes that the riskier the investment the higher the discount rate (Udo, 2003). Rational investors seek financial returns as a reward for committing resources and as compensation for bearing risk. This however depends on investor

objectives and individual attitude towards risk. Profit-motivated decision-makers, whose vision and senses are obsessed on prospects of making super-profit in a venture likely to yield such, would tend to disregard expert reports of non-feasibility and plunge into such a venture (Gaylon and Phillip, 2003). They are suffering from a compulsion which can be described as “super-profit parallax” (Umeh, 1977).

More so, most investors are risk averse. They are motivated by rational financial considerations, that is, they prefer a higher return for a given perceived risk and less risk for a given expected return. When comparing investment alternatives with comparable risks associated with the return on and of capital, the rational investor is motivated by two basic preferences. These can be summarized as “more is better than less and sooner is better than later” (Ogbuefi, 2002). Offering a counter opinion, Baum (2002) argues that most investors set a limit at which they will not shoulder additional risk, no matter what the potential return. Therefore, alternative investments are ranked based on the relative desirability of perceived risk return combinations.

Invariably, and in consistence with Ogbuefi (2002), the sooner benefits are expected to be received the more attractive investments are; especially in a foray into a foreign country where market characteristics seem strange. To adjust time differences amongst expected stream of benefits from investment alternatives one can simply apply the payback period. This estimates the number of years required to recoup the initial cash outlay of an investment. In payback period analysis, alternative opportunities are ranked according to the time required for the anticipated cash proceeds to equal the initial cash investment (Mba, 1999). In adjusting for time differences one must realize that some techniques adjust purely for the time value of money, such as discounted cash flow while others do not take time into consideration (Gaylon et al., 2003).

In determining the best approach to real estate performance appraisal for foreign investor’s decision-making, Kalu (2001) concluded that there is no standard form of measurement set by the professional body for measurement of performance of property. Fraser (1996) on the other hand, asserts that in order to compare rack rented freehold investments, fixed income property

investments, the net rental income yield is the appropriate unit of comparison. For reversionary freeholds the unit of comparison is the net equivalent yield. He further adds that all the yields above are sometimes called 'all risk yield' or the yield; which is depicted as follows:

$$\text{Rental yield \%} = \frac{\text{Current net rent}}{\text{Market Price}} \times 100$$

Udoetuk (2008) further listed the objectives of performance measurement as the rate of return, assessment to how these rates compare with those of other assets in the portfolio; examination of the timing of asset acquisition; good asset and portfolio selection; consistency in achieving good performance; assessment of the risk profile; examination of the portfolio diversification and sources of the portfolio returns. Ajayi (1998) concurs with the submission that the ultimate aim of all rational investors is to achieve maximum returns and minimize risks. Ajayi (1998) further expressed that investment performance is the degree of achievement of this aim measured against a set of objectives and targets.

Concurring, Lidonga (2015) asserts that the performance or suitability of real estate investment can be evaluated on the basis of a rate of return (rental yield and capital appreciation), payback period, profit margin and risks. Return represents rewards for undertaking investment and is the primary motivation force that drives investment (Santhana and Manickam, 2009); while the payback period represents a measure of how long it will take to re-coup the initial investment (Sahana and Dadibhavi, 2008).The exact index on the elements will be slightly different depending on the type of yield. Almström (2002) categorizes this as initial yield and exit yield.

1. Initial Yield

Initial yield is the net income for year 1 in discounted cash flow valuations divided by current capital value according to the SFI/IPD index definition (Almström, 2002). The initial yield is also known as going-in capitalization rate, especially in US literature and this refers to the ratio between the net income of the first 12 months of ownership and the acquisition cost (Berglund and Lundgren, 2001). The difference can be rather significant since much can happen with the

capital value during 12 months. Whether the acquisition cost and market value is the same thing, is in the end a theoretical discussion (Almström, 2002). Also, it is imperative that the significance of inadequate market evidence as is obtainable in many parts of Nigeria poses a challenge to the availability of information. In this case, is it okay to use the rent passing on the property? What if the rent passing is significantly different to the open market rental value?

McGough and Tsolacos (2001) argue that in the case of real property, the income must be current market rent (or its equivalent). However, perhaps aiding the Nigerian situation, Lundström (2000) contends that the passing rent may be different from current market rental value and where this is so, price divided by rent actually passing is known as the initial yield. This implies that the initial yield represents the first year return from the property and because of this; it may not be seriously pursued by the study as the study examines the performance of FDI in commercial real estate from the estate cycle perspective.

2. Exit yield

Exit yield is the yield used for capitalizing the residual value in discounted cash flow valuations (Almström, 2002).Usually the estimation is done through analyzing market evidence and then adjustments are made with regards to the individual property (ibid). Precision and consistency is important considering that the residual value makes up the biggest part of the total property value. Even though there is no formula for the calculation, there seem to be practical solutions to take care of that problem. There are theories about an automated connection to the discount rate and also a rule of thumb about the difference towards initial yield (McGough et al., 2001). Again, the extent to which exit yield is relevant to the structure of the study is low.

3. Income return

Hoesli and McGregor (2000) posit that annual income return is income receivable, net of operating costs, divided by capital employed throughout the year. In this definition, capital employed embodies the capital value at the start of the period plus half of any net capital flow, and half of income receivable (i.e. the calculation assumes flows of capital and reinvested

income are even throughout the period). The figure can be calculated by looking at the books for the property or the company (Hoesli et al., 2000). This implies that capital employed and capital value is not the same thing.

French and Cooper (2000) offer some general definitions to distinguish capital employed from capital value:

1. The total amount of capital used for the acquisition of profits.
2. The value of all the assets employed in a business.
3. Fixed assets plus working capital.
4. Total assets less current liabilities.
5. Fixed assets plus current assets minus current liabilities.

The implication is that capital employed is the value of the assets that contributes to generate revenue. The holistic approach utilized in the study signifies that the income return may not be used as the conceptual framework for yield by this study.

4. Running Yield

Gunnelin, Hendershott, Hoesli and Söderberg (2003) posit that running yield is the annual income accruing from an investment divided by its current market value. This implies that running yield considers the rent passing on the property in the event of poor market data and divides it by the open market value of the property, and expressed as a percentage. This makes running yield a significant consideration in the comparative analysis of yield of foreign direct commercial real estate investments in Nigeria and global benchmark. This is consistent with the views of French et al. (2000), and Brealy and Myers (2000) that running yield is used by foreign direct investors to make buying and selling decisions as it portrays the status quo of investment performance as against any constructed information. This type of yield is also referred to as current yield or Yield to Maturity (YTM) (Enström, Gustafsson and Söderberg, 2003).

The fact that Running Yield is used to study property cycles is evidence that running yields are not constant and they give interesting ideas about what the drivers are, in a particular sector (Gunnelin, et al., 2003). This implies that a review of property yield literature may not be complete without due recognition of the factors that drive running yield of real property investments. Theory and practice seems to agree that the drivers of running yield are market sentiments about the prospects of an investment which also serves as an indicator for investment decisions. The better the prospects for the investment, the lower the yield, or, rather, the higher the capital value relative to the income (French et al., 2000).

Literature (Gunnelin et al., 2003; Almström, 2002; French, 2000) demonstrates that economic factors are cyclical; cash flow variables (rents, vacancies, capitalization rates) are cyclical, and real estate performance (rates of return) is cyclical at the national and regional levels as well as at the sector levels. Lending credence, Wheaton (1999) and Macgregor (2003) confirm that there are commonalities in direct property returns across regions and sectors and the returns are influenced by factors such as interest rates, bond yields, inflation and capital markets. Performance of the commercial property sector is linked to the performance of the economy and capital markets (Baum, 2009).Baum (2009) identified the following factors to have an influence in total returns of foreign direct investment in commercial real estate including depreciation, cash flow, supply and demand and valuations.

While modeling at the national and regional levels are useful for understanding the relationships between economic and real estate market cycle variables in a general sense, its power as a tool for forecasting and decision making at the property and portfolio levels is limited. Contrary to this Almström (2002) is of the view that 'current' yield calculations do not indicate when the set price is out of step with fundamental conditions. His view is based on smoothing and lagging issues in the property market. He also believes that yield requirement from transaction databases are not sufficient. The information is not substantial enough and does not provide a good picture of what drives the market.

Again, this is reminiscent of the Nigerian market. Still, Almström (2002) provided no panacea to his observation. Pyhrr, Roulac and Born (1999) offer a different perspective. Among other things they conclude that human behavior and economic activity affect supply and demand forces in the real estate markets, which in turn affect the financial performance of properties through changes in rents, vacancy rates, operating and capital expenses and capitalization rates. This assertion implies that human behaviourial factors and market trends provide significant drivers of running or current yield. The indication is that risk is a significant driver of current yield (Enström et al., 2003).

Previous studies acknowledge that fluctuations in direct commercial property returns are influenced by changes in exogenous and endogenous factors over property cycles but there is no consistency in the identified drivers of commercial real estate returns and no conclusive explanation of the relationships that exist between the identified factors that affect commercial real estate returns (Karakozova, 2005). Studies have also indicated that the drivers of commercial real estate returns over different property cycles are different for the various commercial property types and different geographic regions. Most studies (De Wit, 2007; Baum, 2009) focus on the impact of economic factors on commercial real estate prices without linking to returns and some studies highlight macroeconomic drivers of the REITs returns than the underlying direct real estate assets.

Some research has been directed to studying the drivers of each of the various types of Commercial Real Estate (Industrial, Office and Retail) (Akinsomi et al, 2016). Ho and Faishal bin Ibrahim (2010) show that, at a macroeconomic level in Singapore, retail space is more susceptible to the GDP. With regards to drivers of office space returns, the employment levels in the office using sectors appear to be a common theme in existing literature. Evidence of this statement can be seen through the work of De Wit and van Dijk (2003) who investigated the global determinants of direct office real estate returns using data obtained from Europe, the United States and Asia. The study found that GDP, inflation, unemployment, vacancy rates, and available stock all affect the returns of Office space. Contrary to the findings of similar studies,

Chui and Chau (2005) found no relationship to exist between GDP and commercial real estate returns but a relationship was found to exist between GDP and residential property prices.

Again, findings from Karakozova (2005), who focused on office markets in Helsinki, corroborate the earlier findings of De Wit and van Dijk (2003) by revealing that growth in the service sector employment and the GDP explain direct office returns significantly. The factors that drive returns of Industrial space have received little attention individually. Other studies have chosen to take a broader scope by considering the direct commercial real estate returns for all property types combined both at national and international levels (Akinsomi et al, 2016). A study conducted by Bouchouicha and Ftiti (2012) reveal strong correlations between property markets in the United Kingdom (UK) and the United States (US) and the macroeconomic variables such as employment growth, inflation and interest rates. This phenomenon was observed when considering long-run relationships.

These findings by Bouchouicha and Ftiti (2012) confirm previous research by Brooks and Tsolacos (1999) who found that, in the UK, inflation and interest rate term spread explained returns in the property market as a whole. Although, it is important to note that Brooks and Tsolacos (1999) mention that in their study, the most significant influence of real estate returns was that of the lagged values of the real estate returns themselves. In Australia, the direct commercial real estate returns are influenced by short, medium and long-term interest rates, construction activity, expected and unexpected inflation, industrial employment and production (West and Worthington, 2006). On a multinational level, the most important factors that drive long term returns are the vacancy rate and unemployment rate (DeWit, 2007).

Lieser and Groh (2014) studied the determinants of international commercial real estate investment by exploring how socio-economic, demographic and institutional characteristics affect commercial real estate investment activity. The study was done over a period of 9 years, from 2000 to 2009 in 47 countries. The study found economic growth, demographic changes, political and socio-cultural factors to have an impact in real estate investment performance and returns. Van der Heuvel and Morawski (2014) find remarkable differences in the drivers of

returns over the different property cycles. Drivers of the 2008 to 2009 boom phase (where leverage and global portfolio allocation positively affected returns and allocation to German funds negatively affected the returns) were different from the 2010 upturn where local allocation and allocation across all property types had a positive impact on returns whilst over allocation in retail negatively impacted the returns.

With regards to sector allocations, Van der Heuvel and Morawski (2014) found that during the bust phase, office focused funds underperformed other property types. To determine factors that drive total returns of non-listed real estate funds across sectors and countries, Fuerst and Matysiak (2013), using panel data to analyse performance of large funds, found level of gearing, net asset value (size of fund) and style of fund to have an impact on total returns for non-listed real estate funds. The study by Fuerst and Matysiak (2013) did not analyse performance drivers of the underlying properties in the funds but specifically analysed the funds' performance. To understand performance of a property fund, it is important to study the performance of the underlying properties as they ultimately drive the funds returns.

Crowe et al. (2012) investigated the impact of monetary and macro-financial stability on the performance of real estate over real estate booms and busts. The study found that monetary policies and macro-financial tools such as limits on loan-to-value ratios have a remarkable direct impact on performance of the direct real estate market and these factors often lead real estate cycles as the vast majority of direct real estate activity (investment, acquisitions, developments, etc.) involve borrowing of funds. Property taxes were also found to have are lationship with direct real estate returns.

Real estate valuations play major role in the determination of total returns (Mba, 1999). The valuations take into account property income and capitalisation rates (cap rates). Cap rates are influenced by capital markets and valuers' sentiments. According to Chaney and Hoesli (2012), direct commercial real estate returns have a relationship with cap rates and vacancy rates and investors tend to be concerned with the cost of capital than valuations, linking cap rates to capital

markets. The higher the vacancy rate for a property, the lower the income generated and the higher the cap rate thus leading to a lower valuation and consequently a lower return.

De Wit (2003) studied the drivers of direct office real estate returns by studying the relationship between economic growth, district specific factors and commercial property market performance on a global level. The study tested for correlations between changes in GDP, capital values, rents, vacancy rates, unemployment rates and total returns and found that positive correlations exist between GDP, capital values and rentals in direct office properties which proves the nexus that the higher the economic growth the higher the returns. The study also found that a significant positive relationship exists between current return and previous period's return and that economic growth prospects and supply and demand determine attractiveness of offices as an investment. The unemployment rate was found to be perfectly negatively related to the office sector total return.

In a contrasting study, Chui and Chau (2005) examined the relationships between real estate prices, real estate investments and economic indicators in Hong Kong. Quarterly indices of the study variables over a period of 30 years were composed and Granger causality tests were conducted to test for lead-lag relationships between the variables. The study found no relationship to exist between GDP and commercial real estate investments returns. GDP movements were found to be led by property prices, particularly residential property prices. The reason for this may be that economies like Hong Kong tend to rely heavily on foreign direct investment flows for most sectors, including real estate.

Economic growth has been acknowledged as a key factor influencing performance of direct commercial properties. Hin (2010) explored the interaction between the macro economy and retail property and found that the retail property sector is more prone to GDP growth policy and its performance has an effect on the opportunities of office rents and returns. Understanding of the factors that affect direct commercial property returns is important for investors in asset allocation decisions.

Van der Heuvel and Morawski (2014) and Matysiak (2011) found fund size, leverage, liquidity, management costs, geographic and sector factors to have an impact on direct commercial property returns and offices were found to underperform other property types during down turns in the property cycle. Kohlert (2010) and De Wit (2003) established that there are causal relationships between commercial real estate returns and changes in economic variables; GDP, unemployment rates and interest rates.

In addition to the macroeconomic factors, there are also microeconomic factors that can affect the returns of commercial real estate investments. These are factors regarding the unique characteristics of each building such as the Net Operating Income (NOI) and vacancy rates to name a few (Akinsomi et al, 2016).Hin and Addae-Dapaah (2014) found GDP, interest rates, rents and vacancies to be negatively correlated to commercial real estate returns and capital values and returns were also found to be negatively correlated in Hong Kong. Reddy (2014) noted that, in conducting research for asset allocation decision on prospective direct commercial property investments, fund managers study the endogenous factors (property market fundamentals) such as rentals, vacancy rates, demand and supply, historical risk and return analysis, valuations, capitalisation rates and market benchmark and exogenous (macroeconomic factors) such as interest rates, GDP, consumer price index, retail sales, unemployment rates and demographic statistics.

The possibility, therefore, that the actual outcome will differ from the expected outcome, risk, is ever present in any investment decision. The risk can either be negative or positive but the concern for investors has been the negative consequences. So, the rate of return is regarded as the most important measure of performance. The rate of return over a period of time is a summation of the rental yield (current rate of return) and capital appreciation (Lidonga, 2015). The total return is used to compare the performance of the individual property in a given portfolio, the entire portfolio, location and against other investment assets (ibid).

The amount of risk and the responsibility of reducing the risk is a major tool of measurement of the performance of real estate, both as an individual property and the entire portfolio and market (Akpan and Eweke, 2017). It is therefore expected that a prudent foreign direct investor will select a property and market whose risk is low, and if high, will expect a higher rate of return. Offering a clearer perspective, Agarwal and Khan (2010) argue that risks in real estate investment emanate from the following situations, among others:

i. The rents expected in future may not be realized or could be less than anticipated.

ii. The increase in rents may fail to occur at the expected time and the property could be vacant and takes time to let.

iii. The value may not be realized and may not increase with time as expected

iv. The sale may not be achieved at the expected time.

v. The project may not be completed at the expected time.

vi. The cost of finance might change without the corresponding change in other inputs of production and sale prices.

vii. Other properties may not perform as the subject property because of its location, the site condition design and the construction of the property.

Bennett, Anyanwu and Kalu (2015) aver that the main types of risk are market risk and property risk. Market risk relates to the market factors that may affect a property’s cash flow such as falling rents or rising voids (ibid). Market risk thus depends on the property type, the point in the development cycle when an economic event occurs in the specific metropolitan area. Property risk takes into account the existing rent levels, capital expenditures, standards of management and design parameters (Bennett et al., 2015).

Oji-Okoro et al. (2012) further asserts that appraisal of real estate performance entails the gathering and evaluation of these indices regarding the target market. They aver that this requires the ascertaining of market dynamics such as needs, size, shape and characteristics in a bid to

objectively and rationally uncover the strengths and weaknesses of the proposed venture, as well as the opportunities and threats present in the environment.

Isaac (1998) avers that to undertake this evaluation is difficult; as the evaluation is based on the changes in the capital value of the investment flow, the income generated by the investment. He further asserts that property, unlike other types of investment may be unique in its nature and location; the property may not be regularly revalued and if the property has not been tested in the market, there will be no specific evidence in terms of rental value, yields and capital value etc. The figures so obtained are often based on the accumulation of historic data on which comparable evidence can be amassed. Thus, it is extremely difficult to assess future trends from this historic data and estimate changes in the property cycle and in the property investment market.

However, a careful analysis of the past can equip an investor with an idea of the future returns from an investment, what type of property to invest in and in what locations to invest in. Meanwhile Okafor, Ugochukwu and Chijindu (2016) suggest that a FDI performance in the real estate sector of the economy can be examined on the basis of the following: income/cost, income/value, value/cost, income growth, rental value growth, rental value/income, time weighted total return and money weighted total return. Lending credence, Udoetuk (2008) confirms that the data required to carry out property performance measurement include rental value, income and outgoings, details of leases, capital value, and property market indicators.

He further adds that the monetary performance of property investment is judged on the basis of growth in rental income and capital value while traditionally, returns are measured in terms of internal rate of return basis, or time weighted basis. The measurement of return is to show the effectiveness of the utilization of capital. This is done at three levels, the individual property, portfolio sectors and the whole portfolio. When measuring returns from individual properties assets, investors take decisions on single properties while in the case of sectors, such measurement enables a comparison of their overall performance (Kalu 2001).

In spite of these related studies, the number of studies devoted to examining the performance of foreign direct investment in real estate as an investment category, bar commercial, is very small compared with studies for other asset markets, and yet real estate represents an important component of invested funds. Furthermore, there is even less published material that looks at the performance of FDI in commercial real estate in developing countries such as Nigeria. So it is widely recognized that several studies that have relevance to this study have been conducted particularly in the United States of America (USA), the United Kingdom (UK) and other developed and some emerging economies (Adeniran, 2015).

These studies (Wendt and Wong, 1965; Brueggman, Chen and Thibodeau, 1984; Zerbst and Cambon, 1984) examine the performance of real estate investments from different perspectives. These studies compared the performance of real estate with the performance of non-real estate investments such as stocks and bonds. The major conclusion from the studies is that real estate performed better than other investments and also acts as an overall risk reducer when included in a portfolio.

Some other studies examined the linkages between direct real estate and indirect real estate investment performance. Among them are Giliberto (1990), Newell, Matysiak and Venmore-Rowland (1997), McAllister (2000), Newell, Chau and Wong (2004), Newell, Chau, Wong and McKinnell (2005), Hoesli and Lizieri (2007), Newell and Hsu (2007) and Newell et al (2009) who considered the performance of direct real estate along that of indirect real estate investment represented by listed companies and Real Estate Investment Trust (REIT) returns in the UK and USA respectively. The outcome of the studies suggested that direct real estate investments produce lower returns and lower risk, and that indirect real estate investments behave partly as stocks and partly as real property investment.

Also, the authors who conducted a comparative study of different property types across France, Germany, Ireland, Netherlands and UK found that retail property performed better than residential property in France and Germany while the residential property outperformed retail in Netherlands. The data for residential property was not available for Ireland and UK. The foregoing has also been confirmed with recent literature on performance of real estate with

particular references to case studies of Nigerian property market as discussed in the subsequent paragraphs.

Bello (2003) evaluated the relative performance of FDI in residential real estate investments and securities in Lagos in terms of mean returns, risk adjusted return, income growth and capital growth. He concluded that investment in the capital market performed above that of residential real estate in absolute term and risk adjusted return. The study also shows that the risk associated with residential property is lower than that of ordinary shares in the capital market. However, it should ideally be noted that the study did not consider the performance of retail commercial property. Bringing out the empirical reality of this appraisal as it concerns FDI in commercial real estate investment in Lagos and Abuja which this study hopes to achieve, will give a broader picture of investment performance that will include inter-region comparison of property investment in Nigeria.

Olaleye, Adegoke and Oyewole (2010) examined the characteristics of direct property and listed Property Company in comparison with other securities in the Nigerian Stock Exchange over the period of 2001 through 2007. The study evaluated the capital return and diversification potential of the investment media through the use of mean return, standard deviation, correlation and Sharp market index model. The results showed that while various investment options in real estate and stock market offered attractive returns, real estate investment outperformed stocks and offered diversification benefits for investors of a mixed assets portfolio.

Other indigenous studies such as Amidu, Aluko, Nuhu and Saibu (2008), Olaleye and Ajayi (2009), and Adegoke (2009), either considered the performance of property investment in general, indirect property investment or residential property investment and stocks. None of these available indigenous studies has examined the performances of FDI in retail commercial real estate investments considered in this study.

In an attempt to fulfill the aim of the study, the study empirically compares the performance of FDI in commercial real estate in Nigerian against established recent global benchmark using real estate investment performance indicators as yield and capital growth rate. Jones Lang LaSalle Property Index (2016) provides international benchmarking settings for commercial real estate portfolio performance indicator as at 2nd Quarter of 2016. This was summarized in Table 2 which shows the global commercial real estate benchmark of 5.7% for yield; and 7% for capital growth.

Likewise, Investment Property Databank (IPD) indices promote market transparency and ensure real estate plays its part on the investment stage by providing overall statements of a country's investment property returns; comparing property returns with other assets; identifying trends in major market sectors - retail, office, industrial or residential – and segments in each country. Bloomberg.com (2017), reports that Investment Property Databank Ltd. provides business intelligence services to the real estate industry worldwide. It offers portfolio analysis services for fund managers and property investors to help to measure the performance of their real estate portfolios and to benchmark themselves against their peers; and fund level analysis services for investors to determine the best investment vehicles on the market, compare performance of individual funds with the rest of the property sector, and find out the actual returns achieved by investors on real properties. It uses Morgan Stanley Capital International's (MSCI) private real estate market information dataset, incorporating more than 3,000 direct property indexes in 32 countries, including a unique coverage of more than 240 cities worldwide.

IPD places the global commercial real estate returns benchmark at 7.1% (Partnersgroup.com, 2017), with South Africa exhibiting the highest (18.2%) and Ireland ranking 20th in the top 20 with returns of 0.8% over a 10-year period that culminated in 2013. For the purpose of this study, we will adopt the Jones Lang LaSalle Property Index (2016) benchmark of performance measurement of FDI in commercial real estate assets due to its recent empiricism from an international perspective towards ascertaining its empirical realities in Nigerian-based foreign commercial real estate investment. This is consistent with the works of Akpan and Eweke (2017), and Kampamba (2016). In accordance to a study by Lidonga (2015), performance

measurement indices such as risk and sustainability levels were tested in consistence with their operational realities as they concern foreign real estate investments domiciled in Nigeria.

2.2.3 Taxation and Foreign Direct Investment

This review is consistent with the third objective of the study which is to examine how FDI tax responsibilities in Nigeria compare with the global benchmark. De Mooji and Enderveen (2003) present an interesting insight:

“The return to foreign direct investment may be subject to international double taxation. A foreign subsidiary is always subject to corporate income tax in the host country. These profits can be taxed again under the corporate income tax in the home country of the parent.”

This explains why there is a great deal of interest in, and concern about, the possible impact of tax policy on FDI (Acharyya, 2009).

Lending credence, earliest studies on taxation and foreign direct investment (Barlow, Wender and Bradford, 1955) reported the influence of taxation on American investment abroad by US government following numerous suggestions for stimulating foreign investment through tax reduction. In this regard, Barlow et al. (1955) conducted interview with 40 business firms to determine the experience of the executives with respect to foreign investment and their policies in that connection. One striking finding at that time was that taxation was not nearly so important a consideration, in the minds of executives, in connection with foreign investment as were certain other factors, especially lack of currency convertibility.

Interestingly, a number of empirical studies (Fleming and Ling, 2010; Acharyya, 2009; Srivastava, 2004) report positive correlations between investment levels and after-tax returns to foreign direct investment. This is because though high tax rates are naturally thought to discourage foreign investment since international investors would prefer to avoid taxes than to pay them, there is some controversy over this. It has been pointed out that though older time-series studies indicate a very great responsiveness of FDI to tax differences, the infrequency of major tax changes and the correlation of tax changes with movements in important omitted

variables may make this evidence inconclusive (Srivastava, 2004). This flaw however may not entirely affect such a study on Nigeria since at least her major tax changes have not been infrequent (Ariwodola, 2005) especially during the long military regime.

In any case, Srivastava (2004) points that recent research is more cross-sectional in nature than earlier studies, and offers more convincing evidence of a smaller but important and statistically significant effect of taxation on the location and volume of investment. He continues that clearly, if all other considerations are held constant, international investors would prefer to avoid taxes than to pay them, so there must exit some situations in which tax differences significantly influence investment. The question driving empirical work in this field is the extent to which these situations arise in practice.

Several possibilities make it difficult to predict the responsiveness of FDI to taxation, though this responsiveness is measurable with available information. These include: that practically, international investments are influenced by a host of considerations of which taxes are just one; again, the complexity of international investment planning, given the uncertainty firms face in forecasting future economic and political conditions, convinces some observers (such as Yanrui, 2000), that tax differences are too small to have anything other than trivial effects on investment location. This corroborates the earlier view of Te Velde (2001) that tax considerations are seldom dominant, and differences in taxation are frequently negligible from a pecuniary standpoint; though the prospect of having to meet the reporting requirements of two or more national tax jurisdictions may deter foreign investment by small businesses.

A third possibility is that governments imposing high tax rates indirectly compensate firms with difficult-to-measure investment incentives such as worker training and infrastructure (Yanrui, 2000). Nigerian tax system however does not have much of such immeasurable investment incentives. Both educational and economic infrastructures are so decayed that multinational companies operating in Nigeria are forced to self-provide most of them. Thus a comparative study of the tax responsibilities of FDI in Nigeria and other climes is a legitimate one since it is expected that tax considerations be given to corporations who provide a significant portion of the

infrastructure they use. This informs the need to re-examine this situation as objective three intends to do.

2.3 Theoretical Framework

Theories provide the rational basis, for explaining or interpreting the results of research and relationship between the problem and a given theory (Agbaeze, 2004). In other words, this is a logically structured representation of the theories, variables and relationships involved in the study so as to identify what will be explored, examined, measured and described. The theoretical framework of the study examined relevant theories which form the foundation of our hypotheses. There are many academic theories that exist within the field of performance appraisal and foreign direct investment. Some of the arguments of the theories are identical and the differences are the proponents of the same. However, the provisions and arguments of some of the theories are different, depending on the motivation of the proponents and their world view.

With respect to FDI, the study of direct investment by Stephen H. Hymer in his Doctoral thesis in 1960 (published in 1976) revealed that the orthodox theories on international trade and capital movements are unable to explain the involvement of TNCs in foreign countries. In his opinion, their existence is owed to local firms that wield marketing power, and who acted as their agents. This led to the development of several FDI theories in support of international business that should lead to the improvement and welfare of world economies (International Business Role and Processes, 2012: 37-42). The theories are categorized as:

1 Market Imperfections

2. New Trade Theory

3. World Culture Theory

4. International Production Theory

2.3.1 Market Imperfections

This theory developed by Stephen Hymer (1976), Richard Caves (1971) and Charles Kindleberger (1969) considers that TNCs enjoy certain ownership advantages through which they are able to control the FDI. The prevailing market imperfections are seen as structural imperfections arising from innovations, superior technology, access to capital, control of distribution system, economies of scale, differentiated products, and superior management. These factors help the TNCs to overcome the disadvantages in their operations in the foreign countries (International Business Role and Processes, 2012). The issue with this theory on ownership advantages of TNCs lies with the Nigerian Land Use Act (1978). Therefore, the potency of this theory will be tested by the findings from the fourth objective of the study which examines the effect of ownership structure risk on sustainability strategies of foreign commercial real estate in Nigeria.

2.3.2 New Trade Theory

The new trade theory was put together by economists from the work of Paul Krugman in 1971 whose interest was on developing a new theory in the light of global economy. They tried to clearly differentiate between inter-industry and intra-industry trade. Inter-industry trade can be explained by either the theory of relative factor endowments or product life cycle; but the intra-industry comes from specialization within an industry. The theory believes that countries do not necessarily specialize and engage in trade just because they want to capitalize on their differences. Rather, countries trade because they are able to receive increasing returns on their investments. As a result, specialization is advantageous to a country. A key concept here is economies of scale, which is the reduction in the unitary cost of production due to increased volume of goods and services produced.

In some industries, the economies of scale can be so large that the world market is only able to accommodate a few large-scale producers. The cost of establishing a company to enter into competition in such a situation can be so much that it is cheaper to import from existing companies. There are two implications in the notion of economies of scale. First, it explains the existence of trade between two countries with similar factor endowments, with each specializing in an area of global competitive advantage. As a result, each country will seek areas where it can

achieve the greatest returns from larger economies of scale by the use of its particular factor endowments. Second, it explains intra-industry trade. This explains why industries simultaneously import and export products in the same industry. It is economies of scale that makes firms to specialize in narrow product lines, while firms in other countries will produce similar products with some variations.

The truism of this theory will be tested by the first hypothesis of the study which proposes that to a large extent, yield from foreign commercial real estate investments in Nigeria do not compare favourably with international benchmark for commercial real estate investments.

2.3.3 World-Culture Theory

This is a globalization theory on which FDI ideology can also be anchored. The world-culture theory was first found in the work of J. Nettl and Roland Robertson in 1968 and considers globalization as "the compression of the world and the intensification of consciousness of the world as a whole' (Robertson, 1992). In other words, it sees the world as having one culture or way of doing things. It relies on the assumption that though cultures differ globally, a common ground can always be sought and found. This is buttressed by Nnadi (2011) who asserts that though globalization does not create a common culture in which everyone holds the same beliefs and values; it does create a single arena in which all actors pursue their goals by deliberate comparison with others using at least some common standards as yardsticks.

World culture theory is defined as a label for a particular interpretation of globalization that focuses on the way in which participants in the process become conscious of and gives meaning to living in the world as a single place. It involves the crystallization of four main components of the "global-human circumstance": societies (or nation-states), the system of societies, individuals (selves), and humankind; this takes the form of processes of, respectively, societalization, internationalization and generalization of consciousness about humankind (Robertson 1991; 1992).

This theory also reflects on overall perspective of this study as a comparative analysis of the performance of FDI in commercial real estate in Nigeria and other climes; in consistence with the submissions of Nnadi (2011) that the theory creates a single arena in which all actors pursue their goals by deliberate comparison with others using at least some common standards as yardsticks. The theory assumes that the world is untied as one in culture and perspective. The findings of the study provide a litmus paper for the testing of this theory. Where, the yield, capital growth rate and taxation of FDI in commercial real estate in Nigeria compares favourably with global established benchmark, then the potency of the theory will be confirmed by the study; or not, if findings suggest otherwise. The real effect of this fusion remains to be seen and represent one of the cardinal points of this research.

2.3.4 International Production Theory

Hymer's (1960, 1968) theory of international production states that the tendency of firms to invest overseas is dependent on a cost – benefit analysis of particular factors in both its home country and the receiving country. This theory explicitly states that the decision to invest in a country is dependent not only on the anticipated returns but also on country specific factors like barriers to entry, political stability, land use policy and laws, cost of capital and production, economies of scale and demand for products. According to Carbaugh (2000), firms may invest in countries where labour and raw materials are comparatively cheaper in order to minimize costs. This partly explains the movement of foreign direct investment to Asia; specifically, China and India where the cost of labour is relatively cheaper than the rest of the world. However, the relevance of this theory lies in the objective of the study that addresses effect of ownership structure risk on sustainability strategies of foreign commercial investments in the real estate sector of Nigeria.

2.4 Empirical Review

The study reviewed empirical works of related authorities on FDI and real estate performance appraisal indices such as yield and capital growth rate. The essence is to make the discussion of results practicable with a bid to making reasonable contribution to knowledge. Ambrose and Nourse (1993) set up the theory that the capitalization rate (yield) is a function of property characteristics and alternative investment returns. The property characteristics will vary across both property type and location. The results indicate that differences across property type are important to account for when estimating yield rates, else it might lead to a biased result.

However, this study expands the theory into a comparative analysis of yields from same property types but in different spheres in a bid to establish relationship between local data and global benchmark. It is pertinent to note that variances in the yield nomenclature such as cap rate or capitalization rate arise from empirical works of American origin where yield is largely referred to as cap rate.

Bello (2012) analyzed the risk and returns of commercial-property in Southwestern Nigeria and selected stocks-market investment between 2000 and 2009 using a comparison of inflation hedging characteristics and diversification potentials of investing in commercial-property and selected stock-market investment. Primary data were collected on characteristics, rental and capital values of commercial-properties from their property managers through the use of questionnaire. Secondary data on stock prices and dividends on banking, insurance and conglomerates sectors were sourced from the Nigerian Stock Exchange (2000-2009). The result showed that average return on all the selected stock-investments was higher than that of commercial-property. As regards risk, commercial-property indicated lower risk, compared to stocks. Also the stock-investment had better inflation hedging capacity than commercial-properties; combination of both had diversification potentials. The study concluded that stock-market investment offered attractive higher return than commercial-property although with higher risk and there could be diversification benefits in combining commercial-property with stock-investment.

Research by Bello, Jolaoso and Olanrele (2018) highlighted and compared the attributes of hotel investment and commercial property investment measuring their performance through occupancy rate analysis. From a sample of 177 commercial properties and 70 hotel properties in the Central Business Districts (CBD) of Ikeja, Abeokuta, Ibadan, Osogbo, Akure and Ado-Ekiti; adopting a questionnaire survey on investment managers of these two property investment options. The research findings revealed that commercial and hotel properties have similarity in 4 of the qualitative variables and different in the remaining 8 variables. The study further revealed no significant difference in the occupancy rate of commercial property (0.89) and the hotel property (0.80) as reflected by the Kolmogorov Smirnof (K/S) two sample tests.

Mba (2009) compared the growth potentials of commercial banks' securities and real property investments in terms of income and capital appreciation. Recourse was made to both primary and secondary data. The primary data was collected by the use of survey questionnaire whilst secondary data were obtained from documented researches, conferences, special reports and books. Random sampling technique was used to select the ten study areas in Nigeria and ten banks out of the twenty-five consolidated banks. The research questions were raised and 300 questionnaires administered to financiers and Estate Surveyors and Valuers in Nigeria selected also randomly, of which 260 correctly completed ones were used as data for the research. Data collected within the study period of 2001 to 2006 were subjected to 0.05 level of significance using chi- square test. The result of the hypotheses tested shows that there was significant difference in the value potentials of the two investment options and that commercial bank stocks out-performed real property investments within the study period.

Udobi, Onyejiaka and Nwozuzu (2018) examined the performance of commercial property investments and residential property investment in Onitsha, Anambra State, Nigeria. The comparative analysis of the performance of these two types of property investments within the period of nine (9) years (2007to 2016) was conducted, focusing on the annual returns, risk profile and risk-return profile. Data for the study consist of rental and capital values of commercial and residential property investments in the study area and were sourced from the Estate Surveying and Valuation firms practicing in the study area. Data collection was analyzed

using Arithmetic Mean Return (AMRR), Geometric Mean Return (GMRR), Standard Deviation and Coefficient of Variation.

The average rental values and capital of both residential and commercial property investment were assessed in order to arrive at the annual returns (Arithmetic mean rate of return and Geometric mean rate of return). The risk inherent (Standard Deviation) and the risk-return profile (Coefficient of Variation) of both residential and commercial property investments were equally ascertained and determined respectively. The results showed that commercial property investment performed better than residential property investment within the period studied with an annual return of 19% as against 17% for residential property investment. On the contrary, residential property investment performed better in terms of risk-return profiles within the period under study with 11.34% of risk and 0.67 risk-returns as against 15.88% of risk and 0.84% risk-return for commercial property investment. The performance indicators as shown by this parameter indicate that property investments in Onitsha are very viable but that commercial property investments perform better in return than residential property investment.

Oyewole (2013) conducted a comparative analysis of the performance of residential and retail commercial property investments within the period of year2000 and 2011; focusing on average return, risk adjusted return, income growth and capital appreciation. The results showed that retail commercial property investments performed better than residential property investments with a mean annual return of 14.2% as against 11.8%. In addition, commercial property investments performed better in terms of risk adjusted return with sharp index of 1.11 as against 0.55 for residential property investments. In terms of income and capital growth, the performance of commercial property investments was also higher during the period of measurement. The study concluded that while both residential and commercial property investments performed well with positive mean returns and risk adjusted returns, commercial property outperformed residential property investments.

Kampanba and Nnang (2016) compared the performance of investments in real property to that of shares; and to provide investors just starting in Botswana with information on which forms of

investment to pursue between the two. The study adopted a statistical and descriptive research approach where a survey method was used to collect data. A sample of 10 institutional investors in real property and 10 institutional investors in shares were chosen from a population of 10 investors each. Purposive sampling technique which is a non-probability sampling technique was used to choose the respondents of the study and a structured questionnaire was used to collect both qualitative and quantitative data. Quantitative data was processed using statistical measures of variability such as mean, variance and standard deviation while qualitative data was analysed using content analysis. The findings of the study reveal that property offered better returns than shares even though it was considered riskier under the period of study. The study concludes that real estate yield is significantly better than dividends.

In a study conducted in the U.S., Miles and McCue (1982) examined the rates of return on different types of properties held by sixteen Real Estate Investment Trusts (REITs)over the period of 1972 – 1978. The study which employed regression equation estimate found that residential property performed better than retail during the period of study. Although, the study was a good attempt at analyzing the comparative performance of different property types, it failed to examine the risks associated with each of the property sectors.

Another US study by Webb and Sirmans (1982) bridged the gap left by Miles and McCue (1982) by analyzing the return and risk on different types of real estate property over the period of 1966–1976. The study employed real estate data from the American Council of Life Insurance and estimated the investment yields of specific property types for fifteen companies. The results of the study showed that retail property performed better than residential property in terms of return. However, the empirical result indicated that retail property was riskier than residential property.

Bello (2004) analyzed the risk and returns of commercial property in Southwestern Nigeria and selected stocks-market investment between 2000 and 2009. Primary data were collected on characteristics, rental and capital values of commercial properties from their property managers through the use of questionnaire. Secondary data on stock prices and dividends on banking, insurance and conglomerates sectors were sourced from the Nigerian Stock Exchange (2000-

2009). The result showed that average return on all the selected stock-investments was higher than that of commercial-property. As regards risk, commercial-property indicated lower risk, compared to stocks. Also the stock-investment had better inflation hedging capacity than commercial-properties; combination of both had diversification potentials. The study concludes that stock-market investment offered attractive higher return than commercial-property although with higher risk and there could be diversification benefits in combining commercial-property with stock-investment.

National Council of Real Estate Fiduciaries (1984) employed the index of income producing properties generated by the Frank Russel Company to determine the return on different types of real estate property. The outcome of the study which considers the performance within 1978 - 1983 showed that residential property outperformed retail property in term of return. The result also indicated that residential property was riskier than retail property. Lorenz and Truck (2008) in a European study investigated the risk and return performance in European markets. The authors who conducted a comparative study of different property types across France, Germany, Ireland, Netherlands and UK found that retail property performed better than residential property in France and Germany while the residential property outperformed retail in Netherlands. The data for residential property was not available for Ireland and UK.

Sivitanidou and Sivitanides (1999) used transaction-based figures to examine both components and determinants of office yield rates. Their findings show that aggregate yield rates are shaped to a substantial extent by local office-market traits. This includes fixed traits such as location heterogeneity, diversity of local office employment base and tenant mix or by time variant features such as level of office space absorption, normalized vacancy rate, office employment and past growth figures for rental income. Evidently, these are driven by capital market forces, but the local office market influences are substantially stronger. That is consistent with the argument that the market is segmented and to a varying degree inefficient.

Brealy and Myers (2000) suggest that going-out cap rates are determined by the required return in the debt and equity markets. The basis of their research is made by reference to weighted

average cost of capital (WACC) and the capital asset pricing model (CAPM). Their model show that cap rates are strongly related to capital market return, though the relation involved significant adjustment lags and the relationship varies across different property markets. Their conclusion is consistent with Sivitanidou and Sivitanides (1999) in concluding that real estate markets are inefficient and not fully integrated with the capital market.

French et al (2000) studied the relationship between going-in and going-out cap rates and how the going-out cap rates are routinely chosen, by rule of thumb. This rule says that the going-out cap rate is one half to one percent over the going-in cap rate. They demonstrate that the going-out cap rates should be selected based on the assumptions made concerning income growth rate, changes in property appreciation rate and changes in required rate of return during and after the holding period. These assumptions determine whether the going-out cap rate should be set lower, equal or higher than the going-in cap rate. This is particularly important in an unstable market with over or under supply.

In the UK McGough and Tsolacos (2001) tries to test the forecasting capabilities of yield models. The models they test contain both capital market variables and property variables, mixed and separate. There is no conclusive answer from the tests, but the findings show that it is difficult to predict falling trends in property yields. The conclusion is simply put that yield rates can be explained, but not predicted. Sivitanides, Southard, Torto and Wheaton (2001) examine the determinants of appraisal-based cap rates. Their findings are consistent with the other papers, stating that cap rates in property markets are strongly influenced by local traits, but that it also incorporates common national influences from the capital market. Contrary to McGough and Tsolacos (2001), they conclude that cap rates have strong predictable components that allow econometric forecasting.

Akinsomi and Taderera (2016) investigated the determinants of direct real estate returns in South Africa. Review of related literature was conducted to identify factors that drive direct commercial real returns in other countries and the identified drivers are tested for relevancy in the South African (SA) market. The study applies SA annual commercial real estate returns

including total returns, rental growth and capital growth published by the Investment Property Databank (IPD) over the past 20 years, from 1995 to 2014, as an independent variable. The study found that risk, vacancy rate, operating expenses, unemployment rates, inflation rates, GDP and interest rates all have an effect on real estate returns. However, the most dominant and significant factors that explain total returns across all property types and provinces in South Africa are unemployment rates and interest rates.

Koon and Lee (2013) studied the causal relationship between inflation and property returns in Hong Kong. Using alternative autoregressive distributed lagged co-integration method for testing long-term relationships between inflation, property prices and returns, the study found that "inflation leads property returns, but not vice versa", meaning that the inflation rate can be used to predict and explain real estate returns.

Many of the studies relating to real estate performance carried out in many parts of the world were done under social, economic and political situations different from Nigerian situation. Therefore, their adoption to Nigerian situation cannot provide a perfect explanation to Nigerian's property market situation. The outcome of such researches can only be used as guides to solving problems in Nigeria. To solve problems of real estate investment in Nigeria, there is a need for local researches to unravel the peculiarity of our country's situation.

In the Nigerian context, some works have been done by scholars on the performance of real estate. For example, Olaleye (2000) examined portfolio management and performance of property portfolio in Lagos. The study showed that while portfolio in Ikeja performed better in terms of their mean return when compared with the free risk rate for the same period, portfolio in Yaba performed below the investor's targeted rate. Apart from the fact that this study did not focus on residential or commercial property, some shortcomings do exist in the study. First, the study's emphasis was essentially on the performance of management and not on investment. The second limitation is premised on the size of the sample. The small sample size has the potential of distorting results by allowing the peculiar characteristics of the properties and their market to have significant effect.

Bello (2003) evaluated the relative performance of residential property and securities in Lagos in terms of mean returns, risk adjusted return, income growth and capital growth. He concluded that investment in ordinary share performed above that of residential property in absolute term and risk adjusted return. The study also showed that the risk associated with residential property is lower than that of ordinary shares. However, the study did not consider the performance of retail commercial property. Comparing the performance of retail property investment with international benchmarks, which this study hopes to achieve, will give a broader picture of investment performance that will include intra-media comparison of property investment.

Oyewole (2006) study of direct and indirect property investments in Lagos examined the comparative performance of direct property of eight listed property companies, and UACN property development company shares within the period of 1999 to 2004. The author employed relative importance index, coefficient of variation measure and sharp ratio to estimate mean return, risk adjusted return, income appreciation and capital appreciation. The study showed that while indirect property performed better in terms of rate of return in absolute term and capital growth, the direct property performed better in terms of risk adjusted return. The shortcoming of this study is also premised on its failure to specifically focus on residential and retail property.

Olaleye, Adegoke and Oyewole (2010) examined the characteristics of direct property and listed Property Company in comparison with other securities in the Nigerian Stock Exchange over the period of 2001 through2007. The study evaluated the capital return and diversification potential of the investment media through the use of mean return, standard deviation, correlation and Sharp market index model. The results showed that while various investment options in real estate and stock market offered attractive returns, real estate investment outperformed stocks and offered diversification benefits for investors of a mixed assets portfolio.

Bello and Adewusi (2009) examined the relative performance of real estate and financial assets as security for loans with a view to ascertain whether or not the drift towards financial asset is justified. Using a sample of Forty-six transactions involving landed and financial assets and test

of difference between two populations means, the study reveals that although, the banks still prefer financial asset, however, both real estate and financial assets provided cover for the secured loans but real estate has a superior performance on the long run. In addition, Real estate exhibited higher growth than financial asset over the loan period.

Other indigenous studies such as Amidu, Aluko, Nuhu and Saibu (2008), Olaleye and Ajayi (2009), and Adegoke (2009), either consider the performance of property investment in general, indirect property investment or residential property investment and stocks. None of these available indigenous studies has examined the disparities between the performances of FDI in retail commercial real estate investments from a global benchmark and local perspective as considered in this study.

With respect to capital growth rate, Kampanba and Nnang (2016) compared the performance of investments in real property to that of shares; and to provide investors just starting in Botswana with information on which forms of investment to pursue between the two. The study adopted a statistical and descriptive research approach where a survey method was used to collect data. A sample of 10 institutional investors in real property and 10 institutional investors in shares were chosen from a population of 10 investors each. Purposive sampling technique which is a non-probability sampling technique was used to choose the respondents of the study and a structured questionnaire was used to collect both qualitative and quantitative.

Quantitative data was processed using statistical measures of variability such as mean, variance and standard deviation while qualitative data was analysed using content analysis. The findings of the study reveal that property offered better returns than shares even though it was considered riskier under the period of study. In addition, shares required less capital to invest in, they were more liquid than real estate and they offered better availability of change positions. Meanwhile it was evident that most investors in property were more comfortable with the characteristic that real property was reliable in terms of monthly paid rent compared to dividends paid to shares quarterly or yearly. The most relevant finding of the study is that real estate capital growth rate was significantly higher than that of shares.

Theoretically, FDI is concerned with direct impact on growth through capital accumulation, and the incorporation of new inputs and foreign technologies in the production function of the host country. Empirically, Neoclassical and endogenous growth models have been widely used to test those theoretical benefits of FDI. However, the results are varying. The reasons include sample selection (e.g. developed versus less developed countries), the selected estimation techniques (e.g. OLS, Granger Causality, Co-integration, Error correction models), and the selected time period, the estimation methodology (i.e. time series versus cross- section), etc.

Alfred, (2014) stated that the number one risk in foreign real estate development in Nigeria is legal hassle and bureaucratic encumbrances especially as it deals with purchase of land and development. Acquisition of legal title over land in Nigeria under the land use Act of 1978 while the development of land is done under the supervision of the Nigeria Urban and regional Planning Decree of 1992.

On effect of ownership structure risk on sustainability strategies of foreign commercial real estate investments, Dahai, Yanrui and Yihong (2010) used three different yet related models, namely, logit, tobit and ordered probit models, that correspond to three different indicators of export performance. The study found that the export performance of Chinese foreign direct investment firms is related not only to foreign capital involvement but also to the extent of foreign investors' control. Foreign controlled enterprises were found more likely to show better export performance than those controlled by domestic investors.

Iannottaa, Nocerab and Sironi (2016) studied the Impact of Government Ownership on Bank Risk using cross-country data on a sample of large European banks to evaluate the impact of government ownership on bank risk. The study distinguished between default risk (likelihood of creditors 'losses) and operating risk (likelihood of negative equity), while the analysis was based on the joint use of issuer ratings, a synthetic measure of a bank's probability of default, and individual ratings, which omit the influence of any external support and focus on a bank's operating risk. The study reported two main results. First, government-owned banks (GOBs) have lower default risk but higher operating risk than private banks, indicating the presence of governmental protection that induces higher risk taking. Second, GOBs operating risk and

governmental protection tend to increase in election years. These results are consistent with the idea that GOBs pursue political goals and have important policy implications for recently nationalized European banks.

Srairi (2015) investigated the impact of ownership structure, measured by two dimensions: nature of owners and ownership concentration, on bank risk, controlling for country and bank specific traits and other bank regulations. Particularly, it compares risk-taking behavior of conventional and Islamic banks in 10 MENA countries under three types of bank ownership (family-owned, company-owned and state-owned banks) over the period 2005-2009. The result shows a negative association between ownership concentration and risk which led to stable corporate structure. The study also found that different categories of shareholders have different risk attitudes. State-owned banks display higher risk and have significantly greater proportions of nonperforming loans than other banks.

On taxation and foreign direct investment, essentially, much of the works that actually provide empirical evidence of the effect of taxation on foreign direct investment are seen in the work of De Mooij and Ederveen (2003). They, in the effort at synthesizing various empirical researches on Taxation and Foreign Direct Investment, chronicled the efforts of pioneer and subsequent researchers in this field. They did a panel study on the study on effect of taxation on foreign direct investment done on 25 countries in the world and in the process brought into closer focus the works of Hartman (1984); Baryik (1985); Boskin and Gale (1987), Newlon (1987), Young (1988), Murthy (1989), Slemrod (1990), Grubert and Mutti (1991), Hines and Rice (1994), Jun (1994), Swenson (1994), Devereus and Freeman (1995), Hines (1996), Pain and Young (1996), Cassou (1997), Shang-Jin (1997), Devereux and Griffith (1998), Billington (1999), Broekkman and Van Vliet (2000), Gorter and Parikh (2000), Grubert and Mutti (2000), Altshuler, Grubert and Newlon (2001), Benassy-quere, Fontagne and Lahreche-Revil (2001), and Swenson (2001).

They also tangentially reviewed the works of Scholes and Wolfson (1990), Auebach and Hassett (1993), and Devereux and Pearson (1995). Thus the work of de Mooij and Enderveen (2003) reviews these empirical literatures on the impact of company taxes on the allocation of foreign

direct investment and compares the outcomes of 25 empirical studies by computing the tax rate elasticity under a uniform definition. They categorically define FDI as investments by multinationals in foreign controlled corporations such as affiliates or subsidiaries. "It consists of two broad categories: (i) direct net transfers from the parent company to a foreign affiliate, either through equity or debt, and (ii) reinvested earnings by a foreign affiliate" (de Mooij and Enderveen 2003:674).

Though FDI is generally thought to be closely related to the allocation of real capital, statistical information on FDI involves financial flows that do not necessarily correspond to the allocation of real investment. Hence FDI is comprised of several types of capital. These include: real investment in plants and equipment (PE), either in the form of new plant and equipment or plant expansions; financial flows associated with mergers and acquisitions (M&A) which is an ownership change in the absence of any real investment (and this constitutes more than 60% of FDI in developed economies according to OECD estimates); joint ventures and equity increases.

They assert that the above proper distinction is important because the different components may respond differently to taxes as Auerbach and Hassett (1993) finds out. The Mooij and Enderveen find the median value of the tax rate elasticity in the literature is around -3.3 (i.e. a 1%-point reduction in the host-country tax rate raises foreign direct investment in that country by 3.3%). Importantly, the literature review section of de Mmooij and Enderveen (2003) study shows that Hartman (1984) pioneered the work on taxation and FDI. He explains the aggregate inflow of direct investment in the United States as a ratio of GNP (K/Y) between 1965 and 1979 by the following three terms:

In (K/Y) = a1In[r (1 - t)] + a2In[r/(1 – t)] + a3In[(1 –t/)/(1 –t)]……… Equation 1

The first term on the right-hand side, In [r (1 –t)], measures the after-tax rate of return on US investment for foreign investors. This, he says, reflects the impact on new investment. While the second term, In [r/ (1 –t)], is the gross rate of return on investment in the US, reduced by the US tax on FDI. Again this reflects the effect of acquiring existing capital on which no extraordinary return is earned. The third term on the right-hand side of the equation is a relative tax term,

capturing a valuation effect. “In particular, if a tax change makes it more attractive for domestic firms to invest; it becomes more expensive for foreign investors to acquire a US firm.

The focus of Hartman’s (1984) paper is on the distinction between FDI financed out of retained earnings and transfer of funds. Hartman claims that retained earnings should be more sensitive to US taxes because mature firms will use retained earnings as the marginal source of finance (which is cheaper than transfer of new funds). Hartman’s results imply that, indeed, the tax rate elasticity for retained earnings is significant, while for transfers, the results are insignificant” (De Mooij and Enderveen 2003:678). They continued that Boskin and Gale (1987) extended the Hartman analysis by using longer time series from 1956-1984, alternative data for the rate of return, experimenting with a linear instead of a log specification but that only confirm the former’s finding.

Young (1988) also extends the Hartman work by means of not only a longer sample (1953-1984), but a different specification with a lagged investment term, and revised investment data and confirms his original conclusions and even reports positive rather than negative semi-elasticities for transfer of funds. Murthy (1989) re-estimates Young’s result by maximum likelihood estimation, rather than OLS, in order to adjust for the presence of autocorrelation. His elasticities though larger than those in Young (1988), do not result to any different conclusion even as the significance of the parameters improves.

Earlier, Newton (1987) put doubt on the likes of Hartman’s study insisting that they did not use the appropriate data for the rate of return on FDI for 1965-1973 and that there is a problem of spurious correlation. This, according to him stems from the fact that after-tax rate of return on FDI is constructed as the total earnings by foreign controlled companies, divided by invested capital. Since total earning comprises reinvested earnings and repatriations the rate of return variable therefore contains the same component as the dependent variable. He then uses alternative data but nevertheless gets the same conclusion as Hartman and his cohorts.

Slemrod (1990) criticized the earlier works by first arguing that the focus of the literature on the Hartman specification is unjustified, since it lacks a perfectly specified model and secondly that the FDI data is doubtful since they are constructed from periodic benchmark surveys. It is expected that data based on periodic benchmark would imply that the probability of mismeasurement becomes larger the further away a year is from the benchmark year. Slemrod therefore includes dummies for the gap between a year and the benchmark year and includes also a dummy for post 1974 observations, since the BEA changed the definition of FDI in that year.

Summary of the statistics of numerous studies on taxation and FDI is shown in table 3 as follows:

Table 3: Summary Statistics of the Studies on Taxation and FDI

S/N	STUDY	NUMBER OF ELASTICITIES	MEAN SEMI-ELASTICITY	MEDIAN	MAXIMUM	MINIMUM	STANDARD DEVIATION
1	Hartman, 1984	6	-2.6	-3.5	2.0	-4.0	2.3
2	Bartik, 1985	3	-6.9	-6.6	-5.7	-8.5	1.4
3	Boskin and Gale, 1987	12	-5.8	-2.7	0.3	-21.2	7.6
4	Newlon, 1987	2	-0.4	-0.4	3.5	-4.3	5.5
5	Young, 1988	12	-1.1	-2.1	5.3	-9.2	4.2
6	Murthy, 1989	4	-0.6	-0.7	0.5	-1.6	1.0
7	Slemrod, 1990	58	-5.5	-3.5	17.8	-84.5	14.4
8	Grubert and Mutti, 1991	6	-1.7	-1.6	-0.6	-3.3	1.2
9	Papke, 1991	2	-4.9	-4.9	-0.9	-8.8	5.6

10	Hines and Rice, 1994	4	-10.7	-5.0	-1.2	-31.7	14.1
11	Jun, 1994	10	-0.5	-1.3	5.9	-5.4	3.2
12	Swenson, 1994	10	1.3	2.7	5.1	-8.1	4.3
13	Devereux and Freeman, 1995	4	-1.6	-1.6	-1.4	-1.7	0.1
14	Hines, 1996	46	-10.9	-10.2	-1.1	-36.7	8.2
15	Pain and Young, 1996	6	-1.5	-1.4	-0.4	-2.8	1.2
16	Cassou, 1997	17	-7.5	-2.8	3.1	-44.7	13.5
17	Shang-Jin, 1997	5	-5.2	-5.0	-4.7	-6.2	0.6
18	Devereux and Griffith, 1998b	10	-0.8	-0.9	0.0	-1.2	0.4
19	Billington, 1999	2	-0.1	-0.1	-0.1	-0.1	0.0
20	Broekman and van Vliet,2000	3	-3.3	-3.5	-2.5	-4.0	0.8
21	Gorter and Parikh, 2000	15	-4.5	-4.3	4.2	-14.3	4.2
22	Grubert and Mutti, 2000	15	-4.0	-4.2	-1.7	-5.8	1.2
23	Altshuler, Grubert and Newton,2001	20	-2.7	-2.6	-1.4	-4.0	0.8
24	Benassy-Quere, Fontagne and Laahreche-Revil, 2001	4	-5.0	-5.0	-2.2	-7.9	3.0

25	Swenson, 2001	95	-3.9	-3.2	8.0	-29-9	8.4
		371	-4.7	-3.2	17.8	-84.5	9.0

Source: De Mooij and Enderveen (2003:682).

De Moooij and Enderveen (2005) provide a useful analysis of these empirical studies that differ mainly by the type of FDI data, the type of sample, the type of tax indicators and the specification of the empirical models. In their meta-analysis of the studies that use different data and empirical approaches, they show the typical tax elasticities of FDI in table 4:

Table 4: Summary of results from panel data

	Semi-elasticity			Elasticity			No. obs	No. sign
	Mean	Median	Std. dev.	Mean	Median	Std. dev.		
Swenson 1994	1.26	2.72	4.25	0.36	0.76	1	10	6
Jun, 1994	-0.5	-1.26	3.17	-0.15	-0.35	1.08	10	1
Devereus & Freeman, 1995	-1.56	-1.55	0.12	-0.39	-0.39	0.03	4	1
Pain & Young, 1996	-1.51	-1.38	1.22	-0.75	-0.68	0.59	6	3
Shang-Jin Wei, 1997	-5.2	-5	0.64	-1.53	-1.47	0.19	5	5
Billington, 1999	-0.1	-0.1	0.01	-0.04	-0.04	0.01	2	2

Gorter & Parikh, 2000	-4.56	-4.64	4.25	-1.3	-1.33	1.22	15	10
Broekman &Vilet 2000	-3.35	-3.51	0.77	-1	-1.05	0.23	3	3
Benassy-Quere et al.,2001	-5.03	-5.01	3.03	-0.43	-0.42	0.24	4	3
Buttner, 2002	-1.52	-1.59	0.58	-0.44	-0.39	0.22	23	12
Benassy-Quere et al. 2003	-5.37	-4.22	3.21	-1.59	-1.25	0.95	19	19
Desai et al. 2004	-0.64	-0.64	0.02	-0.19	-0.19	0.01	2	2
Stoewhase, 2005	-5.26	-4.3	2.71	-1.53	-1.27	0.79	14	11
All	-2.94	-2.51	3.51	-0.84	-0.67	1	117	78

Source: De Mooij and Ederveen (2005).

Before examining De Mooij's methodology and findings, it is pertinent to review the separate methods and conclusions of some of these seminal works, especially as they majorly were carried out during the two decades (1990s and 2000s), when foreign direct investment was heavily sought and received in most parts of the world (Altshuler, Newlon and Grubert, 2002).

2.4.1 Empirical Studies outside De Mooij and Enderveen's Meta-Analysis.

Gorter and De Mooij (2001) studied the impact of taxation on FDI. The study notes that this discourse has attracted a great deal of interest in literature. At the end of the extensive review of related literature, they summarize that; "The evidence much of which is recent, indicates that

taxation significantly influences foreign direct investment, corporate borrowing, transfer pricing, dividend and royalty payments, R&D activity, exports, bribe payments, and location choices. While taxes appear to influence a wide range of activity, the literature does not offer many subtle tests designed to distinguish different theories of the effects of taxation on multinational firms" (Gorter et al, 2001). However, the works of Benassy-Quere, Fontagne and Lahreche-Revil (2005), Dessai, Foley and Hines Jr. (2004), Devereux and Griffith (1998, and 2003), and Wolff (2006) as are subsequently shown, fill this gap.

Hristu-Varsakelis, Karagianni and Saraidaris (2011) analyzed the national social welfare effect of taxation on foreign direct investment income from the operations of a multinational enterprise. The work treats FDI as endogenous to tax policy and considers rival governments strategic behavior in the establishment of international tax policy. It argues that home and host countries will tax strategically so that the combined burden of their taxes is not prohibitive to FDI. The work further overturns the traditional opinion that tax exemption of FDI income is preferred to a tax credit since taxation of FDI falls on pure economic profits resulting in identical effects on firm-level production and pricing as well as the international distribution of profits and tax revenues. Hence either form of double taxation relief affords primary taxing authority to the host government.

Bénassy-Quéré, Lahrèche-Revil and Fontagné (2003) test the effectiveness of tax policy in attracting foreign direct investment and examined differences in tax policies between developed and developing countries. They extensively reviewed the works of Root and Ahmed (1979), Lung (1980), Agarwal (1980), Schneider and Frey (1985), Grubert and Mutti (1989) which were based largely on the neoclassical profit-maximization theory and focused on multinational firm behavior. According to them these works studied the linkage between tax and various decisions of the firm to examine how international differences in taxes influence a firm's investment levels, financial structure, production, trade and transfer pricing.

They all agree that tax factors are not the most important variables in the investment decision. Characteristics of a country such as market size, cost of labor, and availability of infrastructure

often appear as the top-ranked variables in surveys of investors about alternative investment locations. However, this does not mean that tax plays no role in a firm's investment decisions. Perhaps, another evidence of the lacuna this study expects to fill can be found in the work of Gorter and Parikh (2000). In their review, Gorter and Parikh (2000) argue that there are almost no comparative tax studies that explore systematically differences between tax policies of developed and developing countries. Similarly, studies of tax competition have been limited to developed countries, such as those by Feldstein (1983), Gravelle (1986), Tanzi (1987), Bossons (1988), and Fieleke (1988), Xiaohong and Guisinger (1993).

Gorter et al (2000) thereafter tested five hypotheses among which are: the sensitivity of FDI to tax rates is higher for developed countries than for developing countries; and FDI is sensitive to both the host country tax rate and the country group relative tax rate. These two hypotheses are derived from the neoclassical theory of investment developed by Dale Jorgenson (1963) which asserts that the supply of investment is a function of the cost of capital goods, interest rates, cost of equity, and corporation tax rates. Hence reduction in the corporate tax rate lower the user cost of capital and increase investment. They therefore, use the hypotheses to test for relations between reductions in corporate tax rates and investment inflows.

Gorter et al (2000) also used U.S. outward investment data (1968-1982) which were sourced from "Data on assets, taxes and income before taxes of controlled foreign corporations: Statistics of Income: U.S. Corporations and their Controlled Foreign Corporations, Internal Revenue Service, all available issues 1962-1998; and Gross national product (GNP) per capita data: World Development Report, World Bank, various issues". The measure of the host country tax rate used in their study is the effective tax rate which is expressed as the ratio of net foreign income taxes paid to current foreign earnings and profits before taxes. The effective tax rate is a more realistic notion than the statutory tax rate, because it reflects taxes paid after allowances, exemptions, and deductions. "The rates were calculated for each of the 65 countries for the years 1968, 1972, 1974, 1976, 1980, and 1982 (the only years in which data were available)" (Gorter et al, 2000).

Swenson (2000) used multiple regression models to the tax sensitivity hypotheses to examine the effect of taxation on FDI with the tax variable serving as the major independent variable. Her findings confirm what other researchers have doubted – that FDI is sensitive to changes in tax rates. Again, tax sensitivity is greater in developed countries than in developing countries. The work however suggests that developing countries should not use tax policy as a means of attracting FDI.

Agostini (2004) examined the effects of state corporate income taxes on the location of foreign direct investment in the U.S., taking into account the endogeneity of taxes and the outside options of investors. He notes that "states have a set of characteristics that influence investors' decisions, some of them are not observable by a researcher but states take them into account when they set taxes. States can also act strategically with respect to other states when setting taxes. The former behavior biases the estimated tax effects because it creates correlation between the error term and the tax rate. The latter behavior directly implies an endogenous tax rate", (Agostini, 2004).

He therefore adopted a discrete choice model of differentiated products to estimate the tax effects. That is a Logit Model of demand adapted from the discrete-choice literature to investigate the effects of corporate taxes on investment location. He actually compares the expected after tax returns of different investors in different location choices insisting the firms would make greater investment in locations where after tax returns would be maximized. He concludes thus: "Overall, FDI in manufacturing was found to be quite sensitive to states' corporate tax rates. The estimated tax elasticity is estimated consistently around -1" (Agostini, 2004).

Ramb and Weichenrieder (2005) analyze the financial structure of German inward FDI through a panel study of more than 8,000 non-financial affiliates in Germany. "On average, some 25% of the balance sheet total of these firms was financed by intra-company loans in 2001 and for affiliates that are directly held by a foreign investor, cross-border intra-company loans account for 20% percent of balance sheet total. Tax rate differentials are frequently named as a possible

explanation for this strong role of intra-company loans in financing foreign subsidiaries in Germany" (Ramb and Weichenrieder, 2005:20). The study provides limited evidence that the home tax rate of the foreign parent is important for the amount of intra-company loans but this does not imply that foreign affiliates that operate in Germany do not use financial strategies to save taxes. They concluded that High German taxes are partly responsible for the high levels of intra-company loans but taxation does not fully explain the high levels of intra-company borrowing.

Wolff (2006) estimates the effect of taxes on foreign direct investment flows and on three sub-components of these flows for countries of the enlarged European Union. He reviews the work of Blonigen (2005) who provides a survey of the two main motives of FDI; namely that vertical FDI serves to allocate different steps of the production to those countries, where the corresponding production costs are lowest, while horizontal FDI represents just a duplication of the entire production process to a second country in order to be closer to the foreign market (Wolff, 2006). He equally reviews the work of De Mooij and Ederveen (2003) who report a median semi-elasticity of FDI to taxes of -3 and document a wide range of empirical estimates as discussed earlier.

The work also chronicles important recent contributions to include: Benassy-Quere, Fontagne, and Lahreche-Revil (2005), Dessai, Foley, and Hines Jr. (2004), and Devereux and Griffith (1998, and 2003). Wolff (2006:1) says "So far, almost all studies on the empirical effects of taxes on FDI either focus on the discrete decision to invest, or on the amount of investment. Buettner and Ruf (2004), for example, studying how far discrete location decisions are affected by taxes with a panel of German multinationals found that the statutory tax rate significantly influences the probability to locate in a country". He further reviews that Benassy-Quere, Fontagne, and Lahreche-Revil (2005), on the other hand, estimate the reaction of FDI flows to corporate taxation in a gravity model of 11 OECD countries abstracting from the discrete location decision problem and the authors find that tax differences negatively affect FDI flows.

Desai and Dharmapala, (2007) noted that investors can access foreign diversification opportunities through either foreign portfolio investment (FPI) or foreign direct investment (FDI). By combining data on US outbound FPI and FDI, they analyzed whether the composition of US outbound capital flows reflect efforts to bypass home country tax regimes and weak host county investor protections. "The cross-country analysis indicates that a 10% decrease in a foreign country's corporate tax rate increases US investors' equity FPI holdings by 21%, controlling for effects on FDIL this suggests that the residual tax on foreign multinational firm earnings biases capital flows to low corporate tax countries toward FPI. A one standard deviation increase in a foreign county's investor protections is shown to be associated with a 24% increase in US investors' equity FPI holdings…Investors appear to alter their portfolio choices to circumvent home and host country institutional regimes" (Desai et al, 2007).

There have been studies on the relationship between Foreign Direct Investment (FDI) and economic growth. Lall (2002) opined that FDI inflow affects many factors in the economy and these factors in turn affect economic growth. This review shows that the debate on the impact of FDI on economic growth is far from being conclusive. The role of FDI seems to be country specific and can be positive, negative or insignificant, depending on the economic, institutional and technological conditions in the recipient countries. For instance, Solomon and Eka (2013) investigated the empirical relationship between Foreign Direct Investment and economic growth in Nigeria. The work which covered a period of 1981-2009, used an annual data from Central Bank of Nigeria statistical bulletin. A growth model via the Ordinary Least Square method was used to ascertain the relationship between FDI and economic growth in Nigeria. The result of the OLS techniques indicated that FDI has a positive but has insignificant impact on Nigerian economic growth for the period under study. Alejandro (2010) explained that FDI plays an extra ordinary and growing role in global business and economics. It can provide a firm with new markets and marketing channels, cheaper production facilities access to new technology products, skills and financing for a host country or the foreign firms which investment, it can provide a source of new technologies, capital processes products, organization technologies and management skills and other positive externalities and spillover that can provide a strong impetus to regional economic growth.

Analysis on the empirical studies on the relationship between foreign direct investment and economic growth between 1999 and 2012 was tabulated by Mohammad A. A. and Mahmoud K. as shown in tale 5 below:

Table 5: Relationship between foreign direct investment and economic growth.

FDI effect on EG Significant (Positive)	Source	Date span	Empirical	Remark
	Manuchehr and Ericsson (2001a)	Demark, Finland Sweden, and Norway 1970-1997.	Lag-augmented Vector autoregressi on	FDI to growth Causality for Norway
	Nari Reichert and Weinhold (2001)	24 developing Countries 1970-1997	Mixed fixed and Random Coefficient Approach	FDI on average has a significant impact on the relationship is heterogeneous across countries
	Choe (2003)	80 developed and Developing countries 1971	Granger causality Test of Hoilz-Eakin	FDI Granger causes economic growth
	Chowdhury and Mavrotas (2006)	Chile, Malaysis And Thailand 1969- 2000	Lag-augmented Vector autoregressio	Bidirectional causality in Malaysia and Thailand
	Sheikh (2010)	47 developing Countries 1981-1999	Lag-augmented vector autoregression	Positive in Manufacturing sector
	Griffiths and Sapsford (2004)	Mexico 1970-1999	OLS regression	Two-period lag of FDI was found significant in the period 1980-1999
	Chakraboty and Nunnenkamp(2006)	India 1987-2000	Granger causality tests co-integration.	Bidirectional causality in manufacturing sector
	Al-iriani	Bahrain, Kuwait	Granger	Bidirectional

	(2007)	Oman, Saudi Arabia and United Arab Emirates 1970-2004	causality test of Holtz-Eakin	causality between FDI and economic growth
	Sheikh (2010)	Malaysia 1970-2005	OLS regression	There is significant relationship between economic growth and foreign direct investment inflows(FDI) in Malaysia
	Faras and Ghali (2009)	GCC countries 1970-2006	Test results for unit roots and test results for unit roots	The significant existence of the importance and contribution of FDI inflows to economic growth
	Umoh, Jacob and chuku (2012)	Nigeria 1970-2008	Single and simultaneous equation system	There is positive feedback from FDI to growth and from to FDI in Nigeria
Weak	De Mello (1999)	32 developed and developing countries 1970-1990	Stationary test	Weak evidence for FDI effect on economic growth
Null	Manuchehr and Ericsson (2001)	Denmark, Finland Sweden, and Norway	Lag- augmented vector autoregression	NO causal relationship for Finland and Denmark
	Chowdhury and Mavrotas (2006)	Chile, Malaysia, and Thailand 1969 -2002	Lag-augmented vector regression	No relationship in chile
	Chakraborty and Nunnenkamp (2006)	India 1987-2000	Granger causality tests conitegration	No causal relationship in primary sector
	Sarkar(2007)	51 lesser developed countries 1970-2002	OLS fixed and random effect regressions Autoregressive distributive lag approach.	In the majority of cause there is no long term relation between FDI and economic

				growth
Negative	Skaikh (2010)	47 developing countries 1981-1999	OLS regressions.	Negative effect in primary sector
	Khaliq and Noy (2007)	Indonacsia 1998-2006	OLSfixed regression	Negative effects on growth in the mining and quarrying sector

Table 5 shows that foreign direct investment has a significantly positive effect on the economic growth of most the countries including Nigeria; it has a weak effect in 32 developed and developing countries. There was no long-term effect of foreign direct investment on the economic growth in some countries like Finland, Denmark and Chile. Whereas, a negative effect was recorded in the primary sector as well as in the mining and quarrying sector of the economic growth in some developing countries like Indonesia. It must be noted that the factors that affect economic growth are similar to those that affect real estate investments such that the behavior of FDI to economic growth is similar to its behavior to real estate investment. These factors include adequate human capital, good financial market development, large involvement in exportation of goods and services, open trade regimes and quality of the political environment. As foreign direct investment increases the economic growth of a country, it provides a luxurious environment for real estate investment and sustainability.

2.5 Gap in Literature

Many of the studies relating to foreign direct investment in commercial real estate performance carried out in many parts of the world were done under social, economic and political situations different from the Nigerian situation. Therefore, their adoption to Nigerian situation cannot provide a perfect explanation to Nigerian's foreign controlled commercial property market situation. The outcome of such researches can only be used as guides to solving problems in Nigeria. To solve problems of determining the performance of foreign direct investment in

commercial real estate in Nigeria, there is a need for local researches to unravel the peculiarity of our country's situation.

Where there were other indigenous studies such as Udobi et al. (2018), Mba (2009), Bello et al. (2018), Bello (2012), Amidu, Aluko, Nuhu and Saibu (2008), Olaleye and Ajayi (2009), and Adegoke (2009), they either consider the performance of property investment in general, indirect property investment or residential property investment and stocks. None of these available indigenous studies has examined the disparities between the performances of FDI in retail commercial real estate investments like malls from a global benchmark and local perspective as considered in this study. This lacuna is most especially felt in the study area. This presents an empirical gap the study attempted to fill.

Figure 5: DIAGRAMMATIC SUMMARY OF THE CONCEPTUAL FRAMEWORK

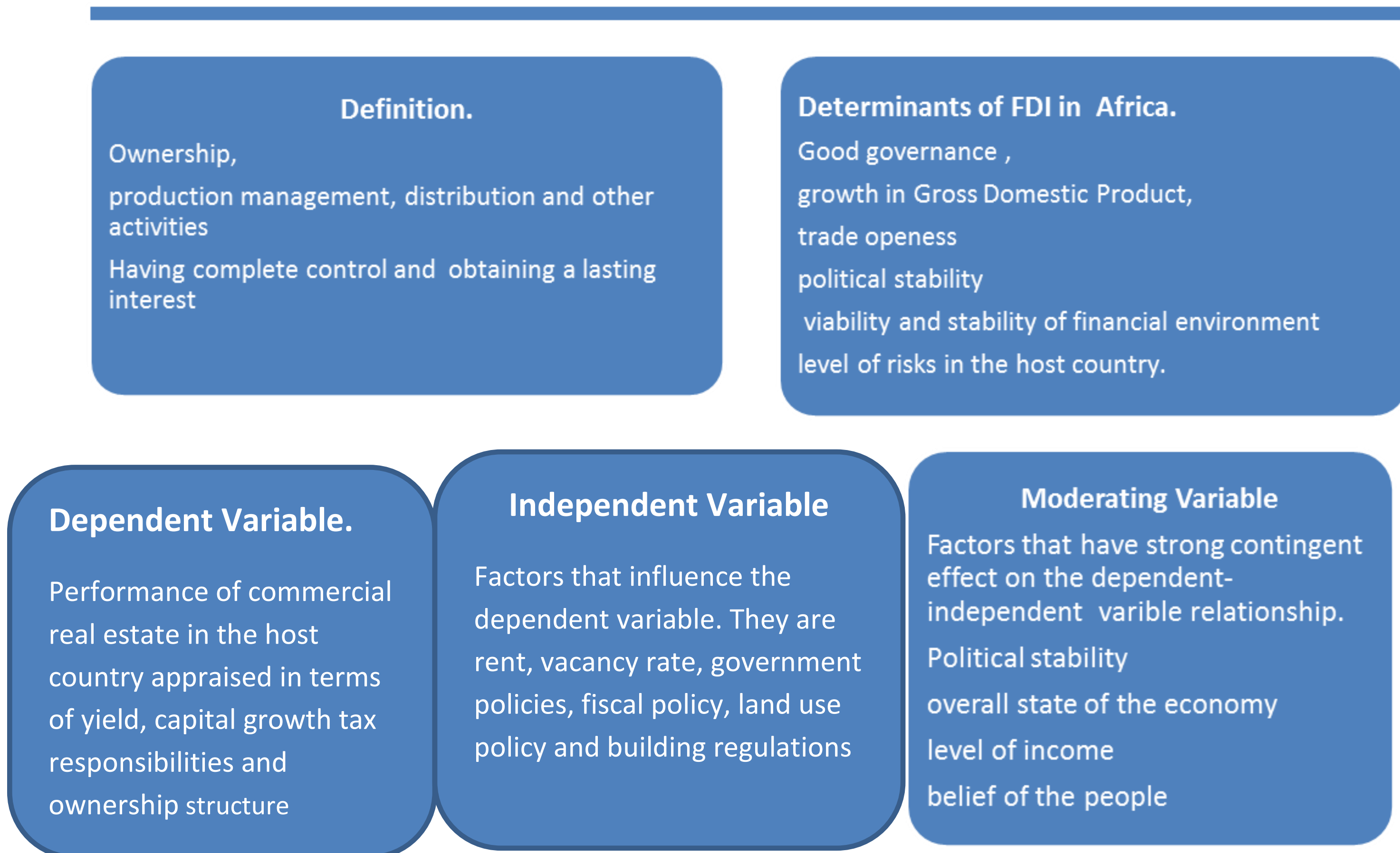


Figure 6: DIAGRAMMATIC SUMMARY OF THE PERFORMANCE APPRAISAL.

PERFORMANCE APPRAISAL.

This is viewed in terms of

measurement of returns from the investment and

the capital value of the investment as against a set standard and or objectives.

Factors that affect returns on FDI are;
-depreciation
-capitalisation rates, operating and capital expenses
-cash flow
-supply and demand
-changes in rent and vacancy rates
-human behavior and economic activity.

Fraser (1996)

Net rental income yield is appropriate unit of comparing the performance of properties.

Lidonga (2015)

Basis of evaluaton of performance are;

rental yield and capital appreciation,pay back period, profit margin and risks.

De Mooji and Endervees (2003).

Though FDI is quiet sensitive to corporae taxes, taxation does not significantly affect the overall performance of FDI

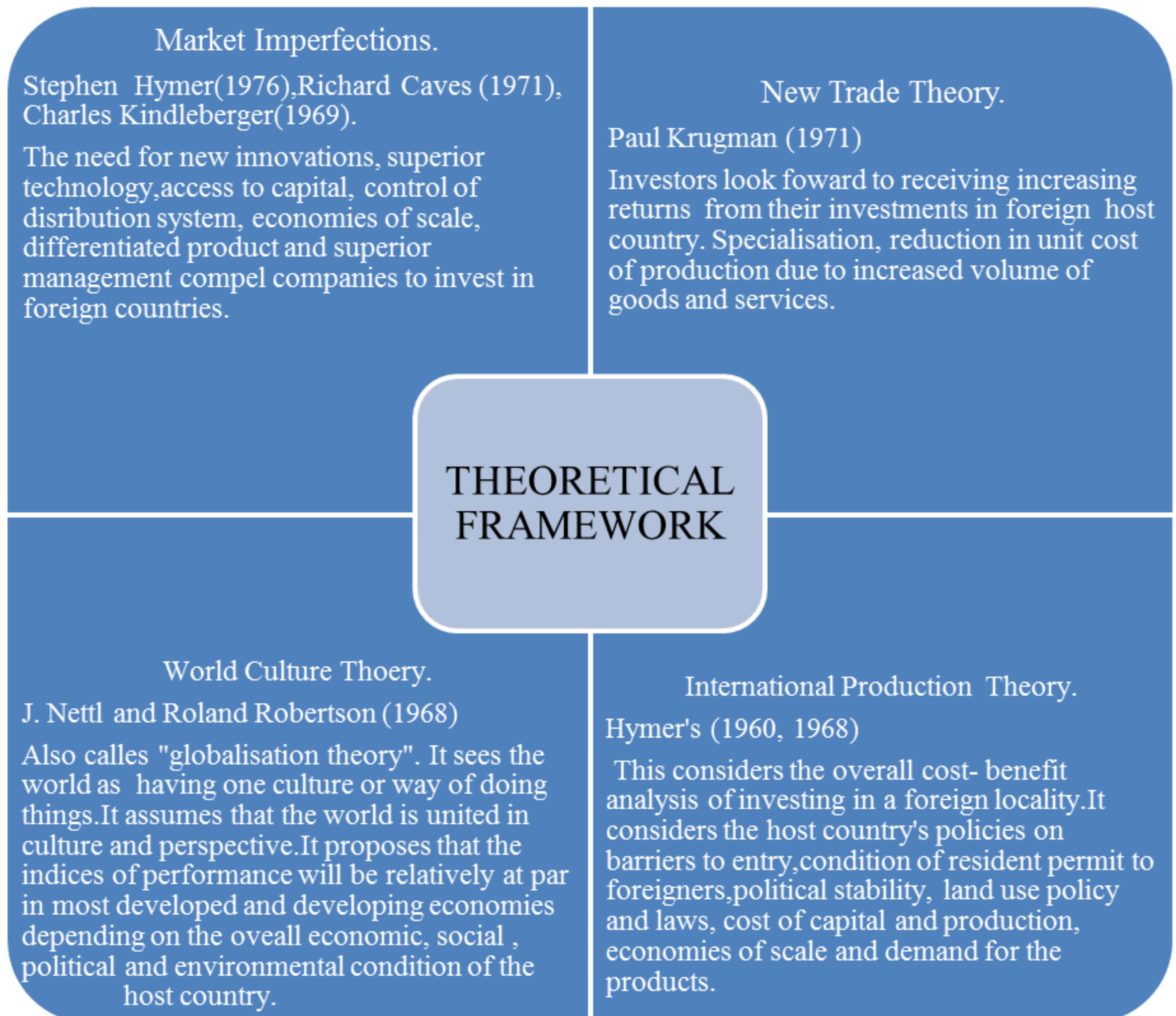
Alfred (2014)

Acquisition of legal title over land and the obtaining of building approval in Nigeria is costly and cumbersome.

Dahai, Yanrui and Yihong (2010).

Foreign controlled enterprises performed better than domestic owned enterpriese

Figure 7: DIAGRAMMATIC SUMMARY OF THE THEORIES USED IN THE STUDY.



CHAPTER THREE

METHODOLOGY

3.1 Research Design

The study used the survey approach as it adopted the use of a sample in generalizing data from a large population, and reported on ongoing events in the study area. As the research problem bothered on current issues, the suitable framework was the approach that described the current issues from data gathered through a survey of foreign commercial real estate investments in Lagos and Abuja, Nigeria. This necessitated the use of quantitative research methods in testing the hypotheses of the study. Rental incomes and Capital values of the commercial real estate investments were collected and used for the calculations of yield and capital growth rate of the properties used. Tax rates from the Federal Inland Revenue Services and results from the questionnaire were used to analyse the effects of tax and ownership structure on the investments.

3.2 Sources of Data

Two sources of data were utilized in the study. The study which was on current issue with historical antecedents demanded primary and secondary sources of data.

3.2.1 Primary Source

The primary source of data for the study was obtained through the use of a questionnaire which was issued by hand and mail delivery. Data was collected on how the nature of the title document of the real estate affects the decisions of the investors; how the threat of revocation of title document affects the strategic planning of the investor and if the difficulty in obtaining governor's consent to access mortgage transactions, difficulty in obtaining long term leases and payment of ground rents including how delay in obtaining town planning approval affect the investors' decisions.

3.2.2 Secondary Sources

The secondary sources of data were obtained from the statistical records of the Federal Inland Revenue Service and National Bureau of Statistics, and financial records of the commercial real estate investments in the study area. Data was collected on the rents passing for rental values the recent sales made for similar property within their locations for capital values.

3.3 Population of the Study

The population of the study comprises of 17 foreign controlled commercial real estates which were used to proxy foreign controlled commercial properties across Lagos and Abuja, Nigeria. These will represent all the foreign controlled commercial real estates in Lagos and Abuja, Nigeria. These are shown in Table 6.

Table 6: Population Distribution of Foreign Controlled Commercial Properties in the Study Area.

Foreign Controlled Commercial Property	Location	Foreign Direct Investor
Church Gate Towers	Abuja	Church Gate Group
Luxury Hotel	Abuja	Church Gate Group
Church Gate Towers	Lagos	Church Gate Group
Landmark Towers	Lagos	Landmark Group
World Trade Center	Abuja	Church Gate Group
Sheraton Hotels	Abuja	Starwood
Sheraton Hotels	Lagos	Starwood
Le Meridian	Lagos	Starwood
Le Meridian	Abuja	Starwood
Lekki Peninsula Mall	Lagos	Novare Private Partners
Osapa Convenience Centre	Lagos	RMB Westport
Ikeja City Mall	Lagos	RMB Westport
Ceddi Plaza	Abuja	Ceddi Corporations/ Cluttons International
Capital Mall	Abuja	Church Gate Group
Jabi Lake Mall	Abuja	Actis Duval
Festival Mall	Lagos	UAC Properties

Source: Field Survey (2018)

Table 6 shows the 17 foreign controlled commercial real estates which are used in this study to represent all the foreign controlled commercial real estates in Lagos and Abuja, Nigeria.

3.4 Sample Size Determination

Due to the manageable nature of the population, total enumeration sampling was used in the study. Worthy to note that the seventeen (17) commercial real estate used in the study, were used to represent the foreign controlled commercial real estate in the study areas.

3.5 Method of Investigation

In order to arrive at the result and conclusion of the study, the study collected secondary data on the returns profile of the commercial real estate investments in an attempt to fulfill objectives 1, 2 and 3. An Effect of Ownership Structure Risk on Sustainability Strategies of Foreign Commercial Real Estate Investment Questionnaire was issued to the management of the commercial properties under study as a primary source of information.

3.6 Validity of the Instrument

The empirical validity was applied to test the concurrent and predictive nature of the instruments. The correlation coefficient is 0.80, so it is good. Two line periods were adopted to measure the predictive validity. The test at different periods according to Osuala (1987) as quoted by Ogbuoshi (2006) helped in getting the coefficient.

3.7 Reliability of the Instrument

The internal consistency reliability of the instrument was tested using the Cronbach's alpha reliability coefficient. Stating obvious, Cronbach's alpha is not a statistical test but it is a coefficient of reliability. It was used in this study because it is used in the assessment of a set of scale or items against a set standard. The Cronbach's alpha coefficient, following the conduct of a pilot test yielded positive that is 0.85, so, coefficient is good for the study. See Appendix III

3.8 Methods of Data Presentation and Analysis

The study is an empirical study. Efforts were made to employ appropriate statistical methods of presentation and analysis. Frequency tables and simple percentages were utilized in presenting the data. The hypotheses were statistically tested using t-test of the difference between two means, and Pearson Product Moment Correlation Coefficient. For the T-test, the two means comprise evidence from Nigeria and global benchmark. The mean values of the appropriate indicators were calculated and compared. The significance of the difference was tested using the T-test. The T-test is an inferential statistics used to determine whether there is a significant difference between the means of two groups. It is appropriate in this study since the difference between the means of the set standard and that of the data collected were tested and the sample size is small. The Pearson Product Moment Correlation Coefficient was utilized because enable me to measure the strength between variables and relationships and to determine the strength of the relationship between two variables.

Analysis of Hypothesis 1

In testing hypothesis 1, that there is no negative variance between the yield of foreign commercial real estate investment in Nigeria and the international benchmark yield for commercial real estate investments. The researcher presented the annual rental values and the annual capital values of the 17 commercial real estate investments used in the study for the period covered by the study, that is, 2006 - 2017. Then the using the equation,

$$\text{Yield (i)} = \frac{\text{Annual rental value}}{\text{Current capital value}} \times 100\% \quad \text{…………… Equation 2}$$

the yield for each year was calculated.

The average yield was calculated and the researcher arrived at a value. The result was compared with the yield for international benchmark.

Analysis of Hypothesis 2

In testing hypothesis 2, that there is no negative variance between capital growth rate of foreign commercial real estate assets in Nigeria and the international benchmark for commercial real estate investments. The researcher the capital values of the investments for the period under study, then using the equation, Capital Growth Rate

$$\mathbf{CGR = \frac{CV_1 - CV_0}{CV_0} \times 100\%} \text{.....................} \quad \textbf{Equation 3}$$

Where: CGR is Capital Growth Rate

CV_1 is the Capital Value for Current Year

CV_0 is the Capital Value for Previous Year.

The capital growth rate for each of the succeeding year was deduced. The mean of the capital growth rates was calculated and the researcher arrived at a value. This mean value was placed side by side with the value for the international benchmark for capital growth rate of commercial real estate investments.

Analysis of Hypothesis 3

In testing hypothesis 3, that there is no negative variance in the mean score of FDI tax responsibilities in Nigeria and the international benchmark. The researcher presented data on Capital Income Tax, Capital Growth Tax Rate and Education Tax from 2006 - 2017. The hypothesis was tested in Chapter four using t-test.

Analysis of Hypothesis 4

In testing hypothesis 4, that ownership structure risk has no significant effect on sustainability strategies of foreign commercial real estate investments in Nigeria. The researcher distributed questionnaire to Corporate Real Estate Managers of real the malls under the study. The responses got were presented and discussed using percentages and tested using Pearson Product Moment Correlation Coefficient.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter dealt with the presentation and analysis of the data obtained from the primary and secondary sources in the 17 commercial real estates under study. The study was conducted to appraise the performance of foreign direct investment in commercial real estate in Lagos and Abuja, Nigeria. The presentation and interpretation of data were based firstly, on the financial records and accounts of the estates with respect to objectives 1 to 3; secondly, on questionnaire administered to the management staff of the commercial real estates with respect to objective 4. The latter was done with the use of a Likert scale structured questionnaire. The Likert scale was used because of its usefulness in measuring respondent's agreement with a variety of statement. A total of seventeen (17) copies of the questionnaire were distributed, all of the seventeen questionnaires were fully completed and returned. This is shown in Table 7.

4.1 Distribution and Collection of the Questionnaire.

Table 7 shows data on the distribution of the study questionnaire and the return rate. Questionnaire was used to collect data on research question 4 which elicited the use of primary data.

Table 7: Distribution and Collection of Questionnaire

	Frequency	**%**
No Returned	17	100%
No Not Returned	-	0%
Total Distributed	17	100%

Table 7 shows that 17 copies of the questionnaire were distributed; all of the 17copies representing 100% were returned. Therefore, the valid number of the questionnaire for the study was 17.

4.2 Presentation of Secondary Data

The study used secondary data obtained from the financial records of foreign direct investment in commercial real estate investments under study.

4.2.1 Trend in Rental Values of Commercial Real Estate in Lagos and Abuja

Trend in rental values of the foreign controlled commercial real estates were shown in Table 8.

Table 8: Summary of trend in Rental Values/Cash Inflow of the foreign owned commercial real estates.

Year	Rental Value/Cash inflow (₦) 'million
2006	95
2007	95
2008	95
2009	109
2010	109
2011	109
2012	122
2013	122
2014	122
2015	135
2016	135
2017	135

Table 8 shows that there is progressive increase in rental values of the foreign owned investment in commercial estate investments in Lagos and Abuja. However, this increase was recorded in triennial periods. Also, the rate of growth is not constant but varies whenever it occurs.

4.2.2 Trend in Capital Values of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja

The capital values of the properties under study were presented in Table 9.

Table 9: Summary of trends in Capital Values of Foreign Owned Commercial Real Estate Investments under study.

Year	Capital Value (₦) 'billion
2006	1.0
2007	1.45
2008	1.97
2009	2.57
2010	3.42
2011	3.71
2012	4.42
2013	5.56
2014	6.98
2015	6.93
2016	6.99
2017	7.28

Table 9 shows the capital values of foreign direct commercial real estate investments in Lagos and Abuja, Nigeria. The data shows a steady increase in capital values till year 2015 where a

drop was recorded. Estate Surveyors and Valuers in the area opined that the drop was triggered by the political instability in the country preceding the 2015 general elections.

4.2.3 Measuring the Yield Trend from Foreign Owned Commercial Real Estate Investments in Lagos and Abuja

For convenient calculation of the investment yield, Table 10 shows an amalgamation of the rental and capital values data of the investments.

Table 10: Merged Rental and Capital Values Data of the commercial real estates.

Year	Rental Value/Cash inflow (₦) ’million	Capital Value (₦) ’billion
2006	95	1.0
2007	95	1.45
2008	95	1.97
2009	109	2.57
2010	109	3.42
2011	109	3.71
2012	122	4.42
2013	122	5.56
2014	122	6.98
2015	135	6.93
2016	135	6.99
2017	135	7.28

Table 10 shows the rental and capital values of the commercial real estate investments under review with uniform dates for convenient calculation of the yield per annum.

In consistent with the work of Fraser (1996), the yield of foreign direct commercial real estate investment consists of the rent passing net of ground rent (NR) expressed as a percentage of the gross capital value(GCV) at the same date. This is expressed in Equation 2 at page 110.

Table 11 shows the yield trend of foreign owned commercial real estate investments in Lagos and Abuja as obtained from their financial records for the period 2006 - 2017.

Table 11: Yield Trend of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja

Year	**Rental Value/Cash inflow (N) 'million**	**Capital Value (N) 'billion**	**Yield (%)**
2006	95	1.0	9.5
2007	95	1.45	6.6
2008	95	1.97	4.8
2009	109	2.57	4.2
2010	109	3.42	3.2
2011	109	3.71	2.9
2012	122	4.42	2.8
2013	122	5.56	2.2
2014	122	6.98	1.7
2015	135	6.93	2.0
2016	135	6.99	1.9
2017	135	7.28	1.9
AVERAGE	**115.25**	**4.36**	**3.64**

Table 11 shows the yield trend of foreign controlled commercial real estate investments in the study areas which indicates a dip in the rate of return of these properties.

From the data in Table 10, the average yield for the period in review is calculated thus in Equation 4:

$$\textbf{Average Yield} = \frac{\Sigma i}{n} \quad \text{.......................Equation 4}$$

Where Σi is the sum of the yields in percentage

n is the number of years under review

$$= \frac{9.5 + 6.6 + 4.8 + 4.2 + 3.2 + 2.9 + 2.8 + 2.2 + 1.7 + 2.0 + 1.9 + 1.9}{12}$$

$$= 3.6\% \text{ approximately } 4\%$$

Therefore, average yield of foreign direct commercial real estate investment in Lagos and Abuja is 4%.

4.2.3 Measuring the Capital Growth Rate of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja.

Capital growth rate measures the change in asset capital value over a period of time, relative to the capital employed. This measure of the ‘growth’ component of performance is based on the change in value for properties held at the start and end of an analysis period (2006 - 2017). In the measurement of capital growth rate, the study took account of actual transaction prices for bought or sold assets where applicable. Otherwise, data in this respect was sought from the valuation reports of Estate Surveyors and Valuers in the study area. The calculation is net of any capital expenditure and receipts over the period (Baum, 2009) and is expressed this Equation 3 at page 111.

The result is further displayed in Table 12.

Table 12: Results of the Capital Growth Rate of Foreign Owned Commercial Real Estate Investments under study.

Year	Capital Value (₦) 'billion	Capital Growth Rate (%)
2006	1.0	-
2007	1.45	45
2008	1.97	35.9
2009	2.57	30.5
2010	3.42	33.1
2011	3.71	8.5
2012	4.42	19.1
2013	5.56	25.8
2014	6.98	25.5
2015	6.93	-0.7
2016	6.99	0.9
2017	7.28	4.2

Table 12 shows the capital growth rate of the estates under study. Figures in Table 12 shows that the trend of growth is undulated, inferring a volatile market for the properties concerned.

From the data in Table 12, the mean capital growth rate for the period under review is calculated thus as shown in Equation 5 (Baum, 2009):

$$\text{Mean CGR} = \frac{\Sigma CGR\ (\%)}{n} \quad \text{..................Equation 5}$$

Where: Mean CGR is the average capital growth rate

ΣCGR is the sum of the capital growth rate in percentage

n is the number of years under review

$$= \frac{45.0 + 35.9 + 30.5 + 33.1 + 8.5 + 19.1 + 25.8 + 25.5 + (-0.7) + 0.9 + 4.2}{11}$$

$$= 20.7\% \text{ approximately } 21\%$$

Therefore, the capital growth rate of foreign direct commercial real estate investment in Lagos and Abuja is 21%.

4.3 FDI Tax Responsibilities in the Study Area

In examining the tax obligations of foreign direct commercial real estate investments in Lagos and Abuja, the study presented data obtained from the Federal Inland Revenue Service in Table 13.

Table 13: Tax Rate Levied on Foreign Direct Commercial Real Estate Investments in Lagos and Abuja.

YEAR	INCOME TAX (%) (CIT)	CAPITAL GROWTH TAX RATE (%) (CGT)	EDUCATION TAX (%) (ET)
2006	30	10	2
2007	30	10	2
2008	30	10	2
2009	30	10	2
2010	30	10	2
2011	30	10	2
2012	30	10	2
2013	30	10	2
2014	30	10	2
2015	30	10	2
2016	30	10	2
2017	30	10	2

Source: Federal Inland Revenue Services (2018)

From Table 13, it is evident that foreign owned commercial real estate investments in Nigeria are charged a Capital Income Tax (CIT) rate of 30% of profits, while the Capital Growth Tax (CGT) rate is 10%. Likewise, Education tax (ET) of 2% of assessable profits is imposed on all companies incorporated in Nigeria, thus, includes the commercial real estate investments under study. Assessment and payment of education tax are done together with the assessment and collection of the CIT.

4.4. Effect of Ownership Structure Risk on Sustainability Related Strategies of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja.

The study utilized a questionnaire eliciting responses from Corporate Real Estate Managers of the malls under the study. This is presented in Table 14.

Table 14: Effect of Ownership Structure Risk on Sustainability Related Strategies of Foreign Owned Commercial Real Estate Investments in Lagos and Abuja.

S/N	Effect of Ownership Structure Risk on Sustainability Strategies of Foreign Commercial Real Estate Investments in Nigeria	SA (%)	A (%)	UD (%)	D (%)	SD (%)	Total (%)
1	Nature of title document of the estate is a fixture of the diversification decision tree analysis	10 (59%)	5 (29%)	0 (0%)	2 (12%)	0 (0%)	17 (100%)
2.	Threat of revocation of title for public overriding interest is a key consideration in corporate-level strategic planning	5 (29%)	5 (29%)	0 (0%)	4 (24%)	3 (18%)	17 (100%)
3	Need for government assent on mortgage accessibility influences the sustainability design for stable cash flow	7 (41%)	8 (47%)	0 (0%)	1 (6%)	1 (6%)	17 (100%)
4	Difficulty in obtaining title significantly affects the expansion plans of the company	6 (35%)	6 (35%)	1 (6%)	4 (24%)	0 (0%)	17 (100%)
5	Structured long term leases affect environmental scanning aimed at improving revenue potential	4 (24%)	4 (24%)	3 (18%)	4 (24%)	2 (10%)	17 (100%)
6	Ground rent payments have a significant effect on cash flow of the commercial real estate .	0 (0%)	1 (6%)	3 (18%)	8 (47%)	5 (29%)	17 (100%)
7	Delay in assessing town planning authorization /approval has a negative influence in making improvements on the mall.	6 (35%)	9 (53%)	1 (6%)	1 (6%)	0 (0%)	17 (100%)

From the result of the analysis as shown in Table 14, it could be seen that 59% of the respondents strongly agreed that nature of title document of the estate is a fixture of the

diversification decision tree analysis, 29% agreed with this view, 0% of the respondents were undecided, 12% disagreed while 0% strongly disagreed with the assertion.

From Table 14 also, it could be seen that 29% of the respondents strongly agreed that threat of revocation of title for public overriding interest is a key consideration in corporate-level strategic planning, 29% agree to the assertion, 24% disagreed while 3% strongly disagreed, with none undecided.

The result of the analysis as shown in Table 14 demonstrates that 41% of the respondents strongly agreed, 47% agreed, 0% were undecided, 6% disagreed while 6% strongly disagreed that need for government assent on mortgage accessibility influences the sustainability design for stable cash flow.

The result of the analysis as shown in Table 14 reveals that 35% of the respondents strongly believed that difficulty in obtaining title significantly affects the expansion plans of the company, 35% were in affirmative while 6% of the respondents were undecided. On the other hand, 24% of the respondents do not believe the assertion while 0% expressed this sentiment strongly.

Table 14 shows that 24% of the respondents agreed that structured long term leases affect environmental scanning aimed at improving revenue potential. 24% agreed; 18% were undecided; 24% indicated that they disagreed while 10% of the respondents indicated that they strongly disagreed.

Table 14 also is indicative of the fact that none of the respondents (0%) strongly averred that ground rent payments have a significant effect on cash flow of the commercial real estate. 6% of the respondents agreed to this assertion, and18% were undecided. However, 47% of the respondents indicated that they disagreed that ground rent payments have a significant effect on cash flow of the commercial real estates, while 29% of the respondents expressed this disagreement strongly.

On the issue of whether delay in assessing town planning authorization has a negative influence in making improvements on the commercial real estates, Table 14 shows that the responses were as follows – 35 % of the respondents strongly agreed, 53% agreed, 6% were undecided, 6% disagreed, while none of the respondents representing 0% strongly disagreed.

4.5 Test of Hypotheses

Analyses and the results of the test of hypotheses formulated to answer the research questions that guided the study were presented as follows:

4.5.1 Test of Hypothesis One.

Null Hypothesis One states that, there is no negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments. This was tested with T-test as follows:

Table 15: Descriptive Statistics

Group Statistics					
		N	Mean	Std. Deviation	Std. Error Mean
Yield	Global FDI Benchmark	17	0.057	13.52836	3.61561
	FDI Nigeria	17	0.040	20.95363	6.31776

Table 16: T-test on the yield of foreign owned commercial real estates in Nigeria.

Independent Samples Test

		Levene's Test for Equality of Variances		T-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	T	df	Sig. (2-tailed)	Mean Differ-ence	Std. Error Difference	Lower	Upper
Yield	Equal variances assumed	.872	.360	-6.364	23	.000	-.017	6.91246	-58.29301	-29.69400
	Equal variances not assumed			-6.044	16.280	.000	-.017	7.27919	-59.40318	-28.58383

Assuming equal population means, from the independent samples test result, the calculated T-value is 6.364 with $p = 0.000 < 0.05$. This is greater than the critical T-value ($df = 23$) of 1.714. From the foregoing, the null hypothesis is rejected accordingly. Hence, there is a negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments ($t = 6.364$; $p < 0.05$).

4.5.2 Test of Hypothesis Two.

Null Hypothesis Two states that, there is no negative variation between the capital growth rate of foreign commercial real estate assets in Nigeria and international benchmark for commercial real estate investments. This was tested with T-test as follows:

Table 17: Descriptive Statistics

Group Statistics					
		N	Mean	Std. Deviation	Std. Error Mean
Capital Growth Rate	Global FDI	17	0.07	8.43495	2.25433
	FDI Nigeria	17	0.21	22.38668	6.74984

Table 18: T-Test on the capital growth rate of foreign commercial real estate in Nigeria

Independent Samples Test										
		Levene's Test for Equality of Variances		T-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Capital Growth Rate	Equal variances assumed	13.978	.06	-1.592	23	.05	.05	6.47312	-36.64391	-9.86259
	Equal variances not assumed			-1.268	12.238	.05	.05	7.11634	-38.72503	-7.78147

Assuming equal population means, from the independent samples test result, the calculated T-value is 1.592 with p = 0.06> 0.05. This is less than the critical T-value (df = 23) of 1.714. From the foregoing, the null hypothesis is not rejected; the null hypothesis is, therefore, accepted. Hence, there is no negative variation between the capital growth rate of foreign commercial real estate assets in Nigeria and international benchmark for commercial real estate investments (t = 1.592; p > 0.05).

4.5.3 Test of Hypothesis Three.

Null Hypothesis Three states that, there is no negative variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30%. This was tested with t-test as follows:

Table 19: Descriptive Statistics

Group Statistics					
		N	Mean	Std. Deviation	Std. Error Mean
Tax Rate on FDI	Global FDI Benchmark	17	0.3	51.00506	13.63168
	FDI Nigeria	17	0.3	51.00506	6.90359

Table 20: T-test on FDI tax responsibilities in Nigeria

Independent Samples Test										
		Levene's Test for Equality of Variances		T-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Tax Rate on FDI	Equal variances assumed	3.680	.068	-.866	23	.000	0	16.60445	-178.12814	-109.43031
	Equal variances not assumed			-.941	18.907	.000	0	15.28012	-175.77156	-111.78688

Assuming equal population means, from the independent samples test result, the calculated T-value is .866 with p = 0.68> 0.05. This is less than the critical T-value (df = 23) of 1.714. From the foregoing, the null hypothesis is therefore accepted. Hence, there is no negative variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30% (t = .8666; p > 0.05). This is as a result of no variation recorded in the score.

4.5.4 Test of Hypothesis Four.

Null Hypothesis Four states that, ownership structure risk has no significant effect on sustainability strategies of foreign commercial real estate investments in Nigeria. This was tested with Pearson Product Moment Correlation Coefficient. This statistical tool was utilised because it enables a researcher to measure the strength between variables and their relationships and to determine the strength of the relationship between two variables.

Correlations

Table 21: Descriptive Statistics of the Variables

	Mean	Std. Deviation	N
Ownership structure risk	9.8464	7.65811	17
Sustainability strategy	13.8786	5.97542	17

Table 22: Correlation Measures on the effect of ownership structure on sustainability strategies of foreign commercial real estates in Nigeria

Correlations	Value	Asymp. Std. Error	Approx. Sig.
Contingency Coefficient	0.258	0.116	0.000
Pearson's R	0.867	0.071	0.000
Spearman Correlation	0.867	0.071	0.000
N of Valid Cases	17		

Table 22 is the correlation matrix on the relationship showing the correlation coefficients, significant values and the number of cases. The correlation coefficient shows 0.867. This value indicates that correlation is significant at 0.00 level (2tailed) and implies that ownership structure risk has a significant effect on sustainability strategies of foreign direct commercial real estate investment in Nigeria ($r = .867$). The computed correlation coefficient is greater than the table value of $r = .195$ ($r = .867$, $p < .05$).

Decision Rule

The decision rule is to accept the null hypothesis if the computed r is less than the table r, otherwise reject the null hypothesis. Here, the computed r is greater than the table r, that is $0.867 > 0.195$. This indicates that ownership structure risk has significant effect on sustainability strategies of foreign commercial real estate investments in Nigeria. Therefore, we reject the null hypothesis.

4.6 Discussion of Results.

The first objective of this study was to determine the extent to which yield from foreign commercial real estate investments in Nigeria (using the malls/hotels) compare with international benchmark yield for commercial real estate. Data from Table 11 and the T-test results on Tables 15 and 16 ($t = 6.34$; $p < 0.05$) indicates that there is a negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments. Therefore, we reject the null hypothesis which stated that "there is no negative variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments". If the P value is less than 0.05, we reject the null hypothesis. Hence, from the P value of less than 0.05, there is a difference between the values.

The results show a disconnect from the foundations of the New Trade Theory on FDI inflows based on consistent yields. This theory believes that countries engage in foreign investment so as to receive increasing returns on their investments. Here, the yield of 4% is less than 5.7% of the global benchmark. Thus, the expected yield was not achieved.

The second objective of the study was to compare capital growth rate of foreign commercial real estate assets in Nigeria against international commercial real estate metrics. Data from Table 12 and the T-test results on Tables 17 and 18 ($t = 1.592$; $p > 0.05$) show that there is positive variation between the capital growth rate of foreign commercial real estate assets in Nigeria and international benchmark for commercial real estate investments.

The finding supports Oyewole's (2006) study of direct and indirect property investments in Lagos which examined the comparative performance of direct property of eight listed property companies, and UACN property development company shares within the period of 1999 to 2004. The author employed relative importance index, coefficient of variation measure and sharp ratio to estimate mean return, risk adjusted return, income appreciation and capital appreciation. The study showed that while indirect property performed better in terms of rate of return in absolute term and capital growth, the direct property performed better in terms of risk adjusted return.

Olaleye, Adegoke and Oyewole (2010) examined the characteristics of direct property and listed Property Company in comparison with other securities in the Nigerian Stock Exchange over the period of 2001 through 2007. The study evaluated the capital return and diversification potential of the investment media through the use of mean return, standard deviation, correlation and Sharp market index model. The results showed that while various investment options in real estate and stock market offered attractive returns, real estate investment outperformed stocks and offered diversification benefits for investors of a mixed assets portfolio as a result of positive capital growth trends.

The third objective of the study was to compare FDI tax responsibilities in Nigeria with global benchmark rate cap of 30%. The data from Table 13 as well as the T-test results shown in Tables 19 and 20 ($t = .866$; $p > .05$) indicates that there is no variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30%.

The result is in line with the findings of Hristu-Varsakelis, Karagianni and Saraidaris (2011) that analysed the national social welfare effect of taxation on foreign direct investment income from the operations of a multinational enterprise. The work treated FDI as endogenous to tax policy and considered rival government's strategic behaviour in the establishment of international tax policy. It argues that home and host countries will tax strategically so that the combined burden of their taxes is not prohibitive to FDI. The work further overturned the traditional opinion that tax exemption of FDI income is preferred to a tax credit since taxation of FDI falls on pure economic profits resulting in identical effects on firm-level production and pricing as well as the international distribution of profits and tax revenues. Hence either form of double taxation relief affords primary taxing authority to the host government.

The study is not in agreement with Agostini (2004) who examined the effects of state corporate income taxes on the location of foreign direct investment in the U.S., taking into account the endogeneity of taxes and the outside options of investors. He notes that "states have a set of characteristics that influence investors' decisions, some of them are not observable by a researcher but states take them into account when they set taxes. States can also act strategically with respect to other states when setting taxes. The former behaviour biases the estimated tax effects because it creates correlation between the error term and the tax rate. The latter behaviour directly implies an endogenous tax rate", (Agostini, 2004).

He therefore adopted a discrete choice model of differentiated products to estimate the tax effects. That is a Logit Model of demand adopted from the discrete-choice literature to investigate the effects of corporate taxes on investment location. He actually compared the expected after tax returns of different investors in different location choices insisting the firms would make greater investment in locations where after tax returns would be maximized. He concluded thus: "Overall, FDI in manufacturing was found to be quite sensitive to states' corporate tax rates. The estimated tax elasticity is estimated consistently around -1" (Agostini, 2004).

The fourth objective of the study was to ascertain the effect of ownership structure risk on sustainability strategies of foreign commercial real estate investments in Lagos and Abuja, Nigeria. Data from Table 14 and the correlation results from Tables 21 and 22 indicate that ownership structure risk has a significant effect on sustainability strategies of foreign direct commercial real estate investment in Nigeria ($r = .867; p < 0.05$).

The result is consistent with Dahai, Yanrui and Yihong (2010) who used three different yet related models, namely, logit, tobit and ordered probit models, that correspond to three different indicators of export performance. The study found that the export performance of Chinese foreign direct investment firms is related not only to foreign capital involvement but also to the extent of foreign investors' control. Foreign controlled enterprises were found more likely to show better export performance than those controlled by domestic investors. The findings of the study are in conflict with the work of Srairi (2015) who investigated the impact of ownership structure, measured by two dimensions: nature of owners and ownership concentration, on bank risk, controlling for country and bank specific traits and other bank regulations. Particularly, it compares risk-taking behaviour of conventional and Islamic banks in 10 MENA countries under three types of bank ownership (family-owned, company-owned and state-owned banks) over the period 2005-2009. The result shows a negative association between ownership concentration and risk which led to stable corporate structure. The study also found that different categories of shareholders have different risk attitudes. State-owned banks display higher risk and have significantly greater proportions of nonperforming loans than other banks.

The findings from this objective disavow the Market Imperfections Theory of FDI. This theory stressed on the ability of investors to maximise profits because they enjoy certain ownership advantages through which they are able to control the market.

The Nigerian Land Use Act poses an overbearing influence on control and establishing a lasting interest in commercial real estate in Nigeria. The provisions of the Land Use Act vested all land in the government to be held in trust and administered for the use and common good of all Nigerians. This means that people now have only possessory rights; hence, individuals are only entitled to rights of occupancy covered by statutory or customary certificates issued by the

Governor of a state or the Local Government Chairman for land in urban area or rural area respectively. The provisions of the Land Use Act of 1978 and the Nigerian Urban and Regional Planning Decree of 1992 made it mandatory for a developer to obtain two layers of approval from government. First, is for the acquisition of right to use and occupy land. Second is for the obtaining of approval to develop the land. The current mode of land acquisition and registration of titles is clumsy, non-transparent, rigorous and costly in this country.

Also, the power vested by the Act to the government to revoke right of occupancy for overriding public interest poses a great threat to sustainability of titles. This situation is worsened by the fact that holders of right of occupancy will only be entitled to compensation for economic crops/trees, unexhausted improvements and ground rent paid in the year of acquisition, if any. Another challenge here is the issue of consent. For real estate development transactions, land is used as collateral and banks are required to obtain a consent which they do at very heavy cost. The issue of ownership structure risk is made worse by the fact that the original documents which the banks place safely in their vaults may turn out to be worthless in the case of revocation of the right of occupancy and the withdrawal of the certificate.

The grant of freehold interest in real estate assets occupied by foreign investors; the availability of friendly and prudent process in the registration of title document / instruments and the payment of fair and adequate compensation in the case of acquisition and revocation of titles over real assets for overriding public interest is very essential for foreign direct investment to thrive in any country.

With respect to the general perspective of the study, it was found that the performance of FDI in Nigeria's commercial real estate sector compared favourably with the global benchmark. This is evident from the positive empirical results from the Nigerian sphere, which showed a better capital growth rate and comparable tax rate for FDIs. While, the Nigerian yield is lower than the global benchmark, it is pertinent to note that this is not significant due to the slight differential. Therefore, in this respect, the study agrees with the World Culture Theory of Globalization on FDI which assumes that the world is united in culture and perspective.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter provides an overview of salient findings emanating from the research. The results are aligned with the various objectives and hypotheses set out in the chapter one of the dissertation. Conclusion was drawn and necessary recommendations were made from the research findings.

5.1 Summary of Findings

This was made with respect to the objectives of the study

1. It was found that there was a variation between the yield of foreign commercial real estate investments in Nigeria and international benchmark yield for commercial real estate investments ($t = 6.364$; $p < 0.05$).
2. The study found that there was a positive variation between the capital growth rate of foreign commercial real estate assets in Nigeria and international benchmark for commercial real estate investments ($t = 1.592$; $p > 0.05$).
3. The study also found that there was no variation in the mean score of FDI tax responsibilities in Nigeria and global benchmark rate cap of 30% ($t = .8666$; $p > 0.05$).
4. It was also found that ownership structure risk had a significant effect on sustainability strategies of foreign direct commercial real estate investment in Nigeria ($r = .867$; $p < 0.05$).

5.2 Conclusion

While results from the Nigerian commercial real estate sector show a positive yield (4%), for foreign direct commercial real estate investment, it still fell short of the global benchmark of 5.7%. This was as a result of the fact that the rental value growth of the properties was not commensurate with the capital growth. However, the performance of FDI in Nigeria's commercial real estate sector compared favourably with the global benchmark given a higher

capital growth rate and comparable tax rate for FDIs. Result also showed that ownership structure risk has a significant effect on sustainability strategies of foreign direct investment in Nigeria. Therefore, the study concluded that Foreign Direct Investment into the Nigerian commercial real estate sector has compared favourably to the global benchmark performance; thus indicative of a satisfactory performance. This is in consistence with the World Culture Theory of Globalization and FDI.

5.3 Recommendations

Based on the findings and conclusion of this study, the following recommendations were made:

(i) The study advocates improvement in commercial property management practices to ensure optimum returns to investors, and invariably improve property yield. Property managers should inculcate the practice of tenant-mix as a key element in the letting of shopping malls so as to maximize occupancy rate and optimum return / turnover.

(ii) While capital growth rate of foreign commercial properties in Nigeria performed better than the global benchmark, it should be borne in mind that this may be reflective of the rate of inflation and currency depreciation in the country. Practitioners are advised to be mindful of this fact and not to rest on their laurels but embrace growth strategies that assure the competitiveness of their real estate investments in a dynamic environment as ours.

(iii) While the study found a uniform FDI tax rate of 30% with global statistics, the study recommends that government should pay more attention to tax incentives for foreign direct investors in a bid to encourage more of such investments in the real estate sector. Even where there is no tax incentive, the provision of infrastructures like good roads, steady or adequate power supply and security should be provided without compromise.

(iv) Given the effect of ownership structure risk on sustainability strategies of foreign direct commercial real estate investment in Nigeria, the study recommends that the Land Use Act (1978) must be reviewed immediately to alleviate land holding fears in the country and make

land policy more people and investor friendly; as it has been found that risk emanating from ownership structure has significant effect on investor decisions.

(v) Federal government and the Central Bank of Nigeria should design fiscal policies and programmes that will encourage foreign direct investment in Nigeria especially in the aspect of exchange rate, lending rate and healthy relationship between domestic industries and the foreign investors.

(vi) Commercial real estate investors should enhance their lease administration processes by having flexible leases and spaces.

5.4 Contributions to Knowledge

The study contributed to knowledge by providing empirical evidence on the attractiveness of foreign investment into the Nigerian real estate industry, with special emphasis on malls and hotels as representing foreign controlled commercial real estate. This enhancement of the body of knowledge on the discourse has enabled the avid investor to refrain from the erstwhile rule of thumb approach to investing in the sector. The study contributes to knowledge with the analysis of government land policy implications on the sustainability of foreign commercial real estate assets domiciled in Nigeria; a relationship that was found significant. Worthy to note that the study is beneficial to economists because it exposed factors that enhance economic growth of the host country. Therefore, the study contributes to knowledge by filling the gap in literature on the performance of FDI in the Nigerian commercial real estate sector as compared to the global benchmark performance indices, with the findings that yield, capital growth and tax compared favourably with the global benchmark indices. Thus, FDI in Nigeria's commercial real estate is significantly attractive.

5.5 Area for further Research.

The issues identified from the study for further research are:

(1) It is suggested that this study be replicated in other parts of Nigeria like the South Eastern parts of the country to either confirm or refute the findings of this study.

(2) Likewise, efforts should be made to replicate the study as it concerns FDI in the residential sector of the Nigerian real estate market.

(3) Evaluation of the effects of state corporate income taxes on the location of Foreign Direct Investment in Nigeria.

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APPENDIX I

Department of Estate Management

Nnamdi Azikiwe University,

Awka, Anambra State

22nd November, 2017.

Dear Respondent,

QUESTIONNAIRE ON AN APPRAISAL OF THE PERFORMANCE OF FOREIGN DIRECT INVESTMENT IN COMMERCIAL REAL ESTATE IN NIGERIA

I am conducting a research on an appraisal of the performance of Foreign Direct Investment in commercial real estate in Nigeria. The area covered by the research is the South–West and Abuja, Nigeria.

The research is in partial fulfillment of the requirements for the award of Doctor of Philosophy (Ph.D.) in Estate Management.

Your answers or comments or suggestions would be treated with utmost confidentiality. Kindly oblige.

Thank you.

Yours faithfully,

Obi Nkiruka
Researcher.

APPENDIX II

EFFECT OF OWNERSHIP STRUCTURE RISK ON SUSTAINABILITY STRATEGIES OF FOREIGN REAL ESTATE INVESTMENTS IN NIGERIA

QUESTIONNAIRE

Instruction: Please tick (√) against your choice of response to the questions indicating any of the following choices:

SA = Strongly Agree; A = Agree; U = Undecided; D = Disagree; SD= Strongly Disagree.

A	EFFECT OF OWNERSHIP STRUCTURE RISK ON SUSTAINABILITY STRATEGIES OF FOREIGN COMMERCIAL REAL ESTATE INVESTMENTS IN NIGERIA	Strongly Agree	Agree	Undecided	Disagree	Strongly disagree
1	Nature of title document of the estate is a fixture of the diversification decision tree analysis					
2	Threat of revocation of title for public overriding interest is a key consideration in corporate-level strategic planning					

3	Need for government assent on mortgage accessibility influences the sustainability design for stable cash flow					
4	Difficulty in obtaining title significantly affects the expansion plans of the company					
5	Structured long term leases affect environmental scanning aimed at improving revenue potential					
6	Ground rent payments have a significant effect on cash flow of the commercial real estate					
7	Delay in assessing town planning authorization has a negative influence in making improvements on the estate.					

APPENDIX III

Determination of Reliability of Instrument

Reliability Test Analysis

Case processing Summary

		N	%
Cases	Valid	10	100.0
	Excluded[a]	0	0
	Total	10	100.0

a. Listwise deletion based on all variables in the procedures.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized items	No of items
.850	.956	7